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BNP PARIBAS

$1,100,000,000 Undated Deeply Subordinated Non-Cumulative Notes
The Proceeds of Which Constitute Tier 1 Regulatory Capital
Issue Price: 100%

*The $1,100,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**") of BNP Paribas (the "**Issuer**") will be issued outside the French Republic and will bear interest at a fixed rate of 7.195% per annum from and including June 25, 2007 (the "**Issue Date**") to but excluding June 25, 2037, payable semi-annually in arrears on a non-cumulative basis on June 25 and December 25 of each year, commencing on December 25, 2007, and thereafter at a floating rate equal to 3-month USD Libor plus a margin equal to 1.29% per annum, payable quarterly in arrears on March 25, June 25, September 25 and December 25 of each year, commencing on September 25, 2037.*

Payment of interest on the Notes will be mandatory if the Issuer pays dividends on its ordinary shares and in certain other circumstances described herein. Otherwise, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes. Any interest not paid shall be forfeited and shall no longer be due and payable by the Issuer. Interest accrual may also be reduced if the Issuer's consolidated regulatory capital falls below required levels and in certain other circumstances.

The Notes are undated and have no final maturity. The Notes may, at the option of the Issuer but subject to the prior approval of the Secrétariat général de la Commission bancaire *("**SGCB**") or its successor, be redeemed at par in whole or in part on June 25, 2037 and on any Interest Payment Date (as defined in "Terms and Conditions of the Notes—Definitions" below) thereafter. In addition, the Notes may, in case of certain tax or regulatory events, be redeemed at par at any time (in whole but not in part), subject to the prior approval of the SGCB. The principal amount of the Notes may be written down to a minimum amount of one cent of one dollar if the Issuer incurs losses and certain regulatory capital events occur, subject to restoration in certain cases described herein. The Notes are subordinated to substantially all of the Issuer's other obligations, including in respect of ordinarily subordinated debt instruments. (See "Terms and Conditions of the Notes—Status of the Notes and Subordination".)*

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and traded on the regulated market of the Luxembourg Stock Exchange. The Notes are expected to be assigned a rating of "Aa3" by Moody's Investors Service, Inc., "A+" by Standard & Poor's Ratings Services and "AA-" by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

See "Risk Factors" below for certain information relevant to an investment in the Notes.

*The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the state securities laws of any state of the United States or any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Plan of Distribution" and "Notice to Investors".*

The Notes are not deposits of BNP Paribas and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

*The Notes sold in the United States pursuant to Rule 144A will be represented by one or more global certificates in registered form (together the "**Rule 144A Global Note**"). The Notes sold outside the United States pursuant to Regulation S will be represented by one or more global certificates in registered form (together the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be registered in the name of a nominee of, and will be deposited with a custodian for, The Depository Trust Company, New York ("**DTC**") on the Issue Date. It is expected that delivery of the Notes will be made only in book-entry form through the facilities of DTC and its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").*

This Offering Circular has not been submitted to the approval of the French securities regulator, the Autorité des marchés financiers.

BNP PARIBAS
Lead Manager and Sole Bookrunner

BNP PARIBAS
Structuring Advisor

CITI
Senior Co-Lead Manager

BANK OF AMERICA SECURITIES LLC,
HSBC, JPMORGAN, MERRILL LYNCH & CO.,
MORGAN STANLEY, WACHOVIA SECURITIES
Co-Lead Managers

The date of this Offering Circular is June 18, 2007

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This Offering Circular does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers or any affiliate of any of them to subscribe for or purchase, any Notes in any jurisdiction by any person to whom it is unlawful to make such an offer, invitation or solicitation in such jurisdiction. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions, including the United States, the United Kingdom and the French Republic, may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Plan of Distribution" below. No person is authorized to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date. In making an investment decision regarding the Notes, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of any of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is or shall be relied upon as a promise or representation, whether as to the past or the future.

This Offering Circular comprises a prospectus for the purposes of (i) Article 5.3 of the Prospectus Directive and (ii) the relevant implementing measures in the Grand Duchy of Luxembourg and, in each case, for the purpose of giving information with regard to the Issuer.

This Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

References herein to the "**Issuer**" or to the "**Bank**" are to BNP Paribas. References to the "**Group**" or the "**BNP Paribas Group**" are to BNP Paribas, together with its consolidated subsidiaries.

The Issuer accepts responsibility for the information contained in this Offering Circular. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is unlawful.

In connection with the issue of the Notes, BNP Paribas Securities Corp. (the "Stabilizing Manager") (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ADDITIONAL INFORMATION

The Issuer currently furnishes certain information to the SEC in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is one of the foreign private companies that claim exemption from the registration requirements of Section 12(g) of the Exchange Act. If, at any time, the Issuer is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), it will furnish, upon written request of a holder of the Notes or a prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) of the Securities Act.

LIMITATIONS ON ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a *société anonyme* duly organized and existing under the laws of France, and many of its assets are located in France. Many of its subsidiaries, legal representatives and executive officers and certain other parties named herein reside in France, and substantially all of the assets of these persons are located in France. As a result, it may not be possible, or it may be difficult, for a holder or beneficial owner of the Notes located outside of France to effect service of process upon the Issuer or such persons in the home country of the holder or beneficial owner or to enforce against such persons judgments obtained in non-French courts, including those judgments predicated upon the civil liability provisions of the U.S. federal or state securities laws.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. Statements that are not historical facts, including statements about the Issuer's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events.

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SUMMARY

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to the information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

BNP Paribas Group

The BNP Paribas Group (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has approximately 140,000 employees, 110,000 of whom are based in Europe. The Group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It has operations in 85 countries and has a strong presence in all the key global financial centers. Present throughout Europe, in all its business lines, France and Italy are its two domestic retail banking markets. BNP Paribas has a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, International Retail Banking and Financial Services, and Italian Retail Banking (BNL bc). The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, that are conducted outside of its core businesses.

At December 31, 2006, the Group had consolidated assets of €1,440.3 billion, consolidated loans and receivables due from customers of €393.1 billion and shareholders' equity (Group share including income for 2006) of €49.5 billion. Pre-tax net income for the year ended December 31, 2006 was €10.6 billion. Net income, Group share, for the year ended December 31, 2006 was €7.3 billion. Net banking income, Group share, for the year ended December 31, 2006 was €27.9 billion.

The Group currently has long-term senior debt ratings of "Aa1" with stable outlook from Moody's, "AA" with positive outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings. Moody's has also assigned the Bank a Bank Financial Strength rating of "B" and Fitch Ratings has assigned the Bank an individual rating of "A/B".

Terms and Conditions of the Notes

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalized terms used but not defined in this summary shall bear the respective meanings ascribed to them under "Terms and Conditions of the Notes". Prospective investors should also consider carefully, amongst other things, the factors set out under "Risk Factors".

Issuer:	BNP Paribas (the "**Issuer**" or the "**Bank**").
Description:	USD 1,100,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**").
Lead Manager and Bookrunner:	BNP Paribas Securities Corp.
Structuring Advisor:	BNP Paribas.
Fiscal Agent, Principal Paying Agent and Calculation Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Method of Issue:	The Notes will be issued on a syndicated basis.
Denomination:	USD 100,000 per Note.
Original Principal Amount:	USD 100,000 per Note, which amount may be permanently reduced in the event of a partial call as described below under "Call from the First Call Date".
Current Principal Amount:	Equal to the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions, as described below under "Loss Absorption" and "Reinstatement", respectively.
Maturity:	The Notes will be undated securities of the Issuer with no fixed redemption or maturity date.
Form of the Notes:	Each Note will be issued in the form of one or more fully registered global certificates, without coupons, registered in the name of a nominee of DTC and deposited with a custodian for DTC. Investors may hold a beneficial interest in the Notes through DTC, Euroclear or Clearstream, Luxembourg directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems.
Status of the Notes:	The Notes are deeply subordinated notes issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce*. The principal and interest on the Notes (which constitute *obligations* under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Parity Securities (as defined below), but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations (as defined below) and Unsubordinated Obligations (as defined below). In the event of liquidation, the Notes shall rank in priority to any payments to holders of Equity Securities (as defined below). There will be no limitations on issuing debt at the level of the Issuer or of any consolidated subsidiaries. "**Equity Securities**" means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer's share capital or other securities of the Issuer ranking junior to the Parity Securities.

"**Parity Securities**" means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and the Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, "Parity Securities" include, without limitation, BNP Paribas' US$1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 29, 2005, its EUR 1,000,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its US$400,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 12, 2006, its £450,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 19, 2006, its EUR 150,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006, its £325,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 13, 2007 and its US$600,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 6, 2007 and any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.'s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.'s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred III L.L.C.'s 6.625% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred IV L.L.C.'s 6.342% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred V L.L.C.'s 7.20% Noncumulative Company Preferred Securities and (vi) BNP Paribas Capital Preferred VI L.L.C.'s 5.868% Noncumulative Company Preferred Securities).

"**Ordinarily Subordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

"**Unsubordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

Regulatory Treatment:

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer ("**Tier 1 Capital**"). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognized as *fonds propres de base* by the *Secrétariat général de la Commission bancaire* ("**SGCB**"). The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "*Modalités de calcul du*

ratio international de solvabilité".

Negative Pledge: There will be no negative pledge in respect of the Notes.

Events of Default: There will be no events of default in respect of the Notes. However, the Notes must be redeemed in the event of liquidation of the Issuer, in an amount calculated on the basis of the Original Principal Amount of the Notes.

Interest: The Notes bear interest on their Current Principal Amount at a fixed rate of 7.195% per annum from, and including, June 25, 2007 (the "**Issue Date**") to, but excluding, the First Call Date payable semi-annually in arrears on a non-cumulative basis on June 25 and December 25 of each year (each a "**Fixed Rate Interest Payment Date**"), commencing on December 25, 2007.

Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month USD Libor plus a margin equal to 1.29% per annum payable quarterly in arrears on a non-cumulative basis on March 25, June 25, September 25 and December 25 of each year (each a "**Floating Rate Interest Payment Date**" and together with each Fixed Rate Interest Payment Date, an "**Interest Payment Date**"), commencing on September 25, 2037. For the avoidance of doubt, the Floating Interest Rate is equivalent to the Fixed Interest Rate following conversion of the Fixed Interest Rate into a floating interest rate using the mid-market interest rate swap rate in USD as quoted at the time of pricing for a period equivalent to the Fixed Rate Interest Period.

"**First Call Date**" means June 25, 2037.

"**Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

"**Floating Rate Interest Period**" means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"**Interest Period**" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

Interest payments are subject to the provisions set forth below under "Interest Payments", "Loss Absorption" and "Reinstatement".

Interest Payments: *Optional Non-Payment of Interest*

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraphs. The interest to be paid will be calculated on the basis of the Current Principal Amount of the Notes outstanding during any Interest Period.

For so long as the provisions set forth below under "Mandatory Interest Payment" do not apply, the Issuer may elect not to pay interest on any Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

Any amount of interest, excluding Broken Interest (as defined below), not so paid on an Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer.

Furthermore, the Issuer shall be required not to pay interest on the Notes, subject to the provisions set forth below under "Mandatory Interest Payment", if, on or at any time prior to the fifth Business Day prior to such Interest Payment Date, a Capital Deficiency Event (as defined below) has occurred or would occur upon payment of the interest due on such Interest Payment Date.

Notice of non-payment of interest on the Notes on any Interest Payment Date in accordance with the above provisions (an "**Interest Non-Payment Notice**") shall be given to the Noteholders no later than two Business Days prior to the relevant Interest Payment Date. Furthermore, payment of any Broken Interest (as defined below) will not be made on such Interest Payment Date.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

The amount of Broken Interest may be reduced pursuant to the provisions set forth below under "Loss Absorption". At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses, may be paid on the first Interest Payment Date after the end of a Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such Interest Payment Date shall be forfeited.

"**Broken Interest**" means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

"**Capital Deficiency Event**" means the first date on which either of the following events occurs:

(a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or

(b) the Issuer is notified by the SGCB, or its successor or any other relevant regulatory authority by which the Issuer is then-supervised (the "**Relevant Banking Regulator**"), that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

"**Applicable Banking Regulations**" means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

Mandatory Interest Payment

In the event that during the one-year period prior to any Interest Payment Date any of the following events occurs:

(i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or

(ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement (as defined under "Reinstatement" below), or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities);

then irrespective of whether an Interest Non-Payment Notice has been delivered and is outstanding, the Issuer shall be required to pay interest on the Notes accrued in respect of the Interest Period ending immediately prior to such Interest Payment Date (such payment, a "**Mandatory Interest Payment**" and such date a "**Mandatory Interest Payment Date**"); *provided, however*, that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) of this section.

The interest amount payable on each Note in relation to a Mandatory Interest Payment will be calculated as follows:

(x) if the Mandatory Interest Payment results from an event described in sub-paragraph (i) of this section, it will be calculated on the basis of the Current Principal Amount of such Note; and

(y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of this section, it shall be equal to the Notional Interest Amount.

"**Notional Interest Amount**" means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to "Optional Non-Payment of Interest" above, for the one-year period prior to, and including, such Interest Payment Date, calculated on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

"**Underlying Security**" means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

"**Underlying Security Payment Percentage**" means the ratio, calculated as a percentage, equal to (i) the payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Loss Absorption:

In the event that, at any time, a Capital Deficiency Event has occurred, the board of directors of the Issuer will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event in full, or if such event remains in effect at the end of the Quarter following the Quarter during which the Capital Deficiency Event has occurred, the board of directors of the Issuer will implement, within ten days, a reduction of the amount of Broken Interest, if any, and thereafter for purposes of computing the Interest Amount a reduction of the Current Principal Amount of the Notes (a "**Loss Absorption**"). "**Quarter**" means one quarter of a

calendar year, *i.e.*, January 1st to March 31st, April 1st to June 30th, July 1st to September 30th and October 1st to December 31st. Notwithstanding any other provision, the Current Principal Amount of each Note shall never be reduced to an amount lower than one cent of one dollar (USD 0.01).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the issuer to absorb losses in order to ensure the continuity of its activities in accordance with the Applicable Banking Regulations, will be (in the case that a Capital Deficiency Event has occurred pursuant to clause (a) of the definition thereof) the lower of (i) the amount of the excess of (a) the total consolidated capital required by Applicable Banking Regulations over (b) the total consolidated capital of the Issuer after the share capital increase or any other measures adopted by the shareholders' meeting of the Issuer to remedy such Capital Deficiency Event (or the total consolidated capital of the Issuer in the absence of such measures) and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction. In the case that a Capital Deficiency Event has occurred pursuant to clause (b) of the definition thereof, the amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced, will be determined by the Issuer with the consent of the Relevant Banking Regulator.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Reinstatement:

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the Current Principal Amount of the Notes (a "**Reinstatement**") on any date and in an amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount (as defined below) on any date that it determines if (i) a Mandatory Reinstatement Event (as defined below) has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

For the avoidance of doubt, following a Reinstatement the Current Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes.

"**Consolidated Net Income**" means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the difference

between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "Mandatory Reinstatement Event" in the preceding paragraph, the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

"**Restricted Payment**" means an Equity Securities Payment or a Parity Securities Payment.

"**Equity Securities Payment**" means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

"**Parity Securities Payment**" means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

Call from the First Call Date: The Issuer will have the right, subject to the prior consent of the Relevant Banking Regulator, to call the Notes in whole or in part on the Interest Payment Date falling on the First Call Date or upon any Interest Payment Date thereafter. Such call will be exercised at a price (the "**Base Call Price**") equal to the Original Principal Amount of the Notes plus any accrued but unpaid interest thereon.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from the Loss Absorption mechanism and the resulting reduced Current Principal Amount. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

Call before the First Call Date: The Issuer will have the right, and in certain circumstances the obligation, to redeem the Notes at the Base Call Price at any time (in whole but not in part) in case of imposition of withholding tax on interest payments on the Notes, in case of loss of deductibility of interest paid on the Notes for corporate income tax purposes and in case of loss of Tier 1 Capital status of the Notes due to a change in Applicable Banking Regulations, subject to the prior consent of the Relevant Banking Regulator.

Taxation: The Notes will, upon issue, benefit from an exemption from deduction for withholding tax. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts.

Use of Proceeds: The net proceeds of the issue of the Notes amount to approximately USD 1,089,000,000. The Issuer currently intends to use the proceeds from the issue of the Notes for general corporate purposes.

Clearing Systems: The Notes will be accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear.

Listing and Admission to Trading: Application has been made to the Luxembourg Stock Exchange for the Notes to

be admitted to the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

Selling Restrictions: The Issuer has not registered, and will not register, the Notes under the U.S. Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws.

Ratings: The Notes are expected to be assigned a rating of "Aa3" by Moody's Investors Service, Inc., "A+" by Standard & Poor's Ratings Services and "AA-" by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

As defined by Standard & Poor's, an obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Obligations rated 'A' by Moody's are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

As defined by Fitch an AA rating means very high credit quality and an expectation of very low credit risk. It indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Risk Factors: Prior to making an investment decision, prospective investors should read this offering circular and consider carefully matters discussed under "Risk Factors".

Governing Law: The Notes will be governed by, and construed in accordance with, the laws of the State of New York, except that Condition 3 (Status of the Notes and Subordination) will be governed by French law.

Global Note Codes: Rule 144A Global Note:
CUSIP: 055 65A AB9
ISIN: US05565AAB98

Regulation S Global Note:
CUSIP: F10 58Y HX9
ISIN: USF1058YHX97

RISK FACTORS

The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out and incorporated by reference in this Offering Circular, including in particular the investment considerations detailed below. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Offering Circular. Capitalized terms used but not defined in the following discussion bear the respective meanings ascribed to them under "Terms and Conditions of the Notes".

Risks Related to the Bank and its Operations

Principal Categories of Risk.

The main categories of risks inherent in the Bank's activities are summarized in this risk factor and described in detail under "Risk Management" herein. The risk factors following this one elaborate on or give specific examples of these different types of risks, and describe certain additional risks faced by the Bank.

- *Credit Risk.* Credit risk is the risk of incurring a financial loss on loans and receivables (existing or potential due to commitments given) as a result of changes in the creditworthiness of the Bank's debtors, which can lead to actual defaults. Creditworthiness is primarily measured based on the probability of default, combined with the chances of recovery of the loan or receivable in the event of default. Credit risk is measured at portfolio level based on groups of loans and/or receivables with similar credit risk characteristics, taking into account correlations between the values of the loans and receivables making up the relevant portfolio. Credit risk arises in relation to lending activities as well as market, investing and payment transactions that potentially expose the Bank to the risk of counterparty default. Counterparty risk refers to the bilateral credit risk with third parties with whom the transaction was effected where the amount varies over time according to market parameters affecting the transaction value.
- *Market and Liquidity Risk.* Market risk arises from trading and non-trading activities and is defined as the risk of incurring a financial loss as a result of adverse changes in market parameters. Trading market parameters include, but are not limited to, foreign exchange rates, security and commodity prices, derivatives prices, and prices of other marketable assets such as property or cars, as well as related factors such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading market parameters are based on assumptions – such as models – or statistical analysis, such as correlations.
  Liquidity is also an important component of market risk. In instances of little or no liquidity, goods or instruments may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions, or a one-way market.
  Market risk primarily arises in trading portfolios, but may also exist in other asset portfolios held in connection with the banking business, such as:

  - shareholdings; or

  - properties during the sale process or cars offered for leasing whose price level is indirectly affected by changes in the market value of the assets concerned.

- *Asset Liability Management Risk.* Asset-liability risk management is the risk of incurring a financial loss as a result of changes in interest rates, maturities and nature of assets and liabilities. For banking activities, asset-liability management risk affects non-trading portfolios and primarily relates to global interest rate risk. For insurance activities, it also includes the risk of changes in the value of shares and other assets (particularly property) held by the general insurance fund.
- *Liquidity and Refinancing Risk.* Refinancing risk corresponds to the risk of the Bank being unable to honour its obligations at an acceptable cost in a given currency and location.
- *Insurance Underwriting Risk.* BNP Paribas' insurance activities – which primarily relate to personal insurance – are subject to underwriting risk. This type of risk corresponds to an unexpected increase in insurance claims. Depending on the type of insurance business (life insurance, personal risks, or annuities), this risk may be statistical, macro-economic, or behavioural, or may be tied to public health issues or natural disasters.
- *Operational Risk.* Operational risk corresponds to the risk of incurring a financial loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. The management of operational risk is underpinned by an analysis of the cause - event - effect chain. The internal processes concerned may involve issues including human resources and systems. External events include but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or a change in value that

affects credit and market risks do not fall within the scope of operational risk. In general, therefore, operational risk encompasses legal risks, tax risks, information system risks and compliance risks. However, due to its importance and link with reputational risk, the Bank treats compliance risk separately from operational risk.

- *Compliance Risk.* Compliance risk is the risk of legal, administrative or disciplinary sanctions, or financial loss that a bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities (including instructions given by an executive body, particularly in application of guidelines issued by a supervisory body). By definition, this risk is a sub-category of operational risk. However, certain impacts related to compliance risk can represent more than a mere financial loss and may harm the Bank's reputation. It is for this reason that the Bank treats compliance risk separately.
- *Reputational Risk.* Reputational risk corresponds to the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other third party whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Adverse market or economic conditions may cause a decrease in net banking income or profitability.

As a global financial institution, the Bank's businesses are highly sensitive to changes in the financial markets and economic conditions generally in Europe (especially in France and Italy), the US and elsewhere around the world. Despite geopolitical uncertainties in 2005 and 2006, market conditions were favorable overall during this period. Adverse changes in market or economic conditions could, however, create a challenging operating environment for financial institutions in the future. Such adverse changes could result, in particular, from increases in commodity prices (including oil), increases in interest rates and adverse geopolitical events (such as natural disasters, acts of terrorism and military conflicts).

The Bank faces a number of specific risks, as highlighted in the following paragraphs, with respect to adverse future market or economic conditions. For example, financial markets in Europe, the US and elsewhere may decline or experience increased volatility, which could lead to a decline in merger and acquisition (and related financing) activity and capital markets transactions. In addition, adverse economic conditions could reduce demand for loans. These developments would adversely affect the Bank's net banking income, and, if it were unable to reduce expenses commensurately, its profitability. Revenues and profitability could also be depressed by marking to market losses from the Bank's securities portfolio or the recognition of goodwill impairments, all resulting from adverse market or economic developments.

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

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in private equity, property and other assets. These positions could be adversely affected by volatility in financial and other markets, i.e. the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. Volatility trends that prove substantially different from the Group's expectations may also lead to losses relating to a broad range of other trading and hedging products the Bank uses, including swaps, forwards and futures, options and structured products.

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

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

Market downturns are likely to lead to a decline in the volume of transactions that the Bank executes for its clients and, therefore, to a decline in its net banking income from this activity. In addition, because the fees that the Bank charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Bank receives from its asset management and private banking businesses.

Even in the absence of a market downturn, below-market performance by the Bank's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues the Bank receives from its asset management business.

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

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

Significant interest rate changes could adversely affect the Bank's net banking income or profitability.

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

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

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

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

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to the Bank's ability to attract and retain customers. The Bank's reputation could be harmed if it fails to adequately promote and market its products and services. The Bank's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Bank's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. At the same time, the Bank's reputation could be damaged by, employee misconduct, a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action. The loss of business that could result from damage to the Bank's reputation could have an adverse effect on its results of operations and financial position. An example of this risk is the UN Oil-for-Food program, in which the Bank's role has come under scrutiny, even though no risk has materialized to date.

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

As with most other banks, BNP Paribas relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Bank's customer relationship management, general ledger, deposit, servicing and/or loan organization systems. The Bank cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could have an adverse effect on the Bank's financial condition and results of operations.

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

Unforeseen events such as severe natural disasters, terrorist attacks or other states of emergency could lead to an abrupt interruption of the Bank's operations and, to the extent not covered by insurance, could cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events could also lead to additional costs (such as relocation of employees affected) and increase the Bank's costs (particularly insurance premiums). These types of event may also make it impossible for the Bank to obtain insurance coverage and thus increase its overall risk.

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

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimand, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of operating licences.

The Group's businesses and earnings can be affected by the fiscal measures and other policies adopted by regulatory authorities in France and other European Union countries, foreign governments or international agencies. The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond the Group's control. Such changes could include, but are not limited to, the following:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework (see "Capital Adequacy of the BNP Paribas Group—Planned Changes to the BIS Capital Standards");
- changes in the financial reporting environment; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership.

The Bank's risk management policies, procedures and methods may leave it exposed to unidentified or unanticipated risks, which could lead to material losses.

The Bank has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Bank's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, particularly risks that the Bank fails to identify or anticipate. Some of the Bank's qualitative tools and metrics for managing risk are based on its use of observed historical market behavior. The Bank applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures, e.g. if the Bank does not anticipate or correctly evaluate certain factors in its statistical models. This would limit the Bank's ability to manage its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

The Bank's hedging strategies may not prevent losses.

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

The Bank may have difficulty in identifying and executing acquisitions, which could materially harm the Bank's results of operations.

The Bank considers that external growth opportunities form part of its overall strategy. This strategy involves numerous risks. Although the Bank undertakes an in-depth analysis of the companies it plans to acquire, it is generally not feasible for these analyses to be complete in all respects. As a result, the Bank may assume unanticipated liabilities, or an acquired entity may not perform as well as expected. It is also possible that some or all of the planned synergies do not arise or that an acquisition leads to higher-than-expected costs. In addition, the Bank might have difficulty integrating an acquired entity. Failure to complete announced business combinations or failure to integrate acquired businesses successfully into those of the Bank could have a material adverse effect on the Bank's profitability. It could also lead to departures of key employees, or give rise to increased costs and reduced profitability if the Bank felt compelled to offer them financial incentives to remain.

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

Competition is intense in all of the Bank's primary business areas in France and the other countries in which it conducts large portions of its business, including other European countries and the United States. If the Bank is unable to respond to the competitive environment in France or in its other major markets by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the French economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors. In addition, new lower-cost competitors may enter the market, which may not be subject to the same capital or regulatory requirements or may have other inherent regulatory advantages and, therefore, may be able to offer their products and services on more favorable terms. An example of such a competitive threat in France is the creation of the Post Office Bank (*la Banque Postale*), which commenced retail banking operations on January 1, 2006, and is authorized to extend various types of credit, in particular mortgage loans.

Risks Related to the Notes

The Notes are deeply subordinated obligations.

The Issuer's obligations under the Notes are deeply subordinated obligations of the Issuer which are the most junior debt instruments of the Issuer, ranking *pari passu* among themselves and with all other present and future Parity Securities, and subordinated to and ranking behind the claims of all other unsubordinated and ordinarily subordinated creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer. In the event of liquidation, the Issuer's obligations under the Notes rank in priority only to any payments to holders of Equity Securities.

The principal amount of the Notes may be reduced to absorb losses of the Issuer.

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Tier 1 Capital of the Issuer. See "Terms and Conditions of the Notes—Status of the Notes and Subordination" and "Capital Adequacy of the BNP Paribas Group" below. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Notes may be restricted and, in certain cases, forfeited and the amount of Broken Interest and the Current Principal Amount of the Notes may be reduced, nearly to zero. See "Terms and Conditions of the Notes – Loss Absorption and Return to Profitability".

There are certain restrictions on payments under the Notes.

For so long as the mandatory interest provisions do not apply, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes on any Interest Payment Date. Any interest not so paid on any such Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer, save as otherwise provided. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

In addition, in certain circumstances, payment of interest will be suspended automatically upon the occurrence of a Capital Deficiency Event. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

There is no limitation on issuing or guaranteeing debt.

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

The Notes are undated securities.

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in "Terms and Conditions of the Notes—Redemption and Purchase").

The Noteholders have no right to require redemption of the Notes, except if a judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason. See "Terms and Conditions of the Notes—Mandatory Redemption" below.

The Notes may be redeemed under certain circumstances.

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. Nevertheless, the Notes may be redeemed at the option of the Issuer (i) in whole or in part on the First Call Date and on any Interest Payment Date thereafter and (ii) in whole (but not in part) at any time for certain tax or regulatory reasons. See "Terms and Conditions of the Notes—Redemption and Purchase".

In certain circumstances for tax reasons (see "Terms and Conditions of the Notes—Redemption and Purchase"), the Issuer will be required to redeem the Notes in whole (but not in part).

In each case, early redemption of the Notes is subject to the prior approval of the Relevant Banking Regulator.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

There is no prior market for the Notes.

There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes or that Noteholders will be able to sell their Notes in the secondary market. There is no obligation to make a market in the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange and admit them to trading on the EU-regulated market of the Luxembourg Stock Exchange.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

Payments of interest on the Notes, or profits realized by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally in France and as a result of the entry into force of the EU Directive 2003/48/EC on the taxation of savings income is described under "Taxation" below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuer advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

USE OF PROCEEDS

The net proceeds of the issue of the Notes amount to approximately USD 1,089,000,000, and will be used for general corporate purposes by the Issuer.

EXCHANGE RATE AND CURRENCY INFORMATION

In this Offering Circular, references to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. Most of the financial data presented in this Offering Circular are presented in euros. The Group began presenting its financial information in euros as of the advent of the euro on January 1, 1999. References to "USD", "$", "U.S.$" and "U.S. dollars" are to United States dollars. References to "cents" are to United States cents. Certain financial information contained herein is presented in euros. On May 31, 2007, the Noon Buying Rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York (the "Noon Buying Rate") was U.S.$1.3453 per one euro.

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

Month **U.S. dollar/Euro**	**Period End**	**Average rate***	**High**	**Low**
May 2007	1.36	1.35	1.36	1.34
April 2007	1.36	1.35	1.36	1.34
March 2007	1.33	1.32	1.34	1.31
February 2007	1.32	1.31	1.32	1.29
January 2007	1.30	1.30	1.33	1.29
December 2006	1.32	1.32	1.33	1.31
Year **U.S. dollar/Euro**				
2006	1.32	1.26	1.33	1.19
2005	1.18	1.24	1.35	1.17
2004	1.35	1.24	1.36	1.18
2003	1.26	1.13	1.26	1.04
2002	1.05	0.95	1.05	0.86

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

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

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements as of December 31, 2006 and for the years ended December 31, 2006 and December 31, 2005 and as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 have been prepared in accordance with international financial reporting standards ("IFRS"). IFRS differs in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). For a narrative discussion of certain differences between IFRS and U.S. GAAP with respect to the financial statements, see "Summary of Certain Differences between IFRS and U.S. GAAP". The Group has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the BNP Paribas Group and the terms of any offering. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the information herein.

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

The Group, like all companies with securities listed on European securities exchanges, was required by European Union directives to adopt international financial reporting standards (IFRS) as of January 1, 2005, with retroactive effect to January 1, 2004. There are material differences between IFRS applicable in 2004 ("**2004 IFRS**") and IFRS applicable in 2005 ("**EU-IFRS**"); accordingly, the Group's results for 2005 are not directly comparable to its results for 2004. For a summary of the material differences between 2004 IFRS and EU-IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 included herein.

In this Offering Circular, all references to "billions" are references to one thousand million. Due to rounding, the numbers presented throughout this Offering Circular may not add up precisely, and percentages may not reflect precisely absolute figures. The Group's fiscal year ends on December 31, and references in this Offering Circular to any specific fiscal year are to the twelve-month period ended December 31 of such year.

CAPITALIZATION OF THE GROUP

Except as set forth in this section, there has been no material change in the capitalization of the Group since March 31, 2007.

The following table sets forth the consolidated capitalization of the Group as of March 31, 2007 and December 31, 2006.

(in millions of euros)	As of March 31, 2007	As of December 31, 2006
Medium- and Long-Term Debt of which the unexpired term to maturity is more than one year[(1)]		
Debt securities at fair value through profit or loss	45,918	43,773
Other debt securities	46,321	45,136
Subordinated debt	15,133	14,072
Total Medium- and Long-Term Debt	**107,372**	**102,981**
Shareholders' Equity and Equivalents		
Issued capital [(2)]	1,866	1,868
Additional paid-in capital	13,838	13,721
Preferred shares and equivalent instruments[(3)]	4,447	4,447
Retained earnings[(4)]	22,628	21,648
Unrealized or deferred gains and losses attributable to shareholders	4,958	5,025
Undated participating subordinated notes[(5)]	274	290
Undated subordinated FRNs[(6)]	1,169	1,214
Total Shareholders' Equity and Equivalents	**49,180**	**48,213**
Minority interests[(7)]	5,189	5,087
Total Capitalization	**161,741**	**156,281**

Notes:

1) Medium- and long-term debt does not include the following items: interbank items and customer term deposits. All medium- and long-term senior debt of BNP Paribas ranks equally with deposits. The subordinated debt of BNP Paribas is subordinated to all other debt with the exception of undated participating subordinated notes (*titres participatifs*).

   BNP Paribas and its subsidiaries issue medium- to long-term debt on a continuous basis, particularly through private placements in France and abroad.

   Euro against foreign currency – as of March 31, 2007: CAD = 1.540681; GBP = 0.67859; CHF = 1.623221; HKD = 10.43738; JPY = 157.37375; USD = 1.3356.

2) The number of shares outstanding has increased since December 31, 2006. BNP Paribas' share capital was modified on January 22, 2007: it stands at €1,865,756,980 divided into 932,878,490 common shares with a par value of €2 per share, all fully paid.

3) In June 2005, BNP Paribas issued $1,350 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.186% per annum for a period of ten years. Thereafter, BNP Paribas may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to 3-month USD Libor plus a margin equal to 1.68% per annum.

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

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

In April 2006, BNP Paribas issued €750 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 4.73% per annum from and including April 12, 2006 to but excluding April 12, 2016, payable annually in arrears on a non-cumulative basis on April 12 of each year, commencing on April 12, 2007, and thereafter at a floating rate equal to 3-month Euribor plus a margin equal to 1.69% per annum, payable quarterly in arrears on January 12, April 12, July 12 and October 12 of each year commencing on July 12, 2016. As from April 12, 2016, BNP Paribas may redeem the notes at par on each interest payment date.

In April 2006, BNP Paribas issued £450 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.945% per annum from and including April 19, 2006 to but excluding April 19, 2016, payable annually in arrears on a non-cumulative basis on April 19 of each year, commencing on April 19, 2007, and thereafter at a floating rate equal to 3-month GBP LIBOR plus a margin equal to 1.13% per annum, payable quarterly in arrears on January 19, April 19, July 19 and October 19 of each year commencing on July 19, 2016. As from July 19, 2016, BNP Paribas may redeem the notes at par on each interest payment date.

In July 2006, BNP Paribas issued EUR 150 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.45% per annum from and including July 13, 2006 to but excluding July 13, 2026, payable annually in arrears on a non-cumulative basis on July 13, 2007, and thereafter at a floating rate equal to 3-month Euribor plus a margin equal to 1.92% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2026.

Also in July 2006, BNP Paribas issued £325 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.954% per annum from and including July 13, 2006 to but excluding July 13, 2016, payable annually in arrears on a non-cumulative basis on July 13 of each year, commencing on July 13, 2007, and thereafter at a floating rate equal to 3-month GBP LIBOR plus a margin equal to 1.81% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2016.

In April 2007, BNP Paribas issued €750 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.019% per annum from and including April 13, 2007 to but excluding April 13, 2017, payable annually in arrears on a non-cumulative basis on April 13 of each year, acommencing on April 13, 2008, and thereafter at a floating rate equal to 3-month Euribor plus a margin equal to 1.72% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on July 13, 2017.

4) After estimated distribution and deduction at cost of 4,724,282 BNP Paribas shares held by BNP Paribas as at December 31, 2005 and 25,211,909 BNP Paribas shares held by BNP Paribas as at December 31, 2006.

5) In July 1984, BNP issued 1,800,000 undated participating subordinated notes (titres participatifs) with a par value of FF 1,000, for total issue proceeds of €274 million. Rights to subscribe to additional undated participating subordinated notes were attached to each of these notes. In respect of rights exercised between July 1 and July 30, 1985, 1986, 1987 and 1988, BNP issued a total of 412,761 new undated participating subordinated notes with a face value of FF 1,000 and received an issue premium of €4 million. These notes are redeemable only in the event of a liquidation of BNP Paribas but may be redeemed in accordance with the terms of the French Law of January 3, 1983.

6) In October 1985, BNP issued €305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). These notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all of the Bank's other debts but senior to the undated participating subordinated notes issued by BNP Paribas. The Board of Directors is entitled to postpone the interest payments on these securities if the shareholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP raised a further $500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In 1996, 1997 and the first half of 1998, BNP issued undated floating-rate subordinated notes that may be called at the issuer's discretion, starting from a date specified in the issuing agreement and contingent upon the consent of the *Commission Bancaire.*

7) In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of BNP Paribas, issued $500 million of noncumulative preferred securities, which do not dilute earnings per ordinary share. They pay a contractual dividend of 7.738% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to LIBOR.

In October 2000, BNP Paribas Capital Preferred LLC, a wholly-owned subsidiary of BNP Paribas, issued $500 million of noncumulative preferred securities, via BNP Paribas Capital Trust. They pay a contractual dividend of 9.003% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to LIBOR.

In October 2001, BNP Paribas Capital Preferred III LLC, a wholly-owned subsidiary of BNP Paribas, issued €500 million of noncumulative preferred securities, via BNP Paribas Capital Trust III. They pay a contractual dividend of 6.625% for a

period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

In January 2002, BNP Paribas Capital Preferred IV LLC, a wholly owned subsidiary of BNP Paribas, issued €660 million of noncumulative preferred securities, via BNP Paribas Capital Trust IV. They pay a contractual dividend of 6.342% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

In June 2002, BNP Paribas Capital Preferred V LLC, a wholly-owned subsidiary of BNP Paribas, issued $650 million of noncumulative preferred securities, via BNP Paribas Capital Trust V. They pay a contractual dividend of 7.20%. As from June 30, 2007, the issuer may redeem the securities at par on each dividend payment date.

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

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group (i) as of December 31, 2006, December 31, 2005 and January 1, 2005 and for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, and (ii) as of and for the years ended December 31, 2003 and 2002.

The selected financial data for the Group as of December 31, 2006, December 31, 2005 and January 1, 2005 and for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2006 and for the years ended December 31, 2006 and December 31, 2005 and as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 included herein. The selected financial data for the Group as of and for the years ended December 31, 2003 and 2002 and the financial statements from which they are derived have been prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP.

The selected financial data for the Group as of December 31, 2006 and for the years ended December 31, 2006 and December 31, 2005 and as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 and the financial statements from which they are derived have been prepared in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain differences between IFRS and U.S. GAAP with respect to the Group's audited consolidated financial statements, see "Summary of Certain Differences Between IFRS and U.S. GAAP". For a discussion of the Group's transition to IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004. As discussed therein, there are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS").

Given that the principles for recognition, classification and measurement of financial instruments under EU-IFRS vary significantly from the principles that applied under 2004 IFRS, the effects on the balance sheets of banks are particularly substantial. As a result, the Group has decided to disclose not only the effects on the balance sheet at December 31, 2004 of the transition from French GAAP to 2004 IFRS, but also the effects of the transition from 2004 IFRS to EU-IFRS. This has been done by preparing a balance sheet at January 1, 2005 under EU-IFRS. Consequently, this balance sheet and the notes thereto serve as the basis for the comparisons throughout this information statement with the balance sheet as at December 31, 2005.

BNP Paribas Group Consolidated Income Statement (IFRS)	**Year ended December 31,**		
	2006	**2005***	**2004***
	(in millions of euros)		
Net interest income[1]	9,124	7,733	7,554
Net commission income[1]	6,104	4,547	4,373
Net gain on financial instruments at fair value through profit or loss[2]	7,573	5,212	3,366
Net gain on available-for-sale financial assets[3]	1,367	1,353	1,450
Net income from other activities	3,775	3,009	2,626
Net banking income	**27,943**	**21,854**	**19,369**
Operating expense and depreciation	(17,065)	(13,369)	(12,043)
Gross operating income	**10,878**	**8,485**	**7,326**
Cost of risk	(783)	(610)	(685)
Operating income	**10,095**	**7,875**	**6,641**
Share of earnings of associates	293	352	407
Net gain on non-current assets	195	211	64
Change in value of goodwill	(13)	(14)	7
Income taxes	(2,762)	(2,138)	(1,764)
Minority interests	(500)	(434)	(416)
Net income attributable to the BNP Paribas Group	**7,308**	**5,852**	**4,939**

* There are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS"), only some of which are noted here.

(1) Under EU-IFRS, some commission income is treated as an additional component of interest and hence as an integral part of the effective interest rate in accordance with IAS 39. Consequently, this income is recorded in "Net interest income". Under 2004 IFRS, the corresponding income was included in "Net commission income", as IAS 39 was not applicable in 2004.

(2) Under 2004 IFRS, "Financial instruments at fair value through profit or loss" consists solely of trading account financial instruments. Under EU-IFRS, this item also includes financial instruments designated as fair value through profit or loss under the fair value option.

(3) Under 2004 IFRS, "Available-for-sale financial assets" comprises the assets classified under French GAAP as securities available for sale, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment.

BNP Paribas Group Consolidated Income Statement (French GAAP)	**Year ended December 31,**	
	2003	**2002**
	(in millions of euros)	
Net interest and assimilated income	6,794	5,707
Net gains on financial operations	4,597	4,826
Net commissions [1]	5,951	5,618
Other net income	593	642
Net banking income	17,935	16,793
Operating expense and depreciation	(11,285)	(10,955)
Gross operating income	6,650	5,838
Net additions to provisions for credit risks and country risks	(1,361)	(1,470)
Operating income	5,289	4,368
Gains on disposal of long-term investments, net of provisions	912	903
Share of earnings of companies carried under the equity method	131	80
Other income and expenses	(746)	(538)
Income taxes	(1,481)	(1,175)
Minority interests	(344)	(343)
Net income attributable to the BNP Paribas Group	3,761	3,295

(1) Includes insurance activities.

BNP Paribas Group Consolidated Balance Sheet (IFRS)	**At December 31, 2006**	**At December 31, 2005**	**At January 1, 2005**
		(in millions of euros)	

Assets			
Cash and amounts due from central banks and post office banks	9,642	7,115	6,888
Financial assets at fair value through profit or loss	744,858	700,525	539,510
Derivatives used for hedging purposes	2,803	3,087	2,581
Available-for-sale financial assets	96,739	92,706	75,778
Loans and receivables due from credit institutions	75,170	45,009	40,983
Loans and receivables due from customers	393,133	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios	(295)	(61)	-
Held-to-maturity financial assets	15,149	15,445	26,130
Current and deferred tax assets	3,443	2,135	2,140
Accrued income and other assets	66,915	65,327	41,332
Investments in associates	2,772	1,823	2,720
Investment property	5,813	5,255	4,551
Property, plant and equipment	12,470	9,213	8,159
Intangible assets	1,569	1,225	1,175
Goodwill	10,162	8,079	6,328
Total Assets	1,440,343	1,258,079	1,002,503
Liabilities and Shareholders' Equity			
Due to central banks and post office banks	939	742	256
Financial liabilities at fair value through profit or loss	653,328	610,681	457,126
Derivatives used for hedging purposes	1,335	1,015	450
Due to credit institutions	143,650	118,893	100,188
Due to customers	298,652	247,494	211,487
Debt securities	121,559	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios	367	901	1,022
Current and deferred tax liabilities	2,306	2,206	1,653
Accrued expenses and other liabilities	53,661	48,446	34,056
Technical reserves of insurance companies	87,044	76,523	64,518
Provisions for contingencies and charges	4,718	3,850	3,983
Subordinated debt	17,960	16,706	13,042
Minority interests in consolidated subsidiaries	5,312	5,275	4,814
Shareholders' equity (group share)	49,512	40,718	32,311
Total Liabilities and Shareholders' Equity	1,440,343	1,258,079	1,002,503

BNP Paribas Group Consolidated Balance Sheet (French GAAP)	**At December 31,**	
	2003	**2002**
	(in millions of euros)	
Assets		
Interbank and money market items	274,908	240,386
Customer items	221,973	225,341
Securities and insurance company investments	169,786	121,734
Long term investments	8,403	13,074
Tangible and intangible assets	9,008	8,640
Accrued income and other assets	93,420	94,597
Goodwill	5,578	6,547
Total Assets	783,076	710,319
Liabilities and Shareholders' Equity		
Interbank and money market items	191,254	177,905
Customer items	210,621	195,569
Bonds and negotiable debt instruments	83,101	84,057
Other accounts [(1)]	250,691	206,528
Subordinated debt	13,226	14,283
Reserve for general banking risks	843	997
Minority interests in consolidated subsidiaries	5,019	4,535
Shareholders' equity (group share)	28,321	26,445
Total Liabilities and Shareholders' Equity	783,076	710,319

(1) Includes technical reserves of insurance companies, accrued expenses and other liabilities (including premiums received on written options) and provisions for risks and charges.

BNP Paribas Group Capital Ratios (IFRS)	**At December 31,**		
	2006	**2005**	**2004**
Total ratio	10.5%	11.0%	10.3%
Tier 1 ratio	7.4%	7.6%	8.1%
Risk-weighted assets (in € billions)	463	378	324

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

The following discussion and analysis relates to the results of operations and financial condition of the Group for the year ended and as of December 31, 2006 as compared to the year ended and as of December 31, 2005, and for the year ended and as of December 31, 2005 as compared to the year ended December 31, 2004 and as of January 1, 2005. It should be read in conjunction with "Selected Financial Data" and the audited consolidated financial statements of the Group as of and for the years ended December 31, 2006 and 2005 and as of January 1, 2005 and for the year ended December 31, 2004.

Economic Conditions

The following table sets forth (i) the average annual growth rates, expressed as percentages, for French, Euro zone and U.S. gross domestic product ("GDP"), (ii) short-term interest rates (3-month Euribor) and long-term interest rates in France as of the end of each year indicated, and (iii) the percentage increases/decreases in the S&P 500, FTSE 100 and CAC 40 indices as of the end of each year indicated.

	2004	2005	2006
French GDP[1]	2.0%	1.2%	2.1%
Euro zone GDP[2]	1.8%	1.5%	2.8%
U.S. GDP[3]	3.9%	3.2%	3.3%
Short-term interest rates (3-month Euribor)[4]	2.16%	2.49%	3.73%
Long-term interest rates (France)[5]	3.67%	3.29%	3.99%
S&P 500*	9.0%	3.8%	13.6%
FTSE 100*	7.5%	15.9%	10.7%
CAC 40*	7.4%	22.3%	17.5%

1 Source: INSEE. Figure for 2006 based on a preliminary estimate.
2 Source: Eurostat
3 Source: U.S. Bureau of Economic Analysis
4 Source: Banque de France
5 Source: Banque de France
* Percent change from January 1 through the end of the period.

In 2004, global economic growth was particularly sustained, even though its pace remained limited in Europe. This overall positive environment helped to lift corporate earnings and reduce the overall number of corporate bankruptcies. Capital markets, which were more bullish at the beginning of the year, remained hesitant thereafter, with uneven trading volumes and historically low volatility. The U.S. dollar continued to depreciate against the euro and thus to weigh on the results of European companies doing business in the United States (including the Group, as summarized below). During 2005, the global economy grew at a slower, albeit sustained pace, in the face of rising oil prices and tightening monetary policy, in particular in the United States. Overall growth proved to be much weaker in Europe than in the United States, continuing the trend of prior years. In 2006, global economic growth remained vigorous, including in the United States where growth remained strong despite a slow-down at year-end. Oil prices peaked in the middle of 2006, and then significantly decreased in the second half of the year, diminishing inflationary fears.

The year 2004 was marked by relative stability in short-term interest rates, while long-term rates declined. In 2005, 3-month EURIBOR began to increase in the latter part of the year in response to tightening monetary policy, while long-term rates continued their downward trend. During 2006, short-term interest rates in the U.S. and Europe increased, while long-term rates also moderately increased, remaining well below historical levels.

In 2004, U.S. and European financial markets posted healthy gains, though they were more muted than in 2003. During 2005, European financial markets continued to record healthy gains, while U.S. markets remained mostly flat. In 2006, the main stock market indices ended the year at five-year highs, notwithstanding tensions due to higher oil prices.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. After an initial three-year period in which the euro generally depreciated against the U.S. dollar, in 2003 and 2004 the euro generally appreciated against the U.S. dollar thus weakening European exports in real terms and decreasing the value of dollar-denominated earnings of French companies, including the

Group's U.S. operations. In 2005, this trend reversed itself, with the U.S. dollar gradually appreciating against the euro, thereby increasing the value of the Group's dollar-denominated earnings. This trend was reversed in 2006, as the dollar maintained a moderate downward trend against the euro. For more information on the euro/dollar exchange rates for the period under review, see "Exchange Rate and Currency Information".

Basis of Presentation

General

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 3 of the audited consolidated financial statements as of and for the year ended December 31, 2006 included herein, for further segment information.

The divisional analysis is prepared on a basis that ensures the comparability of results across the Group's divisions by assuming a consistent allocation of Group capital across those divisions. Imputed revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division generally corresponds to the amount required to comply with international capital adequacy ratios and is based on 6% of risk-weighted assets. For capital markets activities, "market risk equivalent assets" are computed in line with the requirements of the CAD Regulation relating to market and counterparty risks. Additional capital equal to 0.25% of assets under management is allocated to Private Banking, Asset Management and online brokerage. In Real Estate Services and Securities Services, additional capital is allocated in respect of operational risk. The capital allocated to proprietary equity and real estate investment activities corresponds to a certain percentage of the net book value of the securities or properties. The percentage varies depending on the type of investment and is designed to reflect the actual risk. Capital allocated to the Insurance business is equal to the solvency requirements as determined according to insurance regulations.

Although the divisional net banking income presented for French Retail Banking includes 100% of the income of the Private Bank in France (the business of which is conducted through the French branch network), the results for Retail Banking as a whole include only two-thirds of the French Private Bank's income, with the remaining third being allocated to Asset Management and Services.

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

Change in Accounting Principles; Transition to IFRS

The Group, like all companies with securities listed on a European securities exchange, was required by European Union directives to adopt international financial reporting standards (IFRS) as of January 1, 2005, with retroactive effect to January 1, 2004. Prior to January 1, 2005, the Group prepared its financial statements in accordance with French GAAP. The discussions in this section relating to the Group's results of operations and financial condition for the year ended and as of December 31, 2005 as compared to the year ended December 31, 2004 and as of January 1, 2005, as well as the financial statements on which they are based, have been prepared in accordance with IFRS as in effect at the relevant date.

There are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS"). In particular, EU-IFRS includes certain additional standards (specifically, IAS 32 (relating to financial instrument disclosure and presentation), IAS 39 (relating to financial instrument recognition and measurement) and IFRS 4 (relating to insurance contracts)) that apply only to financial statement periods subsequent to January 1, 2005. Accordingly, the Group's results of operations for the year ended December 31, 2004, as set out in the income statement for the year ended December 31, 2004 and in the discussion below under "—Results of operations by division" and "—Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004, are not directly comparable to its results of operations for the year ended December 31, 2005, as set out in the income statement for the year ended December 31, 2005 and in the discussion below under "—Results of operations by division" and "—Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004. The Group has therefore prepared an unaudited quantified simulation of the effect of applying EU-IFRS on its income statement for the year ended December 31, 2004, a summary of which is set forth for informational purposes under "–Transition to IFRS and 2005 Results" after the discussion below under "–Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004.

Given that the principles for recognition, classification and measurement of financial instruments under EU-IFRS vary significantly from the principles that applied under 2004 IFRS, the effects on the balance sheets of banks are particularly

substantial. As a result, the Group has decided to disclose not only the effects on the balance sheet at December 31, 2004 of the transition from French GAAP to 2004 IFRS, but also the effects of the transition from 2004 IFRS to EU-IFRS. This has been done by preparing a balance sheet at January 1, 2005 under EU-IFRS. This balance sheet serves as the basis for the comparisons included in the "—Financial Condition" part of the subsection "—Year Ended December 31, 2005 as Compared with Year Ended December 31, 2004".

For a detailed discussion of the Group's transition to IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein. These financial statements present the Group's financial statements published under French GAAP in respect of the 2004 financial year, and restate them to comply with 2004 IFRS. They also describe the principal reclassifications and restatements made to shareholders' equity at January 1, 2004, to the profit and loss account for the year ended December 31, 2004 and to the balance sheet at December 31, 2004 in order to comply with 2004 IFRS, and the principal reclassifications and restatements made to the balance sheet and to shareholders' equity at January 1, 2005 to comply with EU-IFRS (which includes IAS 32, IAS 39 and IFRS 4).

In particular:

- Note 1.a sets out in detail the principal reclassifications and restatements made to the profit and loss account for the year ended December 31, 2004 in order to implement the change from French GAAP to 2004 IFRS;
- Note 1.b sets out in detail the principal reclassifications and restatements made to the balance sheet at December 31, 2004 in order to implement the change from French GAAP to 2004 IFRS, as well as the principal reclassifications and restatements made to the balance sheet at December 31, 2004 in order to implement the change from 2004 IFRS to EU-IFRS; and
- Note 1.c sets out in detail the principal restatements, broken down by accounting principle or standard, made to comply with 2004 IFRS and EU-IFRS, including restatements made to the profit and loss account for the year ended December 31, 2004 as well as restatements made to the balance sheet at January 1, 2004 and January 1, 2005.

With respect to 2006, the Group has not applied IFRS standards, amendments and interpretations whose application in 2006 was optional, in particular IFRS 7 – Financial Instruments: Disclosures, which has no impact on the measurement and recognition of transactions.

Year Ended December 31, 2006 as Compared with Year Ended December 31, 2005

The following discussion presents the financial condition of the BNP Paribas Group as of December 31, 2006 as compared to December 31, 2005, as well as the results of operations for the BNP Paribas Group for the year ended December 31, 2006 as compared to the year ended December 31, 2005. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

The principal change affecting the comparability of the Group's results generally between the year ended December 31, 2006 and the year ended December 31, 2005 resulted from the consolidation of BNL as of April 1, 2006 following its acquisition by the Group. For the year ended December 31, 2006, BNL contributed €2,294 million to the Group's revenues, €1,476 million to operating expenses and depreciation (excluding restructuring costs), €240 million to the cost of risk (i.e. provisions) and €588 million to pre-tax income.

In addition to the consolidation of BNL, the other principal changes affecting the comparability of the Group's results generally between the year ended December 31, 2006 and the year ended December 31, 2005 were (i) the proportional integration of LaSer Cofinoga on a full year basis (it had been accounted for as an associated company until October 1, 2005) within International Banking and Financial Services core business, (ii) the consolidation of UkrSibbank within the Emerging Markets segment as of the second quarter of 2006, following its acquisition by the Group and (iii) the consolidation of Kommercial Federal within BancWest as of December 1, 2005.

Results of operations by division

French Retail Banking

(in millions of euros)	**2006***	**2005***	***Change (2006/2005)***
Net banking income	**5,850**	**5,451**	***+7.3%***
Of which net interest income	3,380	*3,189*	*+6.0%*
Of which fees and commissions	2,470	2,262	*+9.2%*

Operating expenses and depreciation	-3,811	-3,699	*+3.0%*
Gross operating income	**2,039**	**1,752**	***+16.4%***
Provisions	**-153**	-194	*-21.1%*
Operating income	**1,886**	**1,558**	***+21.1%***
Non operating items	1	0	*n.s.*
Pre-tax income	**1,887**	**1,558**	***+21.1%***
Income Attributable to AMS	-117	-88	*+33.0%*
Pre-tax income of French Retail Banking	**1,770**	**1,470**	***+20.4%***
Cost/income ratio	**65.1%**	67.9%	*-2.8 pts*
Allocated equity (in billions of euros)	**5.5**	5.1	*+7.3%*
Pre-Tax ROE	32%	29%	*+3 pts*

* Figures in the table from Net banking income to Pre-tax income include 100% of the results of private banking (AMS) in France.

In 2006, net banking income of the French Retail Banking branch network (including 100% of private banking in France) increased 7.3% to €5,850 million. Movements in provisions related to the Group's home ownership savings plans and accounts (PEL/CEL), recorded pursuant to IFRS, contributed €179 million to net interest income in 2006 as compared to €13 million in 2005, thereby introducing an element of volatility to French Retail Banking's revenues. (For a detailed discussion of the PEL/CEL provisions, see Note 5.n of the audited consolidated financial statements included herein). Excluding the PEL/CEL effect, net banking income grew by 4.3% compared to 2005.

Net interest income, excluding the PEL/CEL effect noted above, rose 0.8%, with the flattening of the yield curve as a result of higher short-term rates and the rise in regulated interest rates in the second quarter offsetting the substantial increase in average outstanding loans (+9.6%, consisting of a 15.5% increase in loans to individual customers and a 4.4% increase in loans to business customers) and deposits (+4.4%, driven by a 6.4% increase in cheque and deposit accounts). The growth in net interest income was nevertheless limited by a small contraction in the gross interest margin on loans (from 3.45% to 3.34%) between 2005 and 2006, which was primarily due to (i) the above-mentioned proportionately greater increase in the average volume of loans outstanding (+9.6%) that outpaced the increase in deposits (+4.4%), such that a lower percentage of loans were financed through deposits rather than through other higher-cost sources of funding, (ii) continued flattening of the yield curve in 2006, (iii) a strong increase in outstanding mortgage loans (+17.1%) and corporate loans (+4.4%) during 2006, both of which tend to be relatively low-margin categories, as a percentage of total loans.

Fees and commissions grew by 9.2% as compared to 2005, due to strong sales and marketing efforts, in particular in connection with financial savings, as stock market and financial services fees rose 19.7%. The rise in banking services fees (+3.7%) resulted from the increased number of customers and from larger volumes of transactions generated. In terms of its pricing practices, BNP Paribas continued to pursue its strategy of moderate pricing and prices remained generally stable.

The sales and marketing drive, focused on winning new customers, developing customer loyalty and ensuring individual customers' satisfaction, continued at a fast pace. The number of checking and deposit accounts grew by 170,000 during 2006. Consumer credit outstanding increased by 7.2% compared to 2005, in line with the market, which increased 7.7%, while mortgages outstanding increased by 17.1% on average, outpacing the market, which increased 15.4%. Gross inflows of financial savings assets also outpaced the market (increasing 35.9% from the fourth quarter 2005 to the fourth quarter 2006).

For corporate customers, especially small and medium-sized companies, the business centers continued to implement a high value added business model focusing on structured finance and cross-selling with the other core businesses, in particular with CIB (corporate finance, fixed income and structured finance, up 40% over 2005) and AMS (mutual fund investments, up 15% over December 31, 2005). Outstanding loan growth resulted primary from investment loans (an increase of 12.4% on average compared to 2005) and factoring (a 17.9% increase on average compared to 2005).

Operating expenses and depreciation increased by 3.0% year-on-year. Given the containment of operating expenses and depreciation, gross operating income rose 16.4% to €2,039 million; excluding the PEL/CEL effects the increase was 7.0%. The cost/income ratio (i.e. the ratio of operating expenses and depreciation to net banking income), excluding the PEL/CEL effects, improved 0.8 points to 67.2%.

Provisions decreased by 21.1% to €153 million, resulting from continued improvement in the condition of the Group's corporate customers in particular. After allocation of one-third of the income of French Private Banking to Asset Management and Services, French Retail Banking posted €1,770 million in annual pre-tax income, up 20.4% (or 9.2% excluding the PEL/CEL effects). Pre-tax return on allocated equity, excluding the PEL/CEL effects, increased by one point to 29%.

International Retail Banking and Financial Services

(in millions of euros)	2006	2005	*Change (2006/2005)*
Net banking income	**7,296**	**5,968**	***+22.3%***
Operating expenses and depreciation	-4,173	-3,385	*+23.3%*
Gross operating income	**3,123**	**2,583**	***+20.9%***
Provisions	-708	-559	*+26.7%*
Operating income	**2,415**	**2,024**	***+19.3%***
Share of earnings of associated companies	54	112	*-51.8%*
Other non operating Items	45	39	*+15.4%*
Pre-tax income	**2,514**	**2,175**	***+15.6%***
Cost/income ratio	57.2%	56.7%	*+0.5 pts*
Allocated equity (in billions of euros)	7.1	5.8	*+22.4%*
Pre-Tax ROE	36%_	38%	*-2 pts*

Net banking income of IRFS increased 22.3% to €7,296 million. The increase was due to an increase in revenues across all business segments: +16.7% for BancWest, +33.2% for Cetelem, +5.6% for the other retail financial services, +35.4% for the emerging markets. This increase resulted in part from changes in scope of consolidation, in particular the proportional integration of LaSer Cofinoga on a full year basis (it had been accounted for as an associated company until October 1, 2006) and the acquisition of UkrSibbank in 2006. At constant scope and exchange rates, IFRS net banking income rose 6.1%.

Operating expenses and depreciation increased by 23.3% to €4,173 million (an increase of 7.4% at constant scope and exchange rates) and gross operating income increased by 20.9% to €3,123 million (an increase of 4.3% at constant scope and exchange rates).

Provisions increased by 26.7% to €708 million as a result of the expanded scope of consolidation. At constant scope and exchange rates, provisions decreased by 5.8% as the substantial organic growth in lending adhered to the Group's credit risk policy. Operating income increased by 19.3% to €2,415 million (an increase of 7.0% at constant scope and exchange rates). Due to the change in accounting treatment of LaSer Cofinoga, income from associated companies fell sharply (decreasing by 51.8% to 54 million euros). Pre-tax income thus totaled €2,514 million, an increase of 15.6% (or 6.6% at constant scope and exchange rates), yielding a 36% pre-tax return on equity (a decrease of 2 points compared to 2005).

BancWest

(in millions of euros)	2006	2005	*Change (2006/2005)*
Net banking income	**2,191**	**1,877**	***+16.7%***
Operating expenses and depreciation	-1,104	-954	*+15.7%*
Gross operating income	**1,087**	**923**	***+17.8%***
Provisions	-58	-32	*+81.3%*
Operating Income	**1,029**	**891**	***+15.5%***
Share of earnings of associated companies	0	0	*n.s.*
Other non-operating items	1	0	*n.s.*
Pre-tax income	**1,030**	**891**	***+15.6%***
Cost/income ratio	50.4%	50.8%	*-0.4 pts*
Allocated equity (in billions of euros)	2.6	2.0	*+30.5%*
Pre-Tax ROE	40%	45%	*-5 pts*

BancWest maintained its solid performance in 2006, posting growth of 4.9% for loans and 8.7% for deposits at constant scope and exchange rates. Despite the continued decline in the net interest margin rate (a decrease of 38 basis points between the fourth quarter of 2005 and the fourth quarter of 2006) due to the combined negative effect of a rise in short term interest rates, an inverted yield curve in fourth quarter of 2006 and intense competition, net banking income increased by 1.9%

at constant scope and exchange rates. With the successful merger of Commercial Federal Corporation, BancWest's net banking income increased by 16.7% to €2,191 million.

The rise in operating expenses and depreciation (15.7%, or 2.7% at constant scope and exchange rates) was contained, in particular due to the synergies achieved as a result of the merger. Provisions increased from €32 million to €58 million as a result in particular from the expanded scope of consolidation, yet remained at a low level: 0.15% of risk-weighted assets, as opposed to 0.10% in 2005. The ratio of non-performing loans to total outstanding loans, leases and foreclosed properties increased due mainly to the integration of Commercial Federal; however this ratio remained at a low level, reflecting the overall quality of the BancWest portfolio. In particular, BancWest's real estate portfolio (which accounts for 53% of its total loans outstanding) includes only a small share of subprime mortgages.

Pre-tax income (€1,030 million) was up 15.6% (or 0.7% at constant scope and exchange rates).

Cetelem

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**2,684**	**2,015**	***+33.2%***
Operating expenses and depreciation	-1,518	-1,098	*+38.3%*
Gross operating income	**1,166**	**917**	***+27.2%***
Provisions	-520	-453	*+14.8%*
Operating income	**646**	**464**	***+39.2%***
Share of earnings of associated companies	52	108	*-51.9%*
Other non operating items	36	30	*+20.0%*
Pre-tax income	**734**	**602**	***+21.9%***
Cost/income ratio	56.6%	54.5%	*+2.1 pts*
Allocated equity (in billions of euros)	1.9	1.6	*+14.8%*
Pre-Tax ROE	39%	37%	*+2 pts*

Cetelem, the leader in continental Europe for consumer credit, continued its strong growth. Outstanding loans under management, excluding the BNP Paribas network, totaled €52.1 billion as at December 31, 2006, including those of LaSer-Cofinoga. Outstanding loans under management increased by 12.6% to €53.3 billion at the end of 2006 (including LaSer-Confinoga outstandings), of which 58% were located in France and 42% outside of France. Net banking income was up 33.2% to €2,684 million. Excluding LaSer-Cofinoga, Cetelem had robust growth in 2006: at constant scope and exchange rates, net banking income increased by 8.0%.

Operating expenses and depreciation increased 38.3% to €1,518 million or 11.5% at constant scope and exchange rates. This amount includes the initial costs (€23 million) of the reorganization plans for the commercial branch network in France (the "2008 Challenge" plan). Provisions increased by 14.8% but decreased by 13.4% at constant scope and exchange rates, due in part to a one-time €28 million write-back of a provision in Spain. Accordingly, pre-tax income increased by 21.9% to €734 million (an increase of 16.3% at constant scope and exchange rates).

Arval, BNP Paribas Lease Group, UCB

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**1,384**	**1,310**	***+5.6%***
Operating expenses and depreciation	-868	-830	*+4.6%*
Gross operating income	**516**	**480**	***+7.5%***
Provisions	-44	-58	*-24.1%*
Operating income	**472**	**422**	***+11.8%***
Share of earnings of associated companies	-5	4	*n.s.*
Other non operating items	4	7	*-42.9%*
Pre-tax income	**471**	**433**	***+8.8%***

Cost/income ratio	62.7%	63.4%	*-0.7 pts*
Allocated equity (in billions of euros)	1.8	1.6	*+11.6%*
Pre-Tax ROE	26%	26%	*+0 pts*

UCB took full advantage of buoyant real estate markets in Europe. Outstandings increased by 16.3% during 2006 (including a 30.4% increase outside of France). BNP Paribas Lease Group also continued its robust organic growth in Europe, despite difficult market conditions in France. Arval grew its outstandings by 8.4% for the year. In total, these three major retail financial services subsidiaries generated €1,384 million in net banking income, up 5.6% compared to 2005, and pre-tax income increased by 8.8% to €471 million.

Emerging Markets

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**1,037**	**766**	***+35.4%***
Operating expenses and depreciation	-683	-503	*+35,8%*
Gross operating income	**354**	**263**	***+34.6%***
Provisions	-86	-16	*ns.*
Operating income	**268**	**247**	***+8.5%***
Share of earnings of associated companies	7	0	*n.s.*
Other non operating items	4	2	*n.s.*
Pre-tax income	**279**	**249**	***+12.0%***
Cost/income ratio	65.9%	65.7%	*+0.2 pt*
Allocated equity (in billions of euros)	0.8	0.5	*+49.4%*
Pre-Tax ROE	36%	47%	*-11 pts*

The retail banking businesses in Emerging Markets undertook a major sales and marketing drive in 2006. 290 branches were opened in 2006 and synergies were developed with the Group's other business lines. These initiatives, along with acquisitions, led to a 35.4% increase in net banking income to €1,037 million; the increase was 17.0% at constant scope and exchange rates. The principal acquisition made by this business line in 2006 was that of UkrSibbank, at the time Ukraine's fifth largest bank by total assets (it became the third largest by year-end).

This acquisition, consolidated for three quarters in 2006, combined with new branch openings, contributed to a 35.8% increase in operating expenses and depreciation. The increase was 14.4% at constant scope and exchange rates, well below the rate of revenue growth.

After accounting for provisions (which increased from €16 million in 2005 to €86 million in 2006 due in particular to the expanded scope of consolidation), pre-tax income in Emerging Markets increased by 12.0% to €279 million; the increase was 9.5% at constant scope and exchange rates.

Asset Management & Services

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**4,350**	**3,552**	***+22.5%***
Operating expenses and depreciation	-2,763	-2,331	*+18.5%*
Gross operating income	**1,587**	**1,221**	***+30.0%***
Provisions	-2	-8	*n.s.*
Operating income	**1,585**	**1,213**	***+30.7%***
Non operating items	11	53	*n.s.*
Pre-tax income	**1,596**	**1,266**	***+26.1%***
Cost/income ratio	63.5%	65.6%	*-2.1 pts*
Allocated equity (in billions of euros)	4.5	3.8	*+16.1%*
Pre-Tax ROE	36%	33%	*+3 pts*

The Asset Management and Services core business enjoyed strong growth in 2006. Net banking income increased by 22.5% to €4,350 million compared to 2005, driven by an increase in net asset inflow from €34.1 billion in 2005 to €36.9 billion in 2006. These net asset inflows, combined with the financial performance for the year, brought total assets under management to €491.5 billion as at December 31, 2006, compared to €429.7 billion at December 31, 2005. Each of AMS's business lines recorded strong growth in net banking income, with increases of 20.1% for Wealth & Asset Management, 25.6% for Insurance and 24.0% for Securities Services.

Operating expenses and depreciation increased by 18.5% to €2,763 million reflecting this robust growth, but nonethless lagging it by 4 points. Gross operating income rose 30.0% to €1,587 million and pre-tax income totaled €1,596 million, up 26.1%.

As stated above, the value of total assets under the Group's management (including those resulting from cross-selling between the business lines within AMS) rose by 14.4% to €491.5 billion as at December 31, 2006, or an increase of €61.8 billion compared to December 31, 2005. This strong rise is due in particular to high net asset inflows (€36.9 billion) and strong increase in asset values.

Wealth & Asset Management (WAM)

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**2,174**	**1,810**	***+20.1%***
Operating expenses and depreciation	-1,465	-1,270	*+15.4%*
Gross operating income	**709**	**540**	***+31,3%***
Provisions	-1	0	*n.s.*
Operating income	**708**	**540**	***+31.1%***
Non operating items	7	1	*n.s.*
Pre-tax income	**715**	**541**	***+32.2%***
Cost/income ratio	67.4%	70.2%	*-2.8 pts*
Allocated equity (in billions of euros)	1.3	1.1	*+22.1 %*
Pre-Tax ROE	55%	51%	*+4 pts*

In 2006, the WAM business unit conducted extensive sales and marketing efforts and benefited from rising equity and real estate markets. Pre-tax income increased by 32.2% compared to 2005, to €715 million. This increase was due to strong performances across all business lines. Operating expenses and depreciation increased at a slower rate (+15.4%), and hence gross operating income increased by 31.3% to €709 million. The margin on assets under management increased in 2006, linked primarily to increases in sales of structured and alternative instruments, which tend to be relatively higher margin.

BNP Paribas Asset Management's total assets under management rose by 17.2%, from €193.0 billion at December 31, 2005 to €226.1 billion at December 31, 2006.

BNP Paribas' Private Banking, which is the leading private bank in France, more than doubled its asset inflows outside France, primarily in Asia. Asset Management is developing new and promising businesses such as the introduction of the Parvest Brazil and Parvest Turkey investment funds or a dedicated subsidiary, CooperNeff Alternative Manager, set up in the fourth quarter of the year to provide alternative fund management services. Cortal Consors grew its customer base by 100,000 in 2006. Cortal Consors and Private Banking's total assets under management increased by 10.0% from €144.8 billion at December 31, 2005 to €159.4 billion at December 31, 2006.

Real Estate Services continued its robust growth in 2006. This business line, which has long been part of BNP Paribas, has become a European leader, especially in corporate services, since the acquisition of Atis Real, with a presence in eight countries.

Insurance

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**1,277**	**1,017**	***+25.6%***
Operating expenses and depreciation	-599	-481	*+24.5%*

Gross operating income	**678**	**536**	***+26.5%***
Provisions	-1	-8	*n.s.*
Operating income	**677**	**528**	***+28.2%***
Non operating items	3	52	*n.s.*
Pre-tax income	**680**	**580**	***+17.2%***
Cost/income ratio	46.9%	47.3%	*-0.4 pts*
Allocated equity (in billions of euros)	2.6	2.3	*+12.7%*
Pre-Tax ROE	26%	25%	*+1 pts*

The Insurance business maintained its sales and marketing momentum and this translated into substantial gross asset inflows. In France, gross asset inflows totaled €11 billion. 40.9% of life insurance asset inflows related to unit-linked products, compared to 27.5% for the market. Outside France, gross asset inflows totaled €4.5 billion, compared to €3.5 billion in 2005, in particular in Taiwan and in India (savings), Italy, Brazil, Japan and Chile (credit protection insurance). As a result, net banking income in the Insurance business line increased 25.6% to €1,277 million, while gross operating income increased 26.5% to €678 million. Pre-tax income increased by 17.2% to €680 million.

At December 31, 2006, total assets under management by the Insurance business line amounted to €101.5 billion, an increase of 10.4% compared to December 31, 2005. Gross premiums were up 27.5% compared to 2005, at €14.7 billion. Total technical reserves, which consist of funds under management (at historical value, except for unit-linked funds) increased by 13.4% from December 31, 2006.

Securities Services

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**899**	**725**	***+24.0%***
Operating expenses and depreciation	-699	-580	*+20.5%*
Gross operating income	**200**	**145**	***+37.9%***
Provisions	0	0	*n.s.*
Operating income	**200**	**145**	***+37.9%***
Non-operating items	1	0	*n.s.*
Pre-tax income	**201**	**145**	***+38.6%***
Cost/income ratio	77.8%	80.0%	*-2.2 pts*
Allocated equity (in billions of euros)	0.6	0.5	*+19.7%*
Pre-Tax ROE	36%	31%	*+5 pts*

The value of Securities Services' assets under custody increased by 18.2% in 2006, to €3,614 billion. Assets under administration increased to €623 billion at December 31, 2006 from €520 billion at December 31, 2005). For 2006 the magazine *Funds Europe* named BNP Paribas "*Fund Administrator of the Year*" for the second year in a row. The number of transactions handled by BNP Paribas Securities Services during 2006 also increased by 20% compared to 2005. BNP Paribas Securities Services grew its pre-tax income by 38.6% to €201 million.

Corporate and Investment Banking (CIB)

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**7,859**	**6,422**	***+22.4%***
Operating expenses and depreciation	-4,397	-3,711	*+18.5%*
Gross operating income	**3,462**	**2,711**	***+27.7%***
Provisions	253	130	*n.s.*
Operating income	**3,715**	**2,841**	***+30.8%***
Non operating items	42	49	*-14.3%*
Pre-tax income	**3,757**	**2,890**	***+30.0%***

Cost/income ratio	55.9%	57.8%	*-1.9 pts*
Allocated equity (in billions of euros)	9.4	9.1	*+3.9%*
Pre-Tax ROE	40%	32%	*+8 pts*

During 2006, BNP Paribas continued to consolidate its position in Corporate and Investment Banking in which it is one of Europe's leading players with recognized global franchises, especially in derivatives and commodities, export and project financing. In particular, BNP Paribas has a strong Corporate and Investment Banking presence in the leading countries of Asia with 3,300 employees in the region.

Net banking income increased by 22.4% to €7,859 million, due to an increase in the net income of the advisory and capital markets businesses (+35.6%). This increase in turn resulted from sustained sales and marketing efforts, without significantly increasing the value at risk of the activities. Annual results were excellent for all the advisory and capital markets business lines, which generated 67% of CIB's revenues (with Equity and Advisory representing 30% and Fixed Income representing 37%).

Operating expenses and depreciation increased by 18.5% to €4,397 billion. The cost/income ratio was 55.9%, a particularly low level. As a result, gross operating income increased by 27.7% to €3,462 million.

The need for new provisions, very limited throughout 2006, was again lower than write-backs. The net positive effect of additions and recoveries of provisions was €253 million compared to €130 million in 2005. This, combined with the increase in net banking income, led to a 30.8% increase in operating income, to €3,715 million.

Pre-tax income increased by 30.0% to €3,757 million. Pre-tax return on allocated equity increased by eight points to 40%, driven by the combined effect of higher earnings and capital optimization measures.

Advisory and Capital Markets

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**5,274**	**3,890**	***+35.6%***
Operating expenses and depreciation	-3,284	-2,683	*+22.4%*
Gross operating income	**1,990**	**1,207**	***+64.9%***
Provisions	-16	-1	*n.s.*
Operating income	**1,974**	**1,206**	***+63.7%***
Non operating items	54	45	*+20.0%*
Pre-tax income	**2,028**	**1,251**	***+62.1%***
Cost/income ratio	62.3%	69.0%	*-6.7 pts*
Allocated equity (in billions of euros)	3.6	3.2	*+9.8%*
Pre-Tax ROE	57%	39%	*+18 pts*

Net banking income of the Advisory and Capital Markets business increased by 35.6% to €5,274 million, due in particular to strong revenues recorded in the fixed income and equity derivatives businesses. Pre-tax income increased by 62.1% to €2,028 million.

In the fixed income business, revenues from primary bonds and structured issues grew substantially as a result of the strong performance of interest rate, foreign exchange and credit derivatives related to strong growth in customer transaction volumes, particularly in Asia.

In the equity derivatives business, the growth in business and revenues came primarily from larger numbers of customer transactions for all product lines and in the major regions around the world. In particular, penetration into the U.S. market was strong, as evidenced by the arrangement of HP's share buyback program.

The Corporate Finance businesses enjoyed robust volumes from mergers and acquisitions and primary issues in Europe and Asia. BNP Paribas was again ranked number one in France and among the top ten financial advisors in Europe for M&A. In particular, equity capital markets activity increased sharply in Europe and Asia.

Financing Businesses

(in millions of euros)	2006	2005	*Change (2006/2005)*
Net banking income	**2,585**	**2,532**	***+2.1%***
Operating expenses and depreciation	-1,113	-1,028	*+8.3%*
Gross operating income	**1,472**	**1,504**	***-2.1 %***
Provisions	269	131	*n.s.*
Operating income	**1,741**	**1,635**	***+6.5%***
Non operating items	-12	4	*n.s.*
Pre-tax income	**1,729**	**1,639**	***+5.5%***
Cost/income ratio	43.1%	40.6%	*+2.5 pts*
Allocated equity (in billions of euros)	5.9	5.8	*+0.6%*
Pre-Tax ROE	30%	28%	*+2 pts*

Net banking income of the Financing Businesses, consisting of energy and commodities services, syndicated loans, acquisition financing, leveraged buyout financing, project financing, optimization and asset financing and media and telecommunications financing, increased by 2.1% in 2006 compared to 2005. This limited growth was due largely to the portfolio management and securitization policy, which intensified in 2006 to optimize these business lines' allocated capital by taking advantage of very favorable market conditions. Growth of weighted assets increased by 11% from 2005 to 2006, but decreased by 3.4% after taking into account this portfolio management and securitization policy. The limited increase in revenues reflects the cost of these protection purchases, and does not reflect the powerful momentum of the underlying business, especially in structured finance, project finance and asset finance.

BNL

The Group completed its acquisition of BNL at the beginning of the second quarter in 2006. For the nine months during which it was consolidated within the Group's financial statements, BNL contributed €2,294 million to the Group's revenues, €1,476 million to operating expenses and depreciation (excluding restructuring costs), €240 million to the cost of risk and €588 million to pre-tax income.

BNL SpA's business remained robust throughout the year. For individual customers, average credit outstanding was €22.8 billion for 2006 and outstanding deposits totaled €26.9 billion, up 9.3% and 2.1%, respectively, compared to 2005. For business customers, average credit outstanding was €30.2 billion in 2006 and outstanding deposits totaled €22.8 billion, up 5.4% and 5.2%, respectively, compared to 2005.

Restructuring costs totaled €151 million in 2006, including €141 million in the fourth quarter. These costs related primarily to the cost of the employee restructuring plan. They are booked in the corporate center of the Group as operating expenses.

Cost synergies generated by the integration of BNL amounted to €15 million in the third quarter and €23 million in the fourth quarter. The synergies expected in 2007 are €119 million, including €100 million in cost synergies and €79 million in gross revenue synergies resulting in €60 million in marginal implementation costs.

On April 5, 2007, the Group announced the establishment of a new core business, BNL banca commerciale. It includes BNL's retail banking activities in Italy. BNL's other activities in Italy and abroad were reallocated to the Group's other core businesses and business lines. As a result of this change, the Group announced that it would be presenting its results under a new format beginning in the first quarter of 2007, while restating BNL's contribution in 2006 in order to provide a similar basis of comparison. Going forward, similarly to French Retail Banking, BNL bc core business results will be disclosed in two versions: (i) BNL bc core business including two thirds of private banking revenues in Italy, and (ii) BNL bc network including 100% of private banking in Italy for the line items from revenues to pre-tax income.

BNP Paribas Capital

(in millions of euros)	2006	2005
Net banking income	**287**	**384**
Operating expense and depreciation	-12	-31
Gross operating income	**275**	**361**
Provisions	3	-3
Operating income	**278**	**358**
Share of earnings of associated companies	153	127
Other non-operating items	0	59
Pre-tax income	**431**	**544**
Allocated equity (in billions of euros)	1.0	1.1

BNP Paribas Capital's pre-tax income decreased by 20.8% compared to 2005, to €431 million. The Group continued to pursue its strategy of divesting its directly held equity investments in 2006, and sold its interests in Power Corp of Canada, its interests in Ipsen and the stakes of PAI Europe III and PAI LBO Fund in United Biscuits. In total, net divestments totaled €0.4 billion in 2006.

Due to an increase in the estimated value of many of the Group's portfolio investments, the portfolio's estimated market value increased by €0.6 billion to €5.0 billion at December 31, 2006, compared to €4.4 billion at December 31, 2005, despite the divestitures carried out in 2006. As of December 31, 2006, unrealized capital gains totaled €2.2 billion, compared to €1.6 billion at December 31, 2005.

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	2006	2005	*Change (2006/2005)*
Net interest income..	9,124	7,733	*+18%*
Net commission income	6,104	4,547	*+34%*
Net gain on financial instruments at fair value through profit or loss	7,573	5,212	*+45%*
Net gain on available-for-sale financial assets..............	1,367	1,353	*+1%*
Net income from other activities	3,775	3,009	*+25%*
Net banking income...	**27,943**	**21,854**	***+28%***

General. The 28% increase in net banking income of the Group in 2006 as compared with 2005 was due principally to a 45% increase in net gains on financial instruments at fair value through profit or loss, a 18% increase in net interest income, a 34% increase in net commission income and a 25% increase in net income from other activities. The overall increase includes the first-time contribution of BNL: €2,294 million for the nine-month period of consolidation in 2006.

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

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

- Income from the Group's loans and receivables, representing interest plus transaction costs and fees and commissions included in the initial value of the loan, which is calculated using the effective interest method and recorded in the profit and loss account over the life of the loan;
- Income from fixed-income securities held by the Group which are classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets" (in the latter case, calculated using the effective interest method);

- Income (as opposed to changes in fair value, which are recognized in the line item "Net gain on financial instruments at fair value through profit or loss", as discussed in further detail below) from the Group's financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments, calculated using the effective interest method (including interest, fees and commissions and transaction costs);
- Income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and
- Income from cash flow hedges, which are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign-currency revenues. Changes in fair value of the cash flow hedge are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement.

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item.

Interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions. Applied for the first time in 2006, this allocation provides a better economic representation of transactions designated as at fair value through profit or loss by adopting a symmetrical treatment for interest relating to the hedged item and interest relating to the hedge, and is consistent with the classification selected for the hedged financial instruments concerned. If this treatment had been applied in 2005 it would have led to the reclassification of €411 million in income from the caption "Net gain/loss on financial instruments at fair value through profit or loss" to "Trading book – debt securities" included in net interest income.

In 2006, net interest income increased by 18% compared to 2005, to €9,124 million. This increase resulted almost entirely from a 41% increase in net interest income on customer items, from €8,353 million in 2005 to €11,774 million in 2006, due to a €3,160 million increase in net income on deposits, loans and borrowings. The increase in income on deposits, loans and borrowings was in turn the result of a 64.4% increase in the outstanding amounts of loans and receivables due from customers, to €393.1 billion at December 31, 2006. Loans due to customers increased more slowly, by 20.7% to €298.7 billion at December 31, 2006, which was primarily responsible for the relatively slower rate of increase in expense paid on deposits, loans and borrowings (42.9%) than the rate of increase in income on such items (43.9%). In addition, net interest income recorded on cash flow hedges increased 48.4% to €1,350 million in 2006.

These increases were partially offset by:

- an increase in net interest expense on the trading book to €743 million in 2006 from €262 million recorded in 2005. The increase in net interest expense on the trading book was due to an increase in net interest expense on repurchase agreements, from €627 million in 2005 to €1,288 million in 2006, which resulted from an increase in repurchase agreements outstanding of 27.5% for assets and 30.3% for liabilities, as well as an increase in net expense on debt securities within liabilities designated at fair value through profit and loss from €1,565 million in 2005 to €2,109 million. This increase in expense was due to a 28.8% increase in the amount of debt securities outstanding. These increases in expense items were partially offset by an increase in net interest income from fixed-income securities within the trading book, from €1,994 million in 2005 to €2,686 million in 2006, which was in turn due primarily to an increase in the outstanding amount of fixed-income securities.
- a 0.9% decrease in net interest income from available-for-sale financial assets, from €3,213 million in 2005 to €3,184 million in 2006. This decrease corresponds to a moderate 4.4% increase in available-for-sale financial assets, to €96.7 billion at December 31, 2006. This moderate increase in available-for-sale financial assets was itself due largely to an increase of government bonds outstanding (+5.1%) partially offset by a decrease of negotiable certificates of deposit (-18.1%);

- a 4.1% increase in net interest expenses paid on interbank items, from €1,841 million in 2005 to €1,917 million in 2006, itself due primarily to an increase in expense paid on repurchase agreements, resulting from a higher increase in the outstanding amounts of such items on the assets side than on the liabilities side;
- a 4.0% decrease in net interest income on held-to-maturity financial assets, from €781 million in 2005 to €750 million in 2006, due primarily to a 1.9% reduction in the outstanding amount of such held-to-maturity financial assets.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or

loss" and "Available-for-sale financial assets". Trends in such assets between December 31, 2005 and December 31, 2006 are summarized below.

Total loans and receivables due from customers, net of impairment provisions, amounted to €393.1 billion at December 31, 2006, an increase of 31% as compared with €301.2 billion at December 31, 2005. The increase was due primarily to a 30.5% increase in loans to customers, to €356.6 billion at December 31, 2006. This increase was itself due to the consolidation of BNL and increases in mortgage loans and corporate loans across the Bank's businesses. For example, average outstanding mortgage loans in French Retail Banking during 2006 increased by 17.1% compared to the average level outstanding during 2005, while outstanding loans at UCB increased by 16.3% overall compared to the level outstanding at the end of 2005. The level of average corporate loans outstanding during 2006 also increased by 4.4% in French Retail Banking as compared to the average level outstanding during 2005. The increase in mortgage loans was in turn primarily attributable to the low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2006, while the improved financial condition of corporate customers led to stronger demand for loans.

Total loans and receivables due from credit institutions, net of provisions, increased 67%, from €45.0 billion at December 31, 2005 to €75.1 billion at December 31, 2006. Contributing to the increase was a 60.2% increase in loans, to €52.4 billion at December 31, 2006, a 95.3% increase in demand accounts, to €15.2 billion at December 31, 2006, and a 63.4% increase in repurchase agreements, to €7.6 billion at December 31, 2006.

Interest-bearing liabilities include items due to credit institutions and items due to customers. Total items due to customers (including demand deposits, term accounts, regulated savings accounts, retail certificates of deposit and repurchase agreements) increased 21%, from €247.5 billion at December 31, 2005 to €298.7 billion at December 31, 2006. The increase was due primarily to a 38% increase in demand accounts, from €102.9 billion at December 31, 2005 to €142.5 billion at December 31, 2006, and a 11% increase in term accounts, from €91.1 billion at December 31, 2005 to €101.0 billion at December 31, 2006. These increases were in turn partly due to the consolidation of BNL. Repurchase agreements increased 43%, from €2.8 billion at December 31, 2005 to €4.0 billion at December 31, 2006. Retail certificates of deposit increased 13%, from €9.4 billion at December 31, 2005 to €10.6 billion at December 31, 2006. The increase in customer items was only slightly offset by a 2% decrease in funds deposited in regulated savings accounts, from €41.3 billion at December 31, 2005 to €40.5 billion at December 31, 2006.

Total loans and receivables due to credit institutions increased 21%, from €118.9 billion at December 31, 2005 to €143.7 billion at December 31, 2006. Contributing to the increase was a 34.2% increase in demand accounts, to €7.9 billion at December 31, 2006, a 21.1% increase in borrowings, to €121.4 billion at December 31, 2006, and a 12.8% increase in repurchase agreements, to €14.3 billion at December 31, 2006.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is itself influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower rates on regulated savings accounts, the competitive environment, the relative weights of the Group's various interest-bearing products, which have differing typical margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions. For example, the rate paid by the Bank on a *livret d'epargne populaire*, a form of regulated savings account in France, decreased from 3.25% to 3.0% as of August 1, 2005, increased from 3.0% to 3.25% as of February 1, 2006 and from 3.25% to 3.75% as of August 1, 2006.

The gross interest margin in French Retail Banking decreased in 2006 from 3.45% to 3.34%, largely due to a small deterioration in the loan to deposit ratio, an increase in relatively lower margin lending (e.g., corporate and mortgage loans) as a percentage of total loans and continued flattening of the yield curve. The net interest margin rate at BancWest decreased in 2006 due to a rise in short term interest rates, an inverted yield curve in the fourth quarter of 2006 and intense competition. See "– Results of operations by division – French Retail Banking" and "—Results of operations by division – International Retail Banking and Financial Services – BancWest".

For more discussion of the factors affecting trends in total customer loans outstanding and total customer deposits during the period under review, see "—Results of operations by division – Retail Banking" and "—Results of operations by

division – Corporate and Investment Banking". For more information with respect to movements in interest rate spreads in Retail Banking during the period under review, see "—Results of operations by division – Retail Banking – French Retail Banking" and "—Results of operations by division – International Retail Banking and Financial Services". For an explanation of the effects of exchange rates on the Group's results generally, see "—Economic Conditions".

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income increased 34.2%, from €4,547 million in 2005 to €6,104 million in 2006. This increase was due primarily to an increase in the volume of customer transactions as well as sustained and successful marketing efforts by the Group, in particular with respect to its sales of savings and investment products. Increased sales of these savings and investment products helped fees to grow by 9.2% overall at French Retail Banking in 2006, for example. See "—Results of operations by division – Retail Banking – French Retail Banking".

Net gain on financial instruments at fair value through profit or loss. This line item includes all profit and loss items (other than interest income and expense, which are recorded under "Net interest income", as discussed above) relating to financial instruments managed in the trading book and, as of January 1, 2005, to financial instruments designated as fair value through profit or loss by the Group under the fair value option of IAS 39 (for a discussion of the fair value option, see Section 1.c of the audited consolidated financial statements for the year ended December 31, 2006 included herein). This in turn includes both capital gains/losses on sales and marking to market gains and losses, along with dividends from variable-income securities. Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

Net gains on financial instruments at fair value through profit or loss increased by 43.3%, from €5,212 million in 2005 to €7,573 million in 2006. This increase was primarily due to a decrease in the loss on derivative instruments related to trends in equity derivatives, from €5,962 million in 2005 to €3,935 million in 2006. The gain on variable-income securities remained high at €10,164 million, although slightly down from €10,398 million in 2005, as the strength in global capital markets sustained asset values. There was a €136 million loss in the loan portfolio as opposed to a €42 million gain in 2005, and the gains from the remeasurement of interest-rate risk hedged portfolios and currency positions increased from €59 million to €185 million and €516 million to €703 million in 2006, respectively.

Net gain on available-for-sale financial assets. Under IFRS, this line item includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Changes in fair value (excluding accrued interest) of the assets included within the available-for-sale category are initially recorded under "Unrealised or deferred gains or losses" in shareholders' equity. Upon the sale of such assets or upon recognition of an impairment loss, these previously unrealized gains or losses are credited or charged to the income statement, as the case may be, under the "Net gain/loss on available-for-sale financial assets" line item.

Net gains on available-for-sale financial assets remained relatively constant, increasing slightly from €1,353 million in 2005 to €1,367 million in 2006. The increase was due primarily to a substantial increase in dividend income on equities and other variable income securities from €293 million to €452 million, which more than offset decreases in net disposal gains from both fixed-income securities and equities and other variable-income securities.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities increased by 25%, from €3,009 million in 2005 to €3,775 million in 2006. This increase was in turn due to a 30.8% increase in net income from insurance activities, a 9.4% increase in net income from investment property, a 60% increase in net income from other products, a 10.5% increase in net income from assets leased under operating leases and a 18.6% increase in net income from property development activities.

Regarding insurance, the principal components of net income from insurance activities are gross premiums written, movement in technical reserves, claims and benefit expenses and change in value of admissible investments related to unit-linked businesses. Claims and benefits expenses includes expenses arising from surrenders, maturities and claims relating to insurance contracts, and changes in the value of financial contracts (in particular unit-linked funds). Interest paid on such contracts is recorded under "Interest expense".

The increase in net income from insurance activities was primarily the result of a 28% increase in gross premium income (from €11,527 million in 2005 to €14,701 million in 2006) as a result of stronger demand for new policies, offset by an increase in losses for movement in technical reserves (from €7,329 million in 2005 to €8,470 million in 2006) and losses for claims and benefit expenses (from €5,442 million in 2005 to €6,462 million in 2006), as well as a decrease in net income resulting from a change in the value of admissible investments related to unit-linked business (from €2,953 million in 2005 to €2,509 million in 2006). The overall effect, however, was an increase in net income from insurance activities.

The increase in commissions on funds under management resulted largely from new money invested, coupled with higher management fees that correlate to stock prices and are calculated as a percentage of the market value of the assets under management. See "—Results of operations by division – Asset Management and Services".

Overall, net income from insurance activities increased by 30.8% to €2,299 million, while insurance revenues recorded at the operational level increased by 25.6% to €1,277 million, because income recorded under net income from insurance activities does not take into account commissions paid to retail distributors.

Operating Expense and Depreciation

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Operating expense	(16,137)	(12,627)	*+28%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(928)	(742)	*+25%*
Operating expense and depreciation	**(17,065)**	**(13,369)**	***+28%***

Operating expense and depreciation increased by 28%, from €13,369 million in 2005 to €17,065 million in 2006. This amount includes the first-time contribution of BNL of €1,476 million for the nine-month period of consolidation in 2006, BNL's restructuring costs of €151 million, related primarily to the cost of the employee restructuring plan, costs of €23 million relating to a sales organization streamlining plan for Cetelem in France and its continued sustained international development (Spain, Germany, Italy and Brazil), as well as 343 branch openings in Emerging Markets. Growth in expenses was limited by the Group's continued focus on cost control; see "—Results of operations by division" for more information. Despite the increase, operating expense and depreciation as a percentage of net banking income decreased slightly from 61.2% for 2005 to 61.1% for 2006.

Gross Operating Income

The Group's gross operating income increased by 28.2%, from €8,485 million in 2005 to €10,878 million in 2006, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above under "—Results of operations by division".

Cost of Risk

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Additions to impairment provisions	(3,085)	(2,166)	*+42%*
Reversals (write-backs) of impairment provisions	2,310	1,651	*+40%*
Recoveries of loans and receivables previously written off	247	129	*+91%*
Irrecoverable loans and receivables not covered by impairment provisions	(255)	(224)	*+14%*
Total net additions to provisions	**(783)**	**(610)**	***+28%***

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

The 28% increase in the cost of risk in 2006 compared to 2005 was mainly due to the increased scope of consolidation. The 42% increase in additions to impairment provisions in 2006 compared to 2005 is due primarily to the increase in loans and receivables outstanding due from customers (+30.5%). This increase was partially offset by a 40% increase in write-backs of provisions in 2006 compared to 2005. The increase in net addition to provisions results more specifically from a 26.7% increase in provisions to €708 million in International Retail Banking and Financial Services (especially in Emerging Markets - €16 million to €86 million -, due to the expanded scope of consolidation, and a limited 14.8% increase in provisions for Cetelem including a one-time write-back in Spain (€28 million). This was partially offset by a decrease in net addition to provisions of 21.1% to €153 million in French Retail Banking, resulting from the continued improvement in the condition of the Group's corporate customers in particular.

As at December 31, 2006, total doubtful loans and commitments amounted to €15.7 billion (as compared to €12.7 billion at December 31, 2005), and provisions totaled €13.9 billion (as compared to €11.1 billion at December 31, 2005). The coverage ratio at the same date therefore increased to 89% (from 87% at December 31, 2005). The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31, 2006	**At December 31, 2005**
Doubtful specific risks outstanding as a percentage of total commercial commitments	2.2%	2.2%
Provisions as a percentage of average risk weighted assets	0.2%	0.2%

For a more detailed discussion of net additions to provisions by division, see "—Results of operations by division". For more information about the Group's overall exposure to problem loans and the Bank's asset quality and loan loss reserves as of December 31, 2005, see "Risk Management".

Net Income Attributable to the Group

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Operating income	**10,095**	**7,875**	***+28%***
Share of earnings of associates	293	352	*-17%*
Net gain on non-current assets	195	211	*-8%*
Change in value of goodwill	(13)	(14)	*-7%*
Income taxes	(2,762)	(2,138)	*+29%*
Minority interests	500	434	*+15%*
Net income	**7,308**	**5,852**	***+25%***

General. The 24.9% increase in net income attributable to the Group was primarily due to an increase in gross operating income net of provisions.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies carried under the equity method) decreased from €352 million in 2005 to €293 million in 2006, largely as a result of the proportional integration of LaSer Cofinoga on a full year basis (it had been accounted for as an associated company until October 1, 2005); this change followed the acquisition of an additional 1%, bringing BNP Paribas's stake to 50%.

Net gain on non-current assets. This item includes net realized gains and losses on sales of property, plant and equipment and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. Net gains on non-current assets decreased from €211 million in 2005 to €195 million in 2006.

Change in value of goodwill. Goodwill impairments remained minimal (€13 million) in 2006 and in line with those recorded in 2005 (€14 million).

Income tax. The Group recorded corporate income tax expense for 2006 of €2,762 million, up from €2,138 million for 2005. The increase was primarily the result of the increase in taxable income. The effective tax rate during 2006 was 26.1%, as compared to 25.4% in 2005, with the increase resulting primarily from a 1.6% decrease in the percentage of items taxed at a reduced rate in France.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group increased to €500 million for 2006 compared to €434 million for 2005. The increase related mainly to the temporary existence of minority shareholders of BNL prior to the acquisition by the Group of 100% of BNL shares.

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2006, as compared to its financial condition as of December 31, 2005.

Assets

Overview. At December 31, 2006, the Group's consolidated assets amounted to €1,440.3 billion, up 14.5% from €1,258.1 billion at December 31, 2005. The main components of the Group's assets were financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions, and accrued income and other assets, which together accounted for 95.6% of total assets at December 31, 2006 (95.8% at December 31, 2005). The 14.5% increase in total assets reflects an increase in most of the Group's asset categories, particularly loans and receivables due from credit institutions (up 67%) and customers (up 30.5%). Financial assets at fair value through profit or loss and available-for-sale financial assets also contributed to the increase, with a year-on-year rise of 6.3% and 4.4%, respectively.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss consist of financial assets (including derivatives) held for trading purposes and financial assets that the Group opted to record and measure at fair value through profit or loss at the time of acquisition or issue. Financial assets carried in the trading book include mainly securities, repurchase agreements and derivatives. Assets designated by the Group as at fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract. Specifically, financial assets at fair value through profit or loss break down into the following categories within the balance sheet: negotiable debt instruments; bonds; equities and other variable-income securities; repurchase agreements; loans to credit institutions, individuals and corporate customers; and trading book financial instruments. These assets are remeasured at fair value at each balance sheet date.

Total financial assets at fair value through profit or loss amounted to €744.9 billion at December 31, 2006, an increase of 6.3% compared with December 31, 2005 (€700.5 billion). The increase was driven by a 27.5% rise in repurchase agreements (€255.1 billion at December 31, 2006), a 5.2% increase in bonds (€138.5 billion at December 31, 2006) and a 16.1% increase in equities and other variable-income securities (€137.3 billion at the end of 2006). The pronounced increases in repurchase agreements and equities and other variable income securities were driven by both rate and volume effects. These movements were partially offset by a 17.0% fall in negotiable certificates of deposit (€48.8 billion at December 31, 2006), driven by a 26.3% decrease in treasury bills and other bills eligible for central bank refinancing, and by a 15.3% decrease in derivatives (€161.5 billion at the end of 2006), which was mainly due to decreases on currency derivatives and interest rate derivatives, partially offset by an increase in credit derivatives.

Financial assets at fair value through profit or loss represented 51.7% of BNP Paribas' total assets at year-end 2006, compared with 55.7% at December 31, 2005.

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions consist of demand deposits, interbank loans and repurchase agreements.

Loans and receivables due from credit institutions (net of impairment provisions) amounted to €75.2 billion at the end of 2006, up 67.0% from €45.0 billion at December 31, 2005. Interbank loans account for the bulk of the increase in loans and receivables due from credit institutions (up 60.2% to €52.4 billion at December 31, 2006). Demand accounts leapt 95.3% to €15.2 billion at the end of 2006 versus €7.8 billion at December 31, 2005. Repurchase agreements advanced 63.4% year-on-year to €7.6 billion at December 31, 2006. Provisions for impairment remained relatively stable, falling to €0.1 billion at December 31, 2006 from €0.2 billion at the end of 2005.

Loans and receivables due from customers. Loans and receivables due from customers consist of demand accounts, loans to customers, repurchase agreements and finance leases. Loans and receivables due from customers (net of impairment provisions) amounted to €393.1 billion at the end of 2006, up 30.5 % from €301.2 billion at December 31, 2005. Loans to customers account for the bulk of the increase in this item (up 30.5% to €356.6 billion at December 31, 2006). Demand accounts climbed 27.9% to €26.3 billion at the end of 2006 versus €20.5 billion at December 31, 2005. Finance lease transactions totalled €22.8 billion at December 31, 2006, a rise of 33.3% on the year-earlier figure. These increases were in turn due to the consolidation of BNL and an environment generally characterized by stronger demand for credit (in particular personal loans and corporate loans. Provisions for impairment climbed 29.3% to €13.5 billion at December 31, 2006 from €10.5 billion at the end of 2005.

For more information with respect to the Group's loan portfolio, see "—Results of operations by division – Retail Banking" and "Results of operations by nature of income and expense – Net interest income".

Available-for-sale financial assets. Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "financial assets at fair value through profit or loss" or "held-to-maturity financial assets". These assets are remeasured at fair value at each balance sheet date.

Available-for-sale financial assets (net of impairment provisions) amounted to €96.7 billion at December 31, 2006, up 4.4% from €92.7 billion at December 31, 2005. This increase reflects mainly the 21.0% rise in equities and other variable-income securities to €19.7 billion at December 31, 2006, as a result of increased volumes and higher equity prices. Bonds increased 5.1% to €65.7 billion at December 31, 2006. Negotiable certificates of deposit decreased 18.1% from €15.2 billion at December 31, 2005 to €12.5 billion at December 31, 2006, principally due to a contraction in volumes.

Impairment provisions related to available-for-sale financial assets remained relatively stable, decreasing by €0.2 billion from €1.4 billion at December 31, 2005 to €1.2 billion at December 31, 2006. The Group calculates provisions related to available-for-sale financial assets at each balance sheet date. Unrealised capital gains on available-for-sale financial assets contracted 4.8% to €7.0 billion at December 31, 2006.

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

Total held-to-maturity financial assets remained stable, edging down to €15.1 billion at December 31, 2006 from €15.4 billion at December 31, 2005.

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

Accrued income and other assets amounted to €66.9 billion at December 31, 2006, up 2.4% from €65.3 billion at December 31, 2005. The increase was mainly due to a 12.9% rise in settlement accounts related to securities transactions and cash deposits linked to securities lending and borrowing transactions.

Liabilities (excluding shareholders' equity)

Overview. At December 31, 2006, the Group's consolidated liabilities (excluding shareholders' equity) totalled €1,385.5 billion, up 14.3% from €1,212.1 billion at December 31, 2005. The main components of the Group's liabilities were financial liabilities at fair value through profit or loss, amounts due to credit institutions, amounts due to customers, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies, which together accounted for 98% of total liabilities. The 14.3% year-on-year increase reflects mainly the 43.6% jump in debt securities, the 20.8% increase in amounts due to credit institutions, and the 20.7% advance in amounts due to customers. Also contributing to the increase in total liabilities was a 10.8% rise in accrued expenses and other liabilities, a 13.7% increase in technical reserves of insurance companies, and a 7.0% rise in financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss consist of (i) financial liabilities (including derivatives) held for trading purposes (i.e., trading book liabilities), and (ii) financial liabilities that the Group has opted to record and measure at fair value through profit or loss at the time of acquisition or issue. Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments contracted for position management purposes. Financial liabilities designated by the Group at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument. Specifically, financial liabilities at fair value through profit or loss break down into the following categories within the balance sheet: (i) borrowed securities and short selling instruments, (ii) repurchase agreements, (iii) a very small amount of borrowings from credit institutions and corporate customers, (iv) debt securities and (v) trading book derivatives.

Total financial liabilities at fair value through profit or loss increased 7.0% from €610.7 billion at December 31, 2005 to €653.3 billion at December 31, 2006. The increase was due to a 30.3% rise in repurchase agreements to €289.7 billion at December 31, 2006 from €222.3 billion at December 31, 2005, and a 28.8% rise in debt securities to €55.3 billion at December 31, 2006 from €42.9 billion at December 31, 2005. These movements were partially offset by a 13.4% fall in borrowed securities and short selling instruments (€119.0 billion at December 31, 2006) and by a 10.7% decline in trading book derivatives (€184.2 billion at the end of 2006), fuelled mainly by valuation adjustments relating to interest rate derivatives and currency derivatives.

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

Amounts due to credit institutions increased 20.8% year-on-year to €143.7 billion at December 31, 2006 versus €118.9 billion at December 31, 2005. This increase is mainly attributable to the 21.1% rise in borrowings, which totalled €121.4 billion at December 31, 2006.

Liabilities due to customers. Amounts due to customers consist of demand deposits, term accounts and regulated savings accounts, and to a lesser extent retail certificates of deposit and repurchase agreements.

Amounts due to customers totalled €298.7 billion at December 31, 2006, an increase of 20.7% compared with the amount at December 31, 2005 (€247.5 billion). This reflects the combined impact of a 38.4% surge in demand deposits to €142.5 billion at December 31, 2006, a 10.8% rise in term accounts, and a 45.4% rise in repurchase agreements, all fuelled by strong organic growth. Also contributing to the increase was a 2.0% rise in regulated savings accounts, to €40.5 billion at December 31, 2006. For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest income".

Debt securities. This line item consists of negotiable certificates of deposit and bond issues. It does not include debt securities that fall within the category "financial liabilities at fair value through profit or loss" (see note 5.b to the consolidated financial statements included herein).

Debt securities increased 43.6% to €121.6 billion at December 31, 2006 from €84.6 billion at the end of 2005, powered chiefly by the rise in outstanding bonds to €36.2 billion at December 31, 2006 from €16.2 billion at the end of 2005. Negotiable certificates of deposit also increased by 24.7%, to €85.4 billion at the end of 2006 from €68.5 billion one year earlier. These increases were in turn primarily driven by the consolidation of BNL.

Subordinated debt. Subordinated debt rose 7.5% to €18.0 billion at December 31, 2006 versus €16.7 billion at the end of 2005. This increase stems from new debt issuances by the Group and a 10.6% rise in redeemable subordinated debt, to €16.4 billion at December 31, 2006 from €14.8 billion at the end of 2005.

Technical reserves of insurance companies. Technical reserves of insurance companies rose 13.7% to €87 billion at December 31, 2006 from €76.6 billion at the end of 2005. The increase was primarily attributable to a rise in technical reserves linked to the life insurance business, which enjoyed strong organic growth.

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

Accrued expenses and other liabilities increased 10.8%, from €48.4 billion at December 31, 2005 to €53.7 billion at December 31, 2006. This increase reflects the rise in settlement accounts related to securities transactions (up 41.4% to €21.7 billion at the end of 2006), in guarantee deposits received (up 10.1% to €12.3 billion at December 31, 2006), and in accrued expenses and deferred income (up 17.3% to €3.7 billion at December 31, 2006), partially offset by a decrease in other creditors and miscellaneous liabilities, to €15.5 billion at December 31, 2006 from €18.4 billion at December 31, 2005.

Minority Interests

Minority interests remained stable at €5.3 billion at December 31, 2006. Minority interests in the Group's income, amounting to €0.5 billion for the year ended December 31, 2006, were offset by the distribution of dividends and interim dividends totalling €0.1 billion on ordinary shares, the redemption of preferred shares for €0.4 billion, and dividends paid on preferred shares in an amount of €0.2 billion.

Shareholders' Equity

Consolidated shareholders' equity of the BNP Paribas Group, before dividend payments, totalled €49.5 billion at December 31, 2006, an increase of 21.6% year-on-year.

This increase reflects net attributable income of €7.3 billion in 2006 and an increase in capital and reserves of €5.9 billion, the latter resulting from the capital increase via a rights offering effected in March to finance in part the acquisition of BNL. These increases were offset in part by the negative impact of movements in own equity instruments (€1.8 billion), resulting from share buybacks (the Group held approximately 25 million of its own shares at December 31, 2006 compared to approximately 5 million at December 31, 2005) and the portion of BNL acquisition costs (€2.1 billion) related to the buyout of minority shareholders that was not allocated to goodwill, in accordance with IAS 32.

The €0.6 billion increase in unrealized gains on available-for-sale financial assets was partly offset by the €0.4 billion decrease in the fair value of hedging instruments at December 31, 2006.

The overall increase in equity was partly offset by the €2.2 billion dividend payment in respect of 2005 income, and by the negative impact of exchange rate movements (€0.7 billion at December 31, 2006, resulting particularly from the depreciation of the U.S. dollar against the euro).

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers mainly comprise documentary credits and other confirmed letters of credit, as well as commitments relating to repurchase agreements. Financing commitments given climbed 12.4% to €235.7 billion at December 31, 2006 versus €209.7 billion at December 31, 2005, fuelled by a rise in other commitments given to customers (€60.1 billion at the end of 2006 versus €42.0 billion at the end of 2005). Commitments to credit institutions increased to €36.4 billion at December 31, 2006 from €18.2 billion a year earlier.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. Financing commitments received advanced 36.6% to €76.0 billion at December 31, 2006, compared with €55.7 billion at December 31, 2005. This increase reflects the rise in commitments received from credit institutions (€71.4 billion at December 31, 2006) and in financial commitments received on behalf of customers (€4.6 billion at December 31, 2006).

Guarantee Commitments

Financial instruments received as guarantees increased by 58.7% to €25.1 billion at December 31, 2006, while financial instruments given as guarantees edged up 6.5% to €31.6 billion.

Guarantee commitments totalled €80.9 billion at December 31, 2006 compared with €67.2 billion a year earlier. This 20.5% increase was fuelled by a 38.2% rise in guarantees given to credit institutions (€11.7 billion at December 31, 2006), and an 18% rise in guarantees given to customers (€69.2 billion at the end of 2006).

For further information concerning the Group's off-balance sheet assets and liabilities, see Note 6 to the audited consolidated financial statements as of December 31, 2006 and for the years ended December 31, 2006 and 2005 included herein.

Year Ended December 31, 2005 as Compared with Year Ended December 31, 2004

The following discussion presents the financial condition of BNP Paribas Group as of December 31, 2005 as compared to January 1, 2005, as well as the results of operations for BNP Paribas Group for the year ended December 31, 2005 as compared to the year ended December 31, 2004. Results of operations are presented and analyzed by core business and then on a consolidated basis by income statement line items.

In addition to the variations between 2004 IFRS and EU-IFRS as discussed above, other changes affecting the comparability of the Group's results generally between the year ended December 31, 2005 and the year ended December 31, 2004 include (i) the consolidation of Community First Bankshares and Union Safe Deposit Bank within IRFS as of November 1, 2004, following their acquisition by the Group, (ii) the consolidation of Atis Real International within AMS as of April 1, 2004, following its acquisition by the Group, (iii) the proportional consolidation of TEB Mali Yatýrýmlar AS within IRFS as of February 1, 2005, following the acquisition of a 50% interest by the Group, and (iv) the consolidation of Commercial Federal Corporation within IRFS as of December 2, 2005, following its acquisition by the Group.

Results of operations by division

Retail Banking

(in millions of euros)	**2005***	**2004***	***Change (2005/2004)***
Net banking income	**11,250**	**9,961**	***+12.9%***
Operating expense and depreciation	-6,990	-6,321	*+10.6%*
Gross operating income	**4,260**	**3,640**	***+17.0%***
Provisions	-754	-667	*+13.0%*
Operating income	**3,506**	**2,973**	***+17.9%***
Share of earnings of associated	112	123	*-8.9%*

companies			
Other non-operating items	39	16	*n.m.*
Pre-tax income	**3,657**	**3,112**	***+17.5%***
Cost/income ratio	62.1%	63.5%	*-1.4 pt*
Allocated equity (in billions of euros)	11.0	9.8	*+11.7%*
Pre-Tax ROE	33%	32%	*+1 pt*

* Figures include two-thirds of the income generated by private banking in France.

In 2005, Retail Banking revenues grew and there was a solid improvement in profitability. Net banking income increased 12.9% to €11,250 million, while gross operating income rose 17.0% to €4,260 million. Pre-tax income was up 17.5%, to €3,657 million. Pre-tax return on allocated equity (i.e., the amount of the Group's capital allocated to this division for internal analytical purposes, as discussed above under "–Basis of Presentation") increased by 1 percentage point to 33%.

French Retail Banking

(in millions of euros)	**2005***	**2004***	***Change (2005/2004)***
Net banking income	**5,451**	**5,109**	***+6.7%***
Of which fees and commissions	*2,262*	*2,175*	*+4.0%*
Of which net interest income	*3,189*	*2,934*	*+8.7%*
Operating expense and depreciation	-3,699	-3,546	*+4.3%*
Gross operating income	**1,752**	**1,563**	***+12.1%***
Provisions	-194	-222	*-12.6%*
Operating income	**1,558**	**1,341**	***+16.2%***
Non-operating items	0	0	*n.m.*
Pre-tax income	**1,558**	**1,341**	***+16.2%***
Income attributable to AMS	-88	-72	+22.2%
Pre-tax income of French Retail Banking	**1,470**	**1,269**	**+15.8%**
Cost/income ratio	68.4%	69.8%	*-1.4 pt*
Allocated equity (in billions of euros)	5.1	4.7	*+9.1%*
Pre-Tax ROE	29%	27%	*+2 pt*

* Figures in the table from Net banking income to Pre-tax income include 100% of the results of private banking (AMS) in France.

Net banking income of the French Retail Banking branch network (including 100% of private banking in France) increased 6.7%, to €5,451 million. Net interest income increased by 8.7% to €3,189 million, due to a 13.7% increase in the average volume of loans outstanding, while deposits increased by 5.0%. The increase was also partially due to a change in the method for calculating net interest income under IAS 39, applicable as of January 1, 2005. The growth in net interest income was nevertheless limited by a small contraction in the gross interest margin on loans (from 3.60% to 3.45%) between 2004 and 2005, which was primarily due to (i) the above-mentioned proportionately greater increase in the average volume of loans outstanding (+13.7%) that outpaced the increase in deposits (+5.0%), such that a lower percentage of loans were financed through deposits rather than through other higher-cost sources of funding, (ii) continued flattening of the yield curve in 2005, (iii) a strong increase in outstanding mortgage loans (+20.9%) and corporate loans (+10.3%) during 2005, both of which tend to be relatively low-margin categories, as a percentage of total loans. Movements in provisions related to the Group's home ownership savings plans and accounts, resulting from the application of EU-IFRS for the first time in 2005, had no significant effect on the gross interest margin over the full year (see Note 6.n of the audited consolidated financial statements included herein).

Fees and commissions grew by 4.0% compared to 2004, due in particular to stronger volumes of stock market and financial transactions during 2005. The overall increase in fees was therefore primarily due to growth in the number of customers and in the volume of transactions conducted, rather than a change in pricing policy. Regarding the latter, BNP Paribas pursued its strategy of moderate pricing in French retail banking during 2005, maintaining its levels of charges on financial transactions broadly stable.

The sales and marketing drive targeting individual customers continued at a strong pace during 2005. Average outstanding loans to individual customers increased by 18.7% compared to 2004, a rate that outpaced the market average of 10.4%. The increase was due in particular to a strong increase in outstanding mortgages (+20.9%) and an increase in outstanding consumer loans (+7.8%). These increases were in turn primarily attributable to the relatively low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2005. Life insurance assets gathered increased by 13.8% compared to 2004, a rate that outpaced the market average of 11%, while medium- and long-term mutual fund assets gathered increased by 11.8% compared to 2004. The number of individual checking and deposit accounts grew by 155,000 during 2005, compared to an increase of 128,000 during 2004.

For the corporate clientele, especially small and medium-sized companies, French Retail Banking's business centers focused on business development, contributing to a 10.3% rise in outstanding corporate loans in 2005. Moreover, the French Retail Banking branch network intensified the cross-selling of products, working closely with the other core businesses: corporate finance services, interest and exchange rate hedging products, equipment leasing and corporate car fleet management services.

Operating expenses and depreciation amounted to €3,699 million, a 4.3% increase compared to 2004. This amount includes the cost of a new plan to re-train employees (totaling €40 million) covering 2006 and 2007. Given the containment of operating expenses and depreciation, gross operating income rose 12.1% to €1,752 million, and the cost/income ratio (i.e., the ratio of operating expenses and depreciation to net banking income) improved by 1.4 points to 67.9%.

Provisions decreased by 12.6% to €194 million, in spite of the new, more stringent way of computing credit-related provisions under IAS 39 applicable from January 1, 2005. (See Section 1.c.2 (Restatements made to comply with IAS 32, IAS 39 and IFRS 4—Credit risk provisions) of the audited consolidated financial statements included herein.) This decrease was due mainly to the generally improved financial condition of the Group's corporate customers in particular. Accordingly, operating income rose by 16.2% to €1,558 million. After allocation of one-third of the income of French Private Banking to Asset Management and Services, French Retail Banking recorded pre-tax income of €1,470 million, a 15.8% increase compared to 2004. For the 2005 as a whole, French Retail Banking's return on allocated equity edged up two points to 29%.

International Retail Banking and Financial Services (IRFS)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**5,980**	**5,016**	***+19.2%***
Operating expense and depreciation	-3,385	-2,867	***+18.1%***
Gross operating income	**2,595**	**2,149**	***+20.8%***
Provisions	-559	-445	*+25.6%*
Operating income	**2,036**	**1,704**	***+19.5%***
Share of earnings of associated companies	112	123	*-8.9%*
Other non-operating items	39	16	*n.m.*
Pre-tax income	**2,187**	**1,843**	***+18.7%***
Cost/income ratio	56.6%	57.2%	*-0.6 pt*
Allocated equity (in billions of euros)	5.8	5.1	*+14.2%*
Pre-Tax ROE	37%	36%	*+1 pt*

Net banking income of IRFS increased by 19.2% to €5,980 million in 2005. The increase was due to an increase in revenues across all business segments: +20.5% at BancWest, +20.0% at Cetelem, +9.2% for other retail financial services and +29.2% for emerging and overseas markets. These increases were in turn primarily due to sustained organic growth, as well as the consolidation of Community First Bankshares and Union Safe Deposit Bank within BancWest as of November 1, 2004, the proportional consolidation of LaSer-Cofinoga within Cetelem as of October 1, 2005 and the proportional consolidation of Turk Ekonomi Bankasi within Emerging and Overseas Markets as of February 1, 2005. Organic growth was also supported by new branch openings in the western U.S. and in the Mediterranean region.

Operating expenses and depreciation increased at a slower rate to €3,385 million, an increase of 18.1%. As a result, gross operating income rose 20.8% to €2,595 million, and the cost/income ratio improved by 0.6 points to 56.6%.

Provisions increased by 25.6% to €559 million, given the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005), and an increase in provisions at Cetelem in particular. Operating

income increased strongly by 19.5% to €2,036 million. Pre-tax income also increased strongly by 18.7% to €2,187 million, yielding a 37% pre-tax return on allocated equity compared with 36% for 2004.

BancWest

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**1,877**	**1,558**	***+20.5%***
Operating expense and depreciation	-937	-768	***+22.0%***
Gross operating income	**940**	**790**	***+19.0%***
Provisions	-32	-39	*-17.9%*
Operating income	**908**	**751**	***+20.9%***
Share of earnings of associated companies	0	0	*n.m.*
Other non-operating items	0	0	*n.m.*
Pre-tax income	**908**	**751**	***+20.9%***
Cost/income ratio	49.9%	49.3%	*+0.6 pt*
Allocated equity (in billions of euros)	2.0	1.6	*+23.4%*
Pre-Tax ROE	46%	47%	*-1 pt*

During 2005, BancWest successfully completed the integration of Community First Bankshares and Union Safe Deposit Bank, two banks in the western part of the United States acquired in November 2004. It also consolidated Commercial Federal Corporation, headquartered in Nebraska, as of the date of its acquisition on December 2, 2005.

BancWest pursued its sales and marketing drive during 2005. At constant scope and exchange rates, loans to consumers increased by 11.1% compared to 2004 and deposits increased by 9.1%. Taking into account the acquisitions of Community First Bankshares, Union Safe Deposit Bank and Commercial Federal Corporation as described above, net banking income increased by 20.5% to €1,877 million.

The increase in net banking income was nonetheless attenuated by a deterioration in BancWest's gross interest margin of 33 basis points (1% equals 100 basis points) as a result of the effects of a flattening yield curve in which short-term rates have risen more quickly than long-term rates in the United States.

Operating expense and depreciation increased by 22.0% to €937 million, a growth rate that exceeded the growth in net banking income. This figure includes a €49 million charge relating to the integration of Commercial Federal Corporation. As a result of the proportionately greater increase in operating expenses and depreciation over net banking income, the cost/income ratio increased by 0.6 point.

Provisions decreased by 17.9% to €32 million in 2005, and the ratio of non-performing loans to total outstanding loans, leases and foreclosed properties remained relatively stable at 0.51% as of December 31, 2005 (compared to 0.45% as of December 31, 2004), with the slight increase being due primarily to the integration of Commercial Federal Corporation. Accordingly, BancWest's pre-tax income amounted to €908 million (+20.9%).

Cetelem

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**2,015**	**1,679**	***+20.0%***
Operating expense and depreciation	-1,070	-888	*+20.5%*
Gross operating income	**945**	**791**	***+19.5%***
Provisions	-453	-387	*+17.1%*
Operating income	**492**	**404**	***+21.8%***
Share of earnings of associated companies	108	119	*-9.2%*
Other non-operating items	30	6	*n.m.*
Pre-tax income	**630**	**529**	***+19.1%***
Cost/income ratio	53.1%	52.9%	*+0.2 pt*

Allocated equity (in billions of euros)	1.6	1.5	*+7.1%*
Pre-Tax ROE	38%	35%	*+3 pt*

During 2005, Cetelem pursued its expansion within France, acquiring joint control over LaSer-Cofinoga during the fourth quarter. As a result, the Group began accounting for its interest in Cofinoga under the proportional consolidation method as of October 1, 2005; it had previously been accounted for within the line item "share of earnings of associated companies". Cetelem also continued to enjoy strong growth outside of France. Outstanding loans under management increased by 47.2% to €47.4 billion at the end of 2005 (including LaSer-Confinoga outstandings), of which 57% were located in France and 43% outside of France. Excluding loans held by LaSer-Cofinoga, total outstanding loans under management increased by 9.9%, predominantly due to growth outside of France. As a result of this volume increase, Cetelem's net banking income increased by 20.0% to €2,015 million, and its gross operating income increased by 19.5% to €945 million. Provisions increased by 17.1% to €453 million, largely due to the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005). Its pre-tax income rose strongly by 19.1% to €630 million.

Arval, BNP Paribas Lease Group and UCB pursued their growth in 2005. UCB benefited from rising real estate markets, especially in France and Italy. Its outstanding loans rose by 38.9% to €28.0 billion at the end 2005, including those of Abbey National France, which was acquired during 2005. Outstanding loans outside of France constituted 45% of the total and increased by 40.8% compared to 2004, while outstanding loans in France increased by 37.5%. BNP Paribas Lease Group continued its organic growth in Europe (outside France) with strong profitability. BNP Paribas Lease Group's outstanding leases in France decreased by 2.8% compared to 2004, while outstanding leases outside of France increased by 13.8%. Arval expanded further, with outstandings up by 17.5% over 2004. In particular, its financed vehicle fleet increased by 8.3% compared to 2004, and total vehicles under management increased slightly (+0.8%). It is currently opening subsidiaries in Brazil, Turkey, Russia and Ukraine. In total, these three business lines generated €1,310 million in net banking income, up 11.3% compared to 2004, and pre-tax income of €456 million (+20.3%).

Emerging Markets and Overseas retail banking businesses recorded solid growth during 2005. Seventy branches were opened in 2005, and synergies were achieved with the Group's other business lines (private banking, retail financial services, export financing, etc.). This organic growth, combined with further acquisitions, especially in Turkey, resulted in a 29.2% increase in net banking income compared to 2004, to €766 million. Pre-tax income rose strongly by 47.3% compared to 2004, to €268 million. The Group will pursue further growth in emerging markets, particularly Eastern Europe, in 2006. The Group is currently carrying out the acquisition of a 51% stake in UkrSibbank (Ukraine) and has launched an organic growth plan in Russia.

Asset Management and Services (AMS)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**3,552**	**3,032**	***+17.2%***
Operating expense and depreciation	-2,331	-1,975	*+18.0%*
Gross operating income	**1,221**	**1,057**	***+15.5%***
Provisions	-8	-6	*n.m.*
Operating income	**1,213**	**1,051**	***+15.4%***
Share of earnings of associated companies	1	4	*n.m.*
Other non-operating items	52	7	*n.m.*
Pre-tax income	**1,266**	**1,062**	***+19.2%***
Cost/income ratio	65.6%	65.1%	*+0.5 pt*
Allocated equity (in billions of euros)	3.8	3.3	*+16.6%*
Pre-Tax ROE	33%	32%	*+1 pt*

Net banking income of the AMS core business increased by 17.2% to €3,552 million in 2005, due in particular to a record €34.1 billion in net assets inflows during 2005 (compared to €14.2 billion in 2004), bringing total assets under management to €429.7 billion at December 31, 2005 (compared to €343.1 billion at December 31, 2004). Each of AMS's business lines recorded strong growth in net banking income, with increases of 15.7% for Wealth & Asset Management, 18.5% for Insurance and 19.0% for Securities Services.

Operating expenses and depreciation increased by 18.0% to €2,331 million, a rate that slightly outpaced the growth in net banking income. Accordingly, gross operating income rose by 15.5% to €1,221 million. The AMS core business recorded a one-time non-operating gain of €52 million in its Insurance business line related to the sale of an operating company, which

caused total pre-tax income of €1,266 million to increase more (+19.2%) than would otherwise have been the case. For 2005 as a whole, AMS's return on equity was 33% (+1 point compared to 2004).

As stated above, the value of total assets under the Group's management (including those resulting from cross-selling between the business lines within AMS) rose by 25.2% to €429.7 billion as of December 31, 2005, or an increase of €86.6 billion compared to December 31, 2004. This strong rise is due in particular to a record level of net new inflows during 2005 of €34.1 billion, which is more than double the amount of inflows recorded in 2004 (€14.2 billion). This represents an inflow rate of 9.9% (annualized) of total assets under management. Also contributing to the strong rise was a €52.5 billion increase in asset values linked primarily to higher equity prices.

Wealth & Asset Management (WAM)*

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**1,810**	**1,565**	***+15.7%***
Operating expense and depreciation	-1,270	-1,095	*+16.0%*
Gross operating income	**540**	**470**	***+14.9%***
Provisions	0	-2	*n.m.*
Operating income	**540**	**468**	***+15.4%***
Share of earnings of associated companies	1	4	*-75.0%*
Other non-operating items	0	7	*n.m.*
Pre-tax income	**541**	**479**	***+12.9%***
Cost/income ratio	70.2%	70.0%	*+0.2 pt*
Allocated equity (in billions of euros)	1.1	1.0	*+10.4%*

* WAM includes the results of Private Banking, Asset Management, Cortal Consors and Real Estate Services. With regard to the latter, this business unit has been included within WAM (and hence AMS) since January 1, 2004 and includes Atis Real International on a consolidated basis since April 1, 2004.

The WAM business unit conducted extensive sales and marketing efforts during 2005 and benefited from rising equity and real estate markets. Net banking income of WAM increased by 15.7% compared to 2004, to €1,810 million. This increase was due to strong performances across all business lines. Operating expenses and depreciation increased at a slightly faster rate (+16.0%), and hence gross operating income increased by 14.9% to €540 million. WAM's pre-tax income increased by 12.9% to €541 million. The margin on assets under management increased slightly in 2005, linked primarily to increases in sales of structured and alternative instruments, which tend to be relatively higher margin.

In 2005, BNP Paribas Private Banking was ranked the leading private bank in France, the third leading in Europe overall and the seventh leading in Asia and Latin America (source: *Euromoney* magazine). In addition, the Asset Management, Cortal Consors and Real Estate Services business lines all grew their businesses and revenues significantly in 2005.

Private Banking and Cortal Consors recorded strong organic growth during 2005, with total assets under management rising by 23.5%, from €117.2 billion at December 31, 2004 to €144.8 billion at December 31, 2005. BNP Paribas Asset Management's total assets under management rose by 30.9%, from €147.4 billion at December 31, 2004 to €193.0 billion at December 31, 2005.

Insurance

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**1,017**	**858**	***+18.5%***
Operating expense and depreciation	-481	-396	*+21.5%*
Gross operating income	**536**	**462**	***+16.0%***
Provisions	-8	-4	*n.m.*
Operating income	**528**	**458**	***+15.3%***
Non-operating items	52	0	*n.m.*
Pre-tax income	**580**	**458**	***+26.6%***
Cost/income ratio	47.3%	46.2%	*+1.1 pt*
Allocated equity (in billions of euros)	2.3	2.0	*+13.8%*

The Insurance business line maintained its sales and marketing momentum in 2005, which translated into a solid increase in gross asset inflows, both within and outside France. Within France, gross personal savings inflows totaled €8.2 billion in 2005. Unit-linked insurance products as a percentage of gross personal savings inflows amounted to 33.1%, which was superior to the market average of 22.5% (source: FFSA). Outside France, gross asset inflows totaled €3.5 billion, an increase of 19% compared to 2004. As a result, net banking income of the Insurance business line increased 18.5% to €1,017 million, while gross operating income rose 16.0% to €536 million. Pre-tax income rose 26.6% to €580 million.

At December 31, 2005, total assets under management by the Insurance business line amounted to €91.9 billion, an increase of 17.1% compared to December 31, 2004. Gross premiums were up 7.0% compared to 2004, at €11.5 billion. Total technical reserves, which consist of funds under management (at historical value, except for unit-linked funds) increased by 15.1% from January 1, 2005.

Securities Services

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**725**	**609**	***+19.0%***
Operating expense and depreciation	-580	-484	*+19.8%*
Gross operating income	**145**	**125**	***+16.0%***
Provisions	0	0	*n.m.*
Operating income	**145**	**125**	***+16.0%***
Non-operating items	0	0	*n.m.*
Pre-tax income	**145**	**125**	***+16.0%***
Cost/income ratio	80.0%	79.5%	*+0.5 pt*
Allocated equity (in billions of euros)	0.5	0.3	*+55.4%*

The Securities Services business line pursued further development both in the global custody services business and in the fund administration business. The value of assets under custody increased 24%, to €3,058 billion at December 31, 2005. Assets under administration grew even more quickly, to €520 billion at December 31, 2005 (compared to €299 billion at December 31, 2004). BNP Paribas was named "Fund Administrator of the Year" by *Funds Europe* magazine (November 2005). The number of transactions handled by BNP Paribas Securities Services during 2005 also increased by 16.0% compared to 2004. As a result of these factors, BNP Paribas Securities Services' pre-tax income increased by 16.0% compared to 2004, to €145 million.

Corporate and Investment Banking (CIB)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**6,422**	**5,684**	*+13.0%*
Operating expense and depreciation	-3,711	-3,361	*+10.4%*
Gross operating income	**2,711**	**2,323**	*+16.7%*
Provisions	130	-58	*n.m.*
Operating income	**2,841**	**2,265**	*+25.4%*
Share of earnings of associated companies	3	-6	*n.m.*
Other non-operating items	46	58	*-20.7%*
Pre-tax income	**2,890**	**2,317**	*+24.7%*
Cost/income ratio	57.8%	59.1%	*-1.3 pt*
Allocated equity (in billions of euros)	9.1	7.5	*+21.6%*
Pre-Tax ROE	32%	31%	*+1 pt*

During 2005, CIB's business was again resilient. It recorded solid organic growth by leveraging its global presence and its well-balanced range of products.

Net banking income increased by 13.0% to €6,422 million, due to the increase in net banking income of both the Financing Businesses (+17.8%) and the Advisory & Capital Markets business (+9.7%). These increases in turn resulted from CIB's sustained sales and marketing efforts, without increasing the value at risk of the market businesses.

Operating expenses and depreciation increased by 10.4% to €3,711 million. The cost/income ratio, which stood at 57.8% at the end of 2005, remained one of the lowest among the large global investment banks. As a result, gross operating income increased by 16.7% to €2,711 million.

The need for new provisions, which remained limited throughout 2005, was on the whole lower than the write-backs recorded during the first three quarters of the year, reflecting the improved financial condition of corporate clients around the world. The net effect of additions and recoveries of provisions was a €130 million net contribution to operating income in 2005. This, combined with the increase in net banking income, led to a 25.4% increase in operating income, to €2,841 million.

Pre-tax income rose 24.7% to €2,890 million. Pre-tax return on allocated equity increased 1 point to 32%.

Advisory and Capital Markets

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**3,722**	**3,392**	***+9.7%***
Operating expense and depreciation	-2,577	-2,340	*+10.1%*
Gross operating income	**1,145**	**1,052**	***+8.8%***
Provisions	-1	-9	*n.m.*
Operating income	**1,144**	**1,043**	***+9.7%***
Share of earnings of associated companies	3	-6	*n.m.*
Non-operating items	23	36	*-36.1%*
Pre-tax income	**1,170**	**1,073**	***+9.0%***
Cost/income ratio	69.2%	69.0%	*+0.2 pt*
Allocated equity (in billions of euros)	3.0	2.8	*+9.9%*

Net banking income of the Advisory and Capital Markets business increased 9.7% to €3,722 million, due in particular to the strong revenues recorded by the equity derivatives business. This was partially offset by a decline in revenues from the fixed income business, though the proportion of such revenues coming from the Bank's customers increased.

The Group's results and positions within the Advisory and Capital Markets business were achieved without increasing its risk exposure; value at risk (99% 1 day-interval VaR) remained below €24 million in 2005.

Financing Businesses

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**2,700**	**2,292**	***+17.8%***
Operating expense and depreciation	-1,134	-1,021	*+11.1%*
Gross operating income	**1,566**	**1,271**	***+23.2%***
Provisions	131	-49	*n.m.*
Operating income	**1,697**	**1,222**	***+38.9%***
Non-operating items	23	22	*+4.5%*
Pre-tax income	**1,720**	**1,244**	***+38.3%***
Cost/income ratio	42.0%	44.5%	*-2.5 pt*
Allocated equity (in billions of euros)	6.0	4.7	*+28.4%*

Net banking income of the Financing Businesses, consisting of energy and commodities services, syndicated loans, acquisition financing, leveraged buyout financing, project financing, optimization and asset financing and media and telecommunications financing, increased 17.8% to €2,700 million. This growth is associated with a 28.4% increase in assets, but the ratio of net banking income to risk weighted assets for 2005, at 2.7% (a slight decline compared to 2004), was well within the usual fluctuation range of past years. There was a net write-back of provisions recorded in 2005. As indicated above, this reflected the improved financial condition of corporate clients around the world.

BNP Paribas Capital

(in millions of euros)	**2005**	**2004**
Net banking income	**384**	**417**
Operating expense and depreciation	-23	-31
Gross operating income	**361**	**386**
Provisions	-3	0
Operating income	**358**	**386**
Share of earnings of associated companies	127	190
Other non-operating items	59	82
Pre-tax income	**544**	**658**
Allocated equity (in billions of euros)	1.1	1.1

BNP Paribas Capital's pre-tax income decreased by 17.3% compared to 2004, to €544 million. The Group continued to pursue its strategy of divesting its directly held equity investments in 2005, and sold its remaining interest in Eiffage, as well as its interest in Carbone Lorraine, during the first part of the year. On the other hand, the Group acquired a stake in Motier, the holding company of the Galeries Lafayette Group. In total, net divestments totaled €0.3 billion in 2005.

Due to an increase in the estimated value of many of the Group's portfolio investments, the portfolio's estimated market value increased by €0.6 billion to €4.4 billion at December 31, 2005, compared to €3.8 billion at December 31, 2004, despite the divestitures carried out in 2005. As of December 31, 2005, unrealized capital gains totaled €1.6 billion, compared to €1.3 billion at January 1, 2005.

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net interest income[(1)]	7,733	7,554	*+2.4%*
Net commission income[(1)]	4,547	4,373	*+4.0%*
Net gain on financial instruments at fair value through profit or loss	5,212	3,366	*+54.8%*
Net gain on available-for-sale financial assets..............	1,353	1,450	*-6.7%*
Net income from other activities	3,009	2,626	*+14.6%*
Net banking income	**21,854**	**19,369**	***+12.8%***

(1) Under EU-IFRS, some commission income is treated as an additional component of interest and hence as an integral part of the effective interest rate in accordance with IAS 39. Consequently, this income is recorded in "Net interest income". Under 2004 IFRS, the corresponding income was included in "Net commission income", as IAS 39 was not applicable in 2004.

General. The 12.8% increase in net banking income of the Group in 2005 as compared with 2004 was due principally to a 54.8% increase in net gains on financial instruments at fair value through profit or loss and a 14.6% increase in net income from other activities, partially offset by a 6.7% decrease in net gains on available-for-sale financial assets. The increases in net interest income and net commission income were more muted, at 2.4% and 4.0%, respectively.

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

More specifically, under EU-IFRS, the "Net interest income" line item includes:

- Income from the Group's loans and receivables, representing interest plus transaction costs and fees and commissions included in the initial value of the loan, which is calculated using the effective interest method and recorded in the profit and loss account over the life of the loan;
- Income from fixed-income securities held by the Group which are classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets" (in the latter case, calculated using the effective interest method);
- Income (as opposed to changes in fair value, which are recognized in the line item "Net gain on financial instruments at fair value through profit or loss", as discussed in further detail below) from the Group's financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments, calculated using the effective interest method (including interest, fees and commissions and transaction costs);
- Income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and
- Income from cash flow hedges, which are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign-currency revenues. Changes in fair value of the cash flow hedge are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement.

Finally, interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item.

In 2005, net interest income increased by 2.4% compared to 2004, to €7,733 million. The 2.4% increase resulted primarily from the following items:

- an 18.4% increase in net interest income on customer items, from €7,053 million in 2004 to €8,353 million in 2005, due to a €2,327 million increase in income on deposits, loans and borrowings, coupled with a more moderate €933 million increase in expense on such items. The increase in income on deposits, loans and borrowings was in turn the result of a 23.3% increase in the outstanding amounts of loans and receivables due from customers, to €301.2 billion at December 31, 2005.

Loans due to customers increased more slowly, by 17.0% to €247.5 billion at December 31, 2005, which was primarily responsible for the relatively slower rate of increase in expense paid on deposits, loans and borrowings;

- €910 million of net interest income recorded on cash flow hedges for 2005. As stated above, under EU-IFRS, the amounts recorded in shareholders' equity over the life of cash flow hedges are transferred to net interest income as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement. Under 2004 IFRS, this accounting principle did not apply;
- a 17.7% increase in net interest income from available-for-sale financial assets, from €2,730 million in 2004 to €3,213 million in 2005. This increase corresponds to a 22.3% increase in available-for-sale financial assets, to €92.7 billion at December 31, 2005. The increase in available-for-sale financial assets was itself due largely to a change in classification between 2004 IFRS and EU-IFRS. Under 2004 IFRS, "available-for-sale financial assets" comprises the assets classified under French GAAP as securities available for sale, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment. Under EU-IFRS, the category "available-for-sale financial assets" is more expansive, and comprises all fixed-income and variable-income securities other than those classified as "financial assets at fair value through profit or loss" or "held-to-maturity financial assets".

These improvements were largely offset by the following items:

- net interest expense on the trading book of €262 million in 2005, compared to net interest income of €1,104 million recorded in 2004. The reversal was itself largely due to the booking of a €1,565 million expense on debt securities within the trading book. This expense was due to the recording within the trading book at January 1, 2005 of €32.0 billion of debt securities designated at fair value through profit or loss, which were previously recorded in the balance sheet as "debt securities" under 2004 IFRS. As a result of this reclassification, interest expense on such debt securities is no longer recorded in the net interest income line item under "bonds issued", but rather within the trading book line item. The decrease in net interest income on the trading book was also due to an increase in net interest expense on repurchase agreements, from €572 million in 2004 to €627 million in 2005, which was in turn due to a 21.9% increase in repurchase agreements within the trading book. The net interest expense on the trading book was offset by an increase in net interest income from fixed-income securities within the trading book, from €1,676 million in 2004 to €1,994 million in 2005, which was in turn due primarily to an increase in the amount of fixed-income securities;
- a 31.9% increase in net interest expense paid on interbank items, from €1,396 million in 2004 to €1,841 million in 2005, itself due primarily to an increase in expense paid on deposits, loans and borrowings in particular, resulting from an increase in the outstanding amounts of such items;
- a 54.3% decrease in net interest income on held-to-maturity financial assets, from €1,709 million in 2004 to €781 million in 2005, due primarily to a 40.9% reduction in the outstanding amount of such held-to-maturity financial assets.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". Trends in such assets between January 1, 2005 and December 31, 2005 are summarized below.

Total loans and receivables due from customers, net of impairment provisions, amounted to €301.2 billion at December 31, 2005, an increase of 23.3% as compared with €244.2 billion at January 1, 2005. The increase was due primarily to a 25.8% increase in loans to customers, to €273.3 billion at December 31, 2005. This increase was itself due significantly to increases in mortgage loans and corporate loans across the Bank's businesses. For example, average outstanding mortgage loans in French Retail Banking during 2005 increased by 20.9% compared to the average level outstanding during 2004, while outstanding loans at UCB increased by 38.9% overall compared to the level outstanding at the end of 2004. The level of average corporate loans outstanding during 2005 also increased by 10.3% in French Retail Banking as compared to the average level outstanding during 2004. The increase in mortgage loans was in turn primarily attributable to the low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2005, while the improved financial condition of corporate customers led to stronger demand for loans.

Total loans and receivables due from credit institutions, net of provisions, increased 9.8%, from €41.0 billion at January 1, 2005 to €45.0 billion at December 31, 2005. Contributing to the increase was a 50.1% increase in demand accounts, to €7.8 billion at December 31, 2005, and a 14.1% increase in loans, to €32.7 billion at December 31, 2005. These increases were partially offset by a 35.9% decrease in repurchase agreements, to €4.7 billion at December 31, 2005.

Interest-bearing liabilities include items due to credit institutions and items due to customers. Total items due to customers (including demand deposits, term accounts, regulated savings accounts, retail certificates of deposit and repurchase

agreements) increased 17.0%, from €211.5 billion at January 1, 2005 to €247.5 billion at December 31, 2005. The increase was due primarily to a 22.1% increase in demand accounts, from €84.3 billion at January 1, 2005 to €102.9 billion at December 31, 2005, and a 17.2% increase in term accounts, from €77.7 billion at January 1, 2005 to €91.1 billion at December 31, 2005. These increases were in turn due to successful marketing efforts by the Group, as well as liabilities acquired from Commercial Federal Corporation. Funds deposited in regulated savings accounts increased 4.0%, from €39.7 billion at January 1, 2005 to €41.3 billion at December 31, 2005. Retail certificates of deposit increased 39.4%, from €6.7 billion at January 1, 2005 to €9.4 billion at December 31, 2005. The increase in customer items was only slightly offset by an 8.7% decrease in repurchase agreements, from €3.0 billion at January 1, 2005 to €2.8 billion at December 31, 2005.

Total loans and receivables due to credit institutions increased 18.7%, from €100.2 billion at January 1, 2005 to €118.9 billion at December 31, 2005. Contributing to the increase was a 31.1% increase in demand accounts, to €5.9 billion at December 31, 2005, a 17.0% increase in borrowings, to €100.3 billion at December 31, 2005, and a 27.9% increase in repurchase agreements, to €12.7 billion at December 31, 2005.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is itself influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower rates on regulated savings accounts, the competitive environment, the relative weights of the Group's various interest-bearing products, which have differing typical margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions. For example, the rate paid by the Bank on a *livret d'epargne populaire*, a form of regulated savings account in France, decreased from 4.25% to 3.25% as of August 1, 2004, and from 3.25% to 3.0% as of August 1, 2005.

The gross interest margin in French Retail Banking decreased in 2005, largely due to a small deterioration in the loan to deposit ratio and an increase in relatively lower margin lending (e.g., corporate and mortgage loans) as a percentage of total loans. The gross interest margin at BancWest also decreased in 2005, as a result of the effects of a flattening yield curve. See "– Results of operations by division – Retail Banking".

For more discussion of the factors affecting trends in total customer loans outstanding and total customer deposits during the period under review, see "—Results of operations by division – Retail Banking" and "—Results of operations by division – Corporate and Investment Banking". For more information with respect to movements in interest rate spreads in Retail Banking during the period under review, see "—Results of operations by division – Retail Banking – French Retail Banking" and "—Results of operations by division – International Retail Banking and Financial Services". For an explanation of the effects of exchange rates on the Group's results generally, see "—Economic Conditions".

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income increased 4.0%, from €4,373 million in 2004 to €4,547 million in 2005. This increase was due primarily to an increase in the volume of customer transactions as well as sustained and successful marketing efforts by the Group, in particular with respect to its sales of savings and investment products. Increased sales of these savings and investment products helped fees to grow by 4.0% overall at French Retail Banking in 2005, for example. See "—Results of operations by division – Retail Banking – French Retail Banking".

Net gain on financial instruments at fair value through profit or loss. This line item includes all profit and loss items (other than interest income and expense, which are recorded under "Net interest income", as discussed above) relating to financial instruments managed in the trading book and, as of January 1, 2005, to financial instruments designated as fair value through profit or loss by the Group under the fair value option of IAS 39 (for a discussion of the fair value option, see Section 1.b.2—Fair value option, of the audited consolidated financial statements for the year ended December 31, 2005 included herein). This in turn includes both capital gains/losses on sales and marking to market gains and losses, along with dividends from variable-income securities.

Net gains on financial instruments at fair value through profit or loss increased by 54.8%, from €3,366 million in 2004 to €5,212 million in 2005. The increase was primarily due to a strong increase in the gain on variable-income securities, from €4,164 million in 2004 to €10,398 million in 2005, which was due in turn to the strength in capital markets that led to higher

asset values, particularly in Europe. These gains were partially offset by a substantial increase in the loss on derivative instruments, from €791 million in 2004 to €5,962 million in 2005, which was in turn due to losses on equity derivatives in particular. The remeasurement of currency positions also led to gain of €516 million in 2005, compared to a loss of €197 million in 2004.

Net gain on available-for-sale financial assets. Under EU-IFRS, this line item includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Under 2004 IFRS, it comprises income from variable-income securities, and net gains arising on items included in the following French GAAP categories: securities available for sale (defined differently from under IFRS, see Section 1.c.2 (Net unrealised gains on the securities portfolio) of the audited consolidated financial statements for the year ended December 31, 2005 included herein), investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment.

Changes in fair value (excluding accrued interest) of the assets included within the available-for-sale category are initially recorded under "Unrealised or deferred gains or losses" in shareholders' equity. Upon the sale of such assets or upon recognition of an impairment loss, these previously unrealized gains or losses are credited or charged to the income statement, as the case may be, under the "Net gain/loss on available-for-sale financial assets" line item.

Net gains on available-for-sale financial assets decreased by 6.7%, from €1,450 million in 2004 to €1,353 million in 2005. This decrease was due primarily to a net addition to impairment provisions in the amount of €71 million in 2005, compared to a net write-back of €361 million in 2004. The overall decrease was also partially due to a 44.6% decrease in net gains on disposals of fixed-income securities, and a 10.9% decrease in dividends on equities and other variable-income securities. These decreases were almost entirely offset by a 75.3% increase in net gains on disposals of equities and other variable-income securities, from €592 million in 2004 to €1,038 million in 2005. The amount of gains and losses previously recorded under "Unrealised or deferred gains or losses" within shareholders' equity and subsequently recognized in the income statement in 2005 (as described in the preceding paragraph) was €861 million. This related primarily to sales of various variable income securities.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities increased by 14.6%, from €2,626 million in 2004 to €3,009 million in 2005. This increase was in turn due to a 19.8% increase in net income from insurance activities, a 23.0% increase in net income from investment property and a 106% increase in net income from other products, partially offset by a 9.5% decrease in net income from assets leased under operating leases and a 29.5% decrease in net income from property development activities.

Regarding insurance, the principal components of net income from insurance activities are gross premiums written, movement in technical reserves, claims and benefit expenses and change in value of admissible investments related to unit-linked businesses. Claims and benefits expenses includes expenses arising from surrenders, maturities and claims relating to insurance contracts, and changes in the value of financial contracts (in particular unit-linked funds). Interest paid on such contracts is recorded under "Interest expense".

The increase in net income from insurance activities was primarily the result of a 7.0% increase in gross premium income (from €10,775 million in 2004 to €11,527 million in 2005) as a result of stronger demand for new policies, as well as a strong increase in net income resulting from a change in the value of admissible investments related to unit-linked business (from €942 million in 2004 to €2,953 million in 2005). The increase in the latter is the result of an increase in the market value of unit-linked funds, as well as an increase in funds under management, which in turn led to an increase in commissions. As explained above, the increase in the market value of unit-linked funds is ultimately transmitted to investors, and is therefore offset in the Bank's accounts by a credit to claims and benefit expenses and changes in technical reserves. The overall effect, however, was an increase in net income from insurance activities.

The increase in commissions on funds under management resulted largely from new money invested, coupled with higher management fees that correlate to stock prices and are calculated as a percentage of the market value of the assets under management. See "—Results of operations by division – Asset Management and Services".

Overall, net income from insurance activities increased by 19.8% to €1,758 million, while insurance revenues recorded at the operational level increased by 18.5% to only €1,017 million, because income recorded under net income from insurance activities does not take into account commissions paid to retail distributors.

Operating Expense and Depreciation

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Operating expense	(12,627)	(11,243)	*+12.3%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(742)	(800)	*-7.3%*
Operating expense and depreciation	**(13,369)**	**(12,043)**	***+11.0%***

Operating expense and depreciation increased by 11.0%, from €12,043 million in 2004 to €13,369 million in 2005. This amount includes the cost of a new plan to re-train employees (totaling €40 million) within French Retail Banking, as well as a €49 million charge at BancWest relating to the integration of Commercial Federal Corporation. The consolidation of Community First Bankshares and Union Safe Deposit Bank, as well as that of Atis Real International for all of 2005 (as opposed to only part of 2004), was responsible for a relatively small portion of the overall increase. Growth in expenses was limited by the Group's continued focus on cost control; see "—Results of operations by division" for more information. Despite the increase, operating expense and depreciation as a percentage of net banking income decreased 1.0 points, from 62.2% for 2004 to 61.2% for 2005, since net banking income increased more rapidly (+12.8%) than operating expense and depreciation (+11.0%).

Gross Operating Income

The Group's gross operating income increased by 15.8%, from €7,326 million in 2004 to €8,485 million in 2005, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above under "—Results of operations by division".

Cost of Risk

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Additions to impairment provisions	(2,166)	(2,198)	*-1.5%*
Reversals (write-backs) of impairment provisions	1,651	1,552	*+6.4%*
Recoveries of loans and receivables previously written off	129	97	*+33.0%*
Irrecoverable loans and receivables not covered by impairment provisions	(224)	(136)	*+64.7%*
Total net additions to provisions	**(610)**	**(685)**	***-10.9%***

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

The cost of risk decreased by 10.9% in 2005 compared to 2004. The overall decrease was due to a 1.5% decrease in additions to impairment provisions in 2005 compared to 2004, a 33.0% increase in recoveries of loans and receivables previously written off in 2005 compared to 2004, and a 6.4% increase in write-backs of provisions in 2005 compared to 2004. The latter trend was in turn primarily due to a net write-back of provisions of €130 million in 2005 within Corporate and Investment Banking (compared to a net addition to provisions of €58 million during 2004), in light of the continued improvement in the financial condition of corporate clients around the world. Net additions to provisions also declined within French Retail Banking (-12.6% to €194 million) due to the improved financial condition of corporate customers in particular. The level of net additions to provisions increased strongly within IRFS (+25.6%) during 2005, however, at €559 million, given the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005), and an increase in provisions at Cetelem in particular as a result. Overall, the cost of risk decreased due to the fairly sustained global economic growth in 2005, which led to generally increased corporate earnings.

As at December 31, 2005, total doubtful loans and commitments amounted to €12.7 billion (as compared to €12.2 billion at January 1, 2005), and provisions totaled €11.1 billion (unchanged from the level at January 1, 2005). The coverage ratio at the same date therefore decreased to 87% (from 91% at January 1, 2005). The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31, 2005	At January 1, 2005
Doubtful specific risks outstanding as a percentage of total commercial commitments	2.2%	2.6%
Provisions as a percentage of average risk weighted assets	0.2%	0.2%

For a more detailed discussion of net additions to provisions by division, see "—Results of operations by division". For more information about the Group's overall exposure to problem loans and the Bank's asset quality and loan loss reserves as of December 31, 2005, see "Risk Management".

Net Income Attributable to the Group

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Operating income	**7,875**	**6,641**	***+18.6%***
Share of earnings of associates	352	407	*-13.5%*
Net gain on non-current assets	211	64	*n.m.*
Change in value of goodwill	(14)	7	*n.m.*
Income taxes	(2,138)	(1,764)	*+21.2%*
Minority interests	(434)	(416)	*+4.3%*
Net income	**5,852**	**4,939**	***+18.5%***

General. The 18.5% increase in net income attributable to the Group was primarily due to an increase in gross operating income net of provisions.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies carried under the equity method) decreased from €407 million in 2004 to €352 million in 2005, largely as a result of a decreased contribution from Erbe, and to a lesser extent a decreased contribution from Cofinoga due to its proportional consolidation within IRFS as of October 1, 2005.

Net gain on non-current assets. This item includes net realized gains and losses on sales of property, plant and equipment and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. Net gains on non-current assets increased from €64 million in 2004 to €211 million in 2005, largely as a result of the Group's sale of an operating company within AMS (Insurance business), the sale of an operating company within IRFS and the sale of its interest in Carbone Lorraine during the first half of 2005.

Change in value of goodwill. A minimal amount of goodwill impairments (€14 million) were recorded in 2005, compared to a small goodwill write-back of €7 million that was recorded in 2004.

Income tax. The Group recorded corporate income tax expense for 2005 of €2,138 million, up from €1,764 million for 2004. The increase was primarily the result of an increase in net deferred tax expense for the period, from a loss of €7 million in 2004 to a loss of €365 million in 2005, which was in turn primarily due to an increase in provisions for corporate commitments and other items. The effective tax rate during 2005 was 25.4%, as compared to 24.8% in 2004.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group increased to €434 million for 2005 compared to €416 million for 2004. The increase related mainly to an increase in minority interest in Klépierre, which was partially offset by a change in accounting method related to UCI, an Italian subsidiary of UCB, which is now consolidated proportionally and therefore no longer recorded as a minority interest.

Transition to IFRS and 2005 Results

As discussed above under "—Basis of Presentation", the Group has prepared an unaudited quantified simulation of the effect of applying EU-IFRS on its income statement for the year ended December 31, 2004. These simulated figures have then served as the basis for calculating comparisons between results of operations for the year ended December 31, 2005 as compared to results of operations for the year ended December 31, 2004 under EU-IFRS (2005/2004 EU-IFRS), as set forth in the following table:

Consolidated Income Statement (in millions of euros)	**2005**	**2004**	**2005/ 2004 (2004 IFRS)**	**2005/ 2004 EU-IFRS**
Net banking income	**21,854**	**19,369**	***+12.8%***	***+14.1%***
Operating expense and depreciation	-13,369	-12,043	*+11.0%*	*+11.1%*
Gross operating income	**8,485**	**7,326**	***+15.8%***	***+19.2%***
Provisions	-610	-685	*-10.9%*	*-28.0%*
Operating income	**7,875**	**6,641**	***+18.6%***	***+25.5%***
Share of earnings of associated companies	352	407	*-13.5%*	*-13.3%*
Other non-operating items	197	71	*n.m*	*n.m.*
Non-operating items	**549**	**478**	***+14.9%***	***+15.1%***
Pre-tax income	**8,424**	**7,119**	***+18.3%***	***+24.8%***
Income taxes	-2,138	-1,764	*+21.2*	*+29.3%*
Minority interests	-434	-416	*+4.3%*	*+3.3%*
Net income attributable to the Group	**5,852**	**4,939**	***+18.5%***	***+25.1%***

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2005, as compared to its financial condition as of January 1, 2005. The Group's balance sheet as of January 1, 2005 is used as the basis of comparison, since it is prepared on the basis of EU-IFRS (which differs in certain material respects from 2004 IFRS, as discussed above under "—Basis of Presentation").

Assets

General. At December 31, 2005, consolidated assets of the Group amounted to €1,258.1 billion, up 25.5% from €1,002.5 billion at January 1, 2005. The main components of the Group's assets at December 31, 2005 were financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions and accrued income and other assets, which together accounted for 95.8% of assets, as compared with 93.9% at January 1, 2005. The 25.5% increase in total assets was primarily due to an across the board increase in most of the Group's asset categories. In particular, financial assets at fair value through profit or loss increased by 29.8%, loans and receivables due from customers increased by 23.3% and available-for-sale financial assets increased by 22.3%. Also contributing to the 25.5% increase in total assets was a 9.8% increase in loans and receivables due from credit institutions and a 58.1% increase in accrued income and other assets. The increase in total assets was slightly offset, however, by a 40.9% decrease in held-to-maturity financial assets.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss consist of (i) financial assets (including derivatives) held for trading purposes (i.e., trading book assets), and (ii) financial assets that the Group has opted to record and measure at fair value through profit or loss at the time of acquisition or issue. Trading book assets include proprietary securities transactions, repurchase agreements and derivative instruments contracted for position management purposes. Assets designated by the Group as fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract. Specifically, financial assets at fair value through profit or loss break down into the following categories within the balance sheet: (i) negotiable certificates of deposit, (ii) bonds, (iii) equities and other variable-income securities, (iv) repurchase agreements, (v) a very small amount of loans to credit institutions and to corporate customers and (vi) trading book forward financial instruments. These assets are marked to fair value at each balance sheet date.

Total financial assets at fair value through profit or loss amounted to €700.5 billion at December 31, 2005, an increase of 29.8% as compared with €539.5 billion at January 1, 2005. The increase was primarily driven by marking to market gains in all categories of financial assets, within the context of solid capital markets activity during 2005. Repurchase agreements increased by 21.1% to €200.1 billion, while bonds and negotiable certificates of deposit increased by 37.2% to €190.4 billion. The increase in bonds was driven by an increase in government bonds in particular (+93.7%), while the increase in negotiable certificates of deposit was driven by an increase in the category "other" negotiable certificates of deposit. Equities and other variable-income securities increased by 30.5% to €118.3 billion. In addition, trading book forward financial instruments increased by 32.0% to €190.5 billion, corresponding primarily to an increase in the amount of equity derivative products.

Loans and receivables due from customers. Loans and receivables due from customers consist of (i) demand accounts (*i.e.*, overdrafts on checking accounts), (ii) loans to customers, (iii) repurchase agreements and (iv) finance leases. Loans and receivables due from customers (net of impairment provisions) amounted to €301.2 billion, up 23.3% from €244.2 billion at January 1, 2005. The growth was primarily driven by a 25.8% increase in outstanding loans to customers, to €273.3 billion. The growth was also partially due to an 8.5% increase in demand accounts, to €20.5 billion, and a 5.6% increase in finance leases, to €17.1 billion at December 31, 2005. These increases were in turn due to an environment generally characterized by stronger demand for credit (in particular personal loans and corporate loans). They were partially offset by a decrease in repurchase agreements, from €2.6 billion at January 1, 2005 to €0.7 billion at December 31, 2005. Impairment provisions related to total loans and receivables due from customers remained relatively stable, decreasing 2.2% from €10.7 billion at January 1, 2005 to €10.5 billion at December 31, 2005. The Group deducts provisions related to total loans and receivables from the carrying value of relevant assets at each balance sheet date.

For more information with respect to the Group's loan portfolio, see "—Results of operations by division – Retail Banking" and "Results of operations by nature of income and expense – Net interest income".

Available-for-sale financial assets. Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "financial assets at fair value through profit or loss" or "held-to-maturity financial assets". These assets are marked to fair value at each balance sheet date. Available-for-sale financial assets (net of impairment provisions) amounted to €92.7 billion at December 31, 2005, up 22.3% from €75.8 billion at January 1, 2005. The growth was primarily driven by a 29.9% increase in bonds, to €62.6 billion, which was in turn due primarily to increased volumes of such items, in particular government bonds. The amount of equities and other variable-income securities (before impairment provisions) increased by 28.5%, to €16.3 billion, which was in turn primarily due to increased volumes of such items, as well as small marking to market gains resulting from the higher equity prices recorded in 2005. These increases were slightly offset by a 15.3% decrease in negotiable certificates of deposit, from €7.0 billion at January 1, 2005 to €5.9 billion at December 31, 2005, which was primarily due to a slight decrease in the volume of such items.

Impairment provisions related to available-for-sale financial assets remained relatively stable, decreasing by €0.2 billion, from €1.6 billion at January 1, 2005 to €1.4 billion at December 31, 2005. The Group deducts provisions related to available-for-sale financial assets from the carrying value of relevant assets at each balance sheet date. Finally, the net unrealized gains on available-for-sale financial assets increased by 49.1% to €8.4 billion at December 31, 2005.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and the ability to hold until maturity, and are recorded in the balance sheet at amortized cost using the effective interest method. Specifically, held-to-maturity financial assets break down into the following categories within the balance sheet: (i) negotiable certificates of deposit, and (ii) bonds. Total held-to-maturity financial assets decreased by 40.9%, to €15.4 billion at December 31, 2005 from €26.1 billion at January 1, 2005, due to a low level of renewal of the assets held within the other negotiable certificates of deposit portfolio and government bond portfolio during 2005.

Accrued income and other assets. Accrued income and other assets consist of (i) guarantee deposits and bank guarantees paid, (ii) settlement accounts related to securities transactions, (iii) collection accounts, (iv) reinsurers' share of technical reserves, (v) accrued income and prepaid expenses and (vi) other debtors and miscellaneous assets. Accrued income and other assets amounted to €65.3 billion, up 58.1% from €41.3 billion at January 1, 2005. The increase was mainly due to a nearly four-fold increase in settlement accounts related to securities transactions (which record the consideration related to cash transactions for the purchase or sale of securities), as well as a 65.1% increase in other debtors and miscellaneous assets.

Liabilities (excluding shareholders' equity)

General. At December 31, 2005, consolidated liabilities of the Group (excluding shareholders' equity) amounted to €1,212.1 billion, up 25.6% from €965.4 billion at January 1, 2005. The main components of the Group's liabilities at December 31, 2005 were financial liabilities at fair value through profit or loss, liabilities due to credit institutions, liabilities due to customers, debt securities, technical reserves of insurance companies and accrued expenses and other liabilities, which together accounted for 97.9% of liabilities, the same percentage as at January 1, 2005. The 25.6% increase in total liabilities resulted from an across the board increase in most of the Group's liability categories. In particular, financial liabilities at fair value through profit and loss increased by 33.6% and liabilities due to customers increased by 17.0%. Also contributing to the increase in total liabilities was an 18.7% increase in liabilities due to credit institutions, a 42.2% increase in accrued expenses and other liabilities, an 18.6% increase in technical reserves of insurance companies and a 9.1% increase in debt securities.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss consist of (i) financial liabilities (including derivatives) held for trading purposes (i.e., trading book liabilities), and (ii) financial liabilities that the Group has opted to record and measure at fair value through profit or loss at the time of acquisition or issue.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments contracted for position management purposes. Liabilities designated by the Group at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument. Specifically, financial liabilities at fair value through profit or loss break down into the following categories within the balance sheet: (i) borrowed securities and short selling instruments, (ii) repurchase agreements, (iii) a very small amount of borrowings from credit institutions and corporate customers, (iv) debt securities and (v) trading book forward financial instruments.

Total financial liabilities at fair value through profit or loss increased 33.6%, from €457.1 billion at January 1, 2005 to €610.7 billion at December 31, 2005. The increase was primarily due to a 51.7% increase in borrowed securities and short selling instruments, to €137.4 billion, a 21.9% increase in repurchase agreements, to €222.3 billion, a 34.3% increase in debt securities, to €42.9 billion, and a 36.5% increase in trading book forward financial instruments, in particular equity derivatives, to €206.4 billion. The increases in these various categories were in turn linked primarily to marking to market gains.

Liabilities due to credit institutions. Liabilities due to credit institutions consist of (i) demand accounts, (ii) borrowings and (iii) repurchase agreements, with borrowings accounting for the bulk of liabilities within this line item. Liabilities due to credit institutions increased 18.7%, from €100.2 billion at January 1, 2005 to €118.9 billion at December 31, 2005. The increase was primarily attributable to a 16.9% increase in borrowings, to €100.3 billion, and a 27.9% increase in repurchase agreements, to €12.7 billion.

Liabilities due to customers. Liabilities due to customers consist of (i) demand deposits, (ii) term accounts, (iii) regulated savings accounts, (iv) retail certificates of deposit and (v) repurchase agreements. Liabilities due to customers totaled €247.5 billion at December 31, 2005, an increase of 17.0% as compared with €211.5 billion at January 1, 2005. The increase was primarily driven by a 22.1% rise in demand deposits, to €102.9 billion, a 17.2% rise in term accounts, to €91.1 billion, and a 39.4% rise in retail certificates of deposit, to €9.4 billion, which were in turn largely due to organic growth in customer accounts. Also contributing to the increase was a 4.0% increase in regulated savings accounts, to €41.3 billion. For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest income".

Debt securities. This line item consists of (i) negotiable certificates of deposit, and (ii) bond issues. It does not include debt securities that fall within the category "financial liabilities at fair value through profit or loss" (see Note 6.b of the audited consolidated financial statements included herein). Debt securities increased 9.1%, from €77.6 billion at January 1, 2005 to €84.6 billion at December 31, 2005. The increase was primarily attributable to a 39.9% rise in outstanding bonds, largely due to organic growth, to €16.1 billion. Negotiable certificates of deposit also increased by 3.7%, from €66.0 billion at January 1, 2005 to €68.5 billion at December 31, 2005.

Subordinated debt. Subordinated debt increased 28.1%, from €13.0 billion at January 1, 2005 to €16.7 billion at December 31, 2005. The increase was primarily attributable to a 32.0% rise in redeemable subordinated debt, from €11.2 billion at January 1, 2005 to €14.8 billion at December 31, 2005, relating to new debt issuances by the Group.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 18.6%, from €64.5 billion at January 1, 2005 to €76.5 billion at December 31, 2005. The increase was primarily attributable to a rise in technical reserves on life insurance policies.

Accrued expenses and other liabilities. Accrued expenses and other liabilities consist of (i) guarantee deposits received, (ii) settlement accounts related to securities transactions, (iii) collection accounts, (iv) accrued expenses and deferred income and (v) other creditors and miscellaneous liabilities. Accrued expenses and other liabilities increased 42.2%, from €34.1 billion at January 1, 2005 to €48.4 billion at December 31, 2005. This increase resulted primarily from a 78.6% increase in guarantee deposits received, to €11.2 billion, and a nearly three-fold increase in settlement accounts related to securities transactions, to €15.3 billion. These increases were partially offset by a decrease in collection accounts and accrued expenses and deferred income, from €8.2 billion at January 1, 2005 to €3.5 billion at December 31, 2005.

Minority Interests

Minority interests increased by 9.6% to €5.3 billion at December 31, 2005. Minority interests in the Group's net income, which amounted to €0.4 billion during 2005, were partially offset by the setting aside of €0.2 billion of 2004 net income for dividend distribution.

Shareholders' Equity

Consolidated shareholders' equity of the BNP Paribas Group, before minority interests and dividend payments, totaled €40.7 billion at December 31, 2005, an increase of 26.0% as compared with €32.3 billion at January 1, 2005. This increase corresponds essentially to recognition of net income for 2005 of €5.9 billion as well as issuances of undated deeply subordinated notes during 2005 totaling €2.4 billion (recorded under "retained earnings" within shareholders' equity on the balance sheet, with payments on the notes treated as dividends). In addition, the change in unrealized or deferred gains and losses, including available-for-sale and hedging reserves and the translation adjustment, contributed €1.3 billion to shareholders' equity at December 31, 2005. These increases were partially offset by payment of dividends with respect to the 2004 fiscal year in the amount of €1.7 billion. Finally, the effect of movement in exchange rates contributed €0.5 billion to shareholders' equity at December 31, 2005.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given primarily consist of documentary letters of credit and other confirmed letters of credit. Total financing commitments given increased by 25.6% to €209.7 billion at December 31, 2005, compared to €166.9 billion at January 1, 2005. The increase was primarily attributable to a 28.5% increase in financing commitments given to customers, in particular individuals, to €191.5 billion at December 31, 2005 (compared to €149.1 billion at January 1, 2005). Financing commitments given to credit institutions remained relatively stable (+2.0%) compared to January 1, 2005.

Financing commitments received primarily consist of standby commitments. Total financing commitments received increased by 51.3% to €55.7 billion at December 31, 2005, compared to €36.8 billion at January 1, 2005. This increase was due to a 69.3% increase in financing commitments received from credit institutions, from €32.4 billion at January 1, 2005 to €54.9 billion at December 31, 2005, partially offset by a decrease in financing commitments received from customers, from €4.4 billion at January 1, 2005 to €0.8 billion at December 31, 2005.

Guarantee Commitments

Financial instruments received as guarantees increased by 42.9% to €15.8 billion at December 31, 2005; financial instruments given as guarantees increased by 10.6% to €29.7 billion.

Total guarantee commitments given at December 31, 2005 amounted to €67.2 billion, an increase of 21.7% compared to €55.2 billion at January 1, 2005. The increase was primarily the result of a 21.3% increase in guarantee commitments given to customers to €58.7 billion at December 31, 2005.

For further information concerning the Group's off-balance sheet assets and liabilities, see Note 7 to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein.

RECENT DEVELOPMENTS

First Quarter 2007 Results

On May 9, 2007, BNP Paribas issued a press release announcing its results for the first quarter of 2007. Commenting on these results, Baudouin Prot, Chief Executive Officer of BNP Paribas, said, "Once again, BNP Paribas has achieved strong organic revenue and income growth in the first quarter of 2007 in comparison with the prior-year first quarter, in which the corresponding figures were already high. I should like to thank all the teams in the Group for their tremendous commitment and involvement. Our acquisition of BNL is yielding the success we expected. This confirms both the potential that the Italian market holds and the Group's first-rate skills when it comes to integration. BNP Paribas is effectively deploying its growth-generating and value-creating business model."

Consolidated profit and loss account

In millions of euros	1Q07	1Q06	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**8,213**	**6,817**	**+20.5%**	**7,052**	**+16.5%**
Operating Expenses and Dep.	-4,586	-3,862	+18.7%	-4,654	-1.5%
Gross Operating Income	**3,627**	**2,955**	**+22.7%**	**2,398**	**+51.3%**
Provisions	-260	-116	n.s.	-282	-7.8%
Operating Income	**3,367**	**2,839**	**+18.6%**	**2,116**	**+59.1%**
Associated Companies	127	62	x2.0	54	x2.4
Other Non Operating Items	1	35	n.s.	145	n.s.
Non Operating Items	**128**	**97**	**+32.0%**	**199**	**-35.7%**
Pre-Tax Income	**3,495**	**2,936**	**+19.0%**	**2,315**	**+51.0%**
Tax Expense	-854	-806	+6.0%	-481	+77.5%
Minority Interests	-134	-117	+14.5%	-115	+16.5%
Net Income, Group Share	**2,507**	**2,013**	**+24.5%**	**1,719**	**+45.8%**
Cost / Income	55.8%	56.7%	-0.9 pt	66.0%	-10.2 pt

Operationnal businesses at constant scope and exchange rates/1Q06:

- Revenues	*+ 7.1%*
- Operating exp. and dep.	*+ 5.8%*
- Gross operating income	*+ 8.9%*

Results up substantially

BNP Paribas once again showed substantial growth, booking quarterly revenues of €8,213 million, up 20.5% compared to the first quarter of 2006. This performance is due to the successful integration of BNL, including the initial synergies, to sustained organic growth at the Group's core businesses (+ 7.1% at constant scope and exchange rates) and to significant capital gains.

The trend in operating expenses (€4,586 million) reflects this forward momentum, while remaining under control, increasing 18.7% compared to the first quarter of 2006 (+ 5.8% at constant scope and exchange rates). This yielded a positive jaws effect of 1.8 points for the Group and 1.3 points for the core businesses at constant scope and exchange rates.

Gross operating income totalled €3,627 million, up 22.7% compared to the first quarter of 2006 (+ 8.9% for the core businesses at constant scope and exchange rates).

Provisions (€260 million) were €144 million higher than in the first quarter of 2006. Of that amount, €109 million were attributable to the Group's expanded scope of consolidation, chiefly related to BNL.

Net income Group share was €2,507 million, up 24.5% compared to the first quarter of 2006.

A strong growth drive in all core businesses

Retail Banking

French Retail Banking (FRB)

In millions of euros	1Q07	1Q06	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**1,499**	**1,440**	**+4.1%**	**1,385**	**+8.2%**
Incl. Interest Margin	*802*	*802*	*+0.0%*	*768*	*+4.4%*
Incl. Fees	*697*	*638*	*+9.2%*	*617*	*+13.0%*
Operating Expenses and Dep.	*-954*	*-927*	*+2.9%*	*-972*	*-1.9%*
Gross Operating Income	**545**	**513**	**+6.2%**	**413**	**+32.0%**
Provisions	-31	-31	+0.0%	-56	-44.6%
Operating Income	**514**	**482**	**+6.6%**	**357**	**+44.0%**
Non Operating Items	0	0	n.s.	1	n.s.
Pre-Tax Income	**514**	**482**	**+6.6%**	**358**	**+43.6%**
Income Attributable to AMS	-41	-35	+17.1%	-28	+46.4%
Pre-Tax Income of French Retail Bkg	**473**	**447**	**+5.8%**	**330**	**+43.3%**
Cost / Income	63.6%	64.4%	-0.8 pt	70.2%	-6.6 pt

* *Excluding PEL/CEL effects and including 100% of French Private Banking for Revenues to Pre-Tax Income line items*

The retail network in France (including 100% of French Private Banking) posted €1,499 million in revenues, a figure 4.1% higher than in the first quarter of 2006 (excluding the write-back of the provision for home ownership savings plans and accounts (PEL-CEL)). Fees were up 9.2%, due to the ongoing rise in fees on financial savings products (+ 11.2%, despite the already high figure booked in for the first quarter of 2006). Excluding the PEL-CEL effects, net interest revenue remained largely unchanged, due to brisk sales and marketing activity, and despite the unfavorable impact of higher regulated rates and a flatter yield curve.

Thanks to good control over operating expenses (+ 2.9%) and a cost of risk that has remained low, operating income excluding the PEL/CEL effects increased 6.6% compared to the first quarter of 2006.

After attributing one third of the income from French Private Banking to the AMS core business, French Retail Banking's pre-tax income excluding the PEL/CEL effects increased 5.8% to €473 million.

The write-back of the provision for PEL/CEL brought in €27 million in additional accounting income in the first quarter (€10 million related to lower outstandings and €17 million due to changes in market rates), compared to €64 million in the first quarter of 2006.

This positive set of results once again reflects the substantial sales and marketing momentum of the Group's French Retail Banking business and is in line with the 4% revenue growth target for 2007 (excluding the effects of the provision for home saving plans and accounts).

In French Retail Banking, there were 80,000 net new individual checking and deposit accounts (net of accounts closed), a trend spurred on by new offers geared to young people. Outstandings on loans to individual customers increased by 11.1%. Life insurance savings inflows matched the record volume posted in the first quarter of 2006, while the market as a whole was trending downward.

During the same period, outstanding corporate lending showed a 7.8% increase on the first quarter of 2006, driven by investment loans. Cross-selling of value-added products and services to corporate customers has been rapidly gaining ground in the business centres.

BNL banca commerciale (BNL bc)

In millions of euros	1Q07	1Q06 pro forma	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**638**	**592**	**+7.8%**	**651**	**-2.0%**
Operating Expenses and Dep.	-412	-408	+1.0%	-481	-14.3%
Gross Operating Income	**226**	**184**	**+22.8%**	**170**	**+32.9%**
Provisions	-81	-84	-3.6%	-91	-11.0%
Operating Income	**145**	**100**	**+45.0%**	**79**	**+83.5%**
Other Non Operating Items	0	-2	n.s.	6	n.s.
Pre-Tax Income	**145**	**98**	**+48.0%**	**85**	**+70.6%**
Income attributable to AMS	-2	-2	+0.0%	-1	n.s.
Pre-Tax Income of Italian Retail Bkg	**143**	**96**	**+49.0%**	**84**	**+70.2%**
Cost / Income	64.6%	68.9%	-4.3 pt	73.9%	-9.3 pt
Allocated Equity (Ebn)	3.0	2.8	+6.0%		

** Including 100% of Private Banking in Italy for the line items from Revenues to Pre-tax Income*

The Italian retail network (including 100% of Italian Private Banking) posted revenues of €638 million, a 7.8% increase from the first quarter of 2006 on a pro forma basis, whereas on the same basis, operating expenses rose by only 1% to €412 million.

With the cost of risk edging downward (- 3.6%), and after attributing one third of its Private Banking income in Italy to the AMS business, BNL bc booked pre-tax income of €143 million. On a pro forma basis, this represents a 49.0% increase compared to the first quarter of 2006.

Sales and marketing efforts aimed at individual customers were boosted significantly by a new, innovative checking account formula (Conto Revolution), active marketing campaigns and the distribution of high-performance life-insurance products in cooperation with the AMS business. In the area of net new accounts, BNL bc returned to positive figures: + 2,000 in the first quarter of 2007 (compared to – 24,000 in the first quarter of 2006). Loan outstandings increased by 7.7% and deposit outstandings by 5.4% over the past year. At the same time, deployment of the new network sales and marketing structure has been progressing as scheduled.

The new structure dedicated to corporate customers will be fully developed by July 2007. This business is in the process of shifting towards high value-added products (e.g. structured loans, international trade financing) and cross-selling (particularly with Private Banking). Loan outstandings showed little change in the first quarter (+ 0.7%), while deposits edged up 4.5% compared to the first quarter of 2006.

Across all BNL units, synergies have been rapidly moving forward. After the €38 million in synergies posted in the second half of 2006, €27 million in further synergies were booked in the first quarter of 2007: €18 million at BNL bc and €9 million in the FRB, AMS and IRFS core businesses.

In addition to the €65 million synergies already recorded, measures taken to date are expected to generate an additional €116 million of synergies to be recorded in the next few quarters. Accordingly, the measures necessary to realize synergies of €181 million, i.e. 38% of the total €480 million synergies expected by the end of 2009, have already been undertaken as at March 31, 2007.

These results mark the first achievements in the process of successfully integrating BNL into the BNP Paribas Group.

International Retail Banking and Financial Services (IRFS)

In millions of euros	1Q07	1Q06	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**1,919**	**1,766**	**+8.7%**	**1,904**	**+0.8%**
Operating Expenses and Dep.	-1,098	-996	+10.2%	-1,135	-3.3%
Gross Operating Income	**821**	**770**	**+6.6%**	**769**	**+6.8%**
Provisions	-202	-153	+32.0%	-163	+23.9%
Operating Income	**619**	**617**	**+0.3%**	**606**	**+2.1%**
Associated Companies	19	20	-5.0%	-9	n.s.
Other Non Operating Items	1	38	n.s.	3	n.s.
Pre-Tax Income	**639**	**675**	**-5.3%**	**600**	**+6.5%**
Cost / Income	57.2%	56.4%	+0.8 pt	59.6%	-2.4 pt
Allocated Equity (Ebn)	7.7	6.9	+10.8%		

At constant scope and exchange rates/1Q06: Revenues, +8.5%; Operating Expenses and Depreciation, +8.7%; Gross Operating Income, +8.2%; Operating Income, +4.4%; Pre-Tax Income, +4.0%

Revenues booked by the International Retail Banking and Financial Services business (IRFS) rose 8.7% to €1,919 million, while operating expenses rose 10.2% to €1,098 million. These figures reflect both the impact of integrating UkrSibbank and Locafit, and the impact of a lower dollar on the translation of BancWest's results into euros. At constant scope and exchange rates, sustained organic revenue growth is almost in line with growth in operating expenses: + 8.5% in the first case and + 8.7% in the second. Gross operating income rose 6.6% to €821 million (+ 8.2% at constant scope and exchange rates).

The cost of risk (€202 million) was up 32.0%. At constant scope and exchange rates, this translates into a 22.1% increase over the particularly low figure for the first quarter of 2006.

Pre-tax income was €639 million. This figure was 5.3% lower than in the first quarter of 2006, a period that benefited from a €37 million non-operating gain. At constant scope and exchange rates, pre-tax income for the IRFS core business was up 4.0%.

Cetelem has maintained its sales and marketing momentum. Revenues in the first quarter were up 11.7%, with particularly buoyant growth in outstandings (+ 20.5% year-on-year) both in France (+ 17.6%) and outside of France (+ 24.7%). Although this vigorous growth was accompanied by higher operating expenses (+ 11.3%), the result was still a positive jaws effect. The cost of risk calculated on risk-weighted assets was 197 basis points, showing little change. Operating income thus grew by 9.7% to €170 million.

Equipment Solutions and UCB continued their rapid expansion in Europe during the first quarter. Together, they ended the quarter with total outstandings of over €60 billion and generated €389 million in revenues (+ 14.1% year-on-year) and €140 million in operating income (+ 17.6% year-on-year).

Retail banking in the Emerging Markets booked a 45.9% increase in revenues (€305 million), through the combined effect of the acquisition of UkrSibbank and robust organic growth (+ 35.1% at constant scope and exchange rates). In the Mediterranean, Gulf region and Far-Eastern Europe, 340 new branches were opened in 2006, above all in the second half, and 47 more in the first quarter of 2007. The rise in costs (+ 29.9% at constant scope and exchange rates) reflects this strong growth, while maintaining a positive jaws effect at constant scope and exchange rates.

At the same time, cross-selling with other Group business lines has been consistently promoted as a means of gradually deploying the BNP Paribas business model in these high-potential markets. The experience of TEB in Turkey, two years after it joined the Group (in February 2005), offers a good illustration of this approach. TEB doubled the number of its branches and initiated operational cross-selling with BNP Paribas Lease Group, Arval, UCB and more recently BNL.

BancWest has shown positive sales and marketing momentum, with loan outstandings 5.8% higher than in the first quarter of 2006 (at constant exchange rates) and with insurance, brokerage and derivative sales fees rising sharply. However, increasing yield curve inversion has pushed down BancWest's interest margin to 3.21%, from 3.48% in the first quarter of 2006. Moreover, the slide in the dollar (- 8% on average between the first quarter of 2006 and the first quarter of 2007) has reduced the euro value of BancWest's earnings. Revenues thus dipped 11.4% (or 4.1% at constant exchange rates) to €511 million. Operating expenses also decreased (- 8.5%, or - 0.7% at constant exchange rates), despite the organic growth plan currently being implemented. Because BancWest has a portfolio of high-quality mortgage loans, the cost of risk remained limited at €23 million (i.e. 24 basis points calculated on risk-weighted assets), but it still exceeds the extremely low €9 million figure booked in

the first quarter of 2006. BancWest thus posted pre-tax income of €220 million (20.0% lower than in the first quarter of 2006, or 13.4% lower at constant exchange rates).

Asset Management and Services (AMS)

In millions of euros	1Q07	1Q06	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**1,267**	**1,039**	**+21.9%**	**1,159**	**+9.3%**
Operating Expenses and Dep.	-780	-642	+21.5%	-770	+1.3%
Gross Operating Income	**487**	**397**	**+22.7%**	**389**	**+25.2%**
Provisions	-2	7	n.s.	-5	n.s.
Operating Income	**485**	**404**	**+20.0%**	**384**	**+26.3%**
Associated Companies	7	-1	n.s.	29	n.s.
Other Non Operating Items	0	-2	n.s.	-3	n.s.
Pre-Tax Income	**492**	**401**	**+22.7%**	**410**	**+20.0%**
Cost / Income	61.6%	61.8%	-0.2 pt	66.4%	-4.8 pt
Allocated Equity (Ebn)	5.0	4.2	+18.1%		

At constant scope and exchange rates/1Q06 : Revenues, +17.0%; Operating Expenses and Depreciation, +14.7%; Gross Operating Income, +20.7%

Quarter after quarter, Asset Management and Services has demonstrated the power of its business model to generate growth and create value. In the first quarter of 2007, revenues jumped 21.9% (+ 17.0% at constant scope and exchange rates). Operating expenses were held in check (+ 14.7% at constant scope and exchange rates, generating a 2.3 points positive jaws effect), with the result that pre-tax income (€492 million) rose by a sizeable 22.7%, or 17.1% at constant scope and exchange rates.

At March 31, 2007, assets under management by the various AMS business lines, including those managed by BNL, totalled €567 billion, a figure €27 billion higher than at December 31, 2006. This sharp rise can be attributed in large part to record net asset inflows in the first quarter: €15 billion, or an annualized asset inflow rate equal to 11.1% of assets under management.

Wealth and Asset Management posted strong business and revenue growth, both in asset management and distribution and in brokerage and real estate services. Pre-tax income surged 30.3%.

The Insurance businesses maintained their rapid growth rate of the preceding years. In the first quarter of 2007, this business line booked record asset inflows in France that were a slight 1% higher than in the first quarter of 2006, considered an outstanding period. Savings inflows outside of France rose sharply (+ 18%) year-on-year, particularly in India and the United Kingdom. Pre-tax income was 13.4% higher than in the first quarter of 2006.

The Securities Services business continued to expand at a steady pace. Assets under custody totalled €3,660 billion (+ 11.2% compared to March 31, 2006), while assets under administration jumped 31.2% to €706.2 billion. Pre-tax income in the first quarter rose 27.8% year-on-year.

Corporate and Investment Banking (CIB)

In millions of euros	1Q07	1Q06	1Q07/ 1Q06	4Q06	1Q07/ 4Q06
Revenues	**2,396**	**2,282**	**+5.0%**	**1,988**	**+20.5%**
Operating Expenses and Dep.	-1,271	-1,244	+2.2%	-1,031	+23.3%
Gross Operating Income	**1,125**	**1,038**	**+8.4%**	**957**	**+17.6%**
Provisions	56	18	n.s.	34	+64.7%
Operating Income	**1,181**	**1,056**	**+11.8%**	**991**	**+19.2%**
Associated Companies	6	1	n.s.	7	n.s.
Other Non Operating Items	4	7	n.s.	-8	n.s.
Pre-Tax Income	**1,191**	**1,064**	**+11.9%**	**990**	**+20.3%**
Cost / Income	53.0%	54.5%	-1.5 pt	51.9%	+1.1 pt
Allocated Equity (Ebn)	10.9	9.4	+15.3%		

CIB took full advantage of the exceptional environment in the first quarter of 2006 to report record quarterly revenues. In the first quarter of 2007, in a less exceptional environment, CIB underscored the strength of its platforms by exceeding the prior record by 5.0%, booking a total of €2,396 million in revenues.

The year-on-year increase in operating expenses was kept to 2.2%, with the result that gross operating income rose 8.4% to €1,125 million. The Group's CIB business had a cost/income ratio of 53.0%, one of the lowest worldwide in this business line.

In the first quarter, write-backs of certain provisions, particularly in the United States, exceeded the low additions to provisions. This brought the balance to + €56 million (up from + €18 million in the first quarter of 2006).

Corporate and Investment Banking thus posted an 11.9% increase in pre-tax income to €1,191 million.

This set of results was made possible by the first-rate positioning the Group has gradually established in the most highly technical businesses in corporate and investment banking.

Advisory and Capital Markets enjoyed sustained growth in customer business. In the first quarter, revenues were 3.0% higher than the exceptional level achieved in the first quarter of 2006, due to outstanding performance in equity derivatives, while the fixed income business line succeeded in matching the extremely high revenue figure booked in the previous year. Market risk remained low.

The Financing Businesses booked revenues that were 9.9% above the figure posted in the first quarter of 2006. Acquisition and LBO financing deals generated substantial fee income, while growth in structured energy and transportation finance was sufficient to offset the recent falloff in oil prices.

Other Business

Income from other, non-operating business jumped from €286 million in the first quarter of 2006 to €541 million in the first quarter of 2007, an increase of €255 million. This sharp increase is chiefly attributable to the capital gain recorded from the disposal of the Group's interest in Vivarte.

Operating expenses for other non-operating business (€103 million) increased by €25 million compared to the first quarter of 2006. This difference is due primarily to BNL restructuring expenditures, which totalled €23 million in the first quarter of 2007 compared to 0 in the first quarter of 2006.

Ratios

The Tier 1 ratio remained stable at 7.4% as at March 31, 2007.

During the first quarter, the Group continued with its capital management policy. In addition to giving precedence to organic growth (at constant scope and exchange rates, risk-weighted assets grew 9% over the past twelve months), BNP Paribas carried out several targeted acquisitions to accelerate value creation in its core businesses (particularly in Asset Management and Services). The process of gaining control of Findomestic was initiated when the Group exercised its call option on 1% of the company's capital with the purpose of raising its stake to 51%. Discussions with Banca Cassa di Risparmio di Firenze are in progress on this issue. Finally, in the first quarter of 2007, BNP Paribas bought back €11.6 million of its own shares at an average price of €80.07 per share.

Earnings per share in the first quarter were thus €2.73, up 14.5% year-on-year, despite the full impact of the capital increase carried out on March 31, 2006.

A pan-European leader

BNP Paribas was one of the first players in the banking industry to embrace European consolidation. Since 2000, the Group has been methodically building up pan-European platforms in Retail Financial Services, in Corporate and Investment Banking and in Asset Management and Services. Through a combination of sustained organic growth and targeted acquisitions, those platforms have achieved European leadership in their specific businesses.

The acquisition of BNL a year ago marked a decisive milestone for BNP Paribas. It was carried out quickly, at what was a reasonable price at the time and which now looks more than attractive. Through this acquisition, BNP Paribas has become one of the very first groups to have two Euro-zone domestic retail banking markets.

The successful build-up of this second domestic base demonstrates the validity of the BNP Paribas growth model, a model that welds together the power of the Group's pan-European specialist platforms, its retail banking expertise and the integration know-how developed in the course of the merger between BNP and Paribas.

Cardif Strategic Partnership with Vietcombank and Seabank

On January 30, 2007, Cardif announced the signature of a tripartite agreement in Hanoi with Vietcombank, the leading bank in Vietnam, and Seabank, to sell life insurance, contingency and savings products in Vietnam. This strategic partnership will lead to the creation of a joint venture, held 43 percent by Cardif, 45 percent by Vietcombank and 12 percent by Seabank. The partners have applied to the Vietnamese Ministry of Finance for an operating license. The new insurance company will initially develop savings and personal protection products through the networks of the two partner banks.

Created in 1963, Vietcombank is the country's leading bank. It operates throughout Vietnam and has nearly 2 million individual clients and 6,000 employees. Vietcombank sells financial products to both individuals and businesses. Seabank, a young, fast-growing bank based in Hanoi, is developing a business focused on small and medium-sized enterprises (SME) and new Vietnamese entrepreneurs.

With an economy growing at a rate of 7 percent a year, a population of 80 million and a banking penetration rate that is still low, the Bank believes that Vietnam offers a particularly promising market for financial services and life insurance. Furthermore, by joining the WTO last November, Vietnam has become an even more attractive market.

This transaction is in line with Cardif's global partnership strategy. Cardif already holds stakes in insurance companies through joint venture agreements with banks and financial institutions such as the State Bank of India in India, Thaï Life in Thailand and Shinhan Financial Group in South Korea.

Acquisition of Dexia Banque Privée France

On May 2, 2007, BNP Paribas completed the acquisition of Dexia Banque Privée France after obtaining all required regulatory authorizations. The addition of Dexia Banque Privée France, with its €3 billion asset base and recognized client base among organizations, will enable BNP Paribas to strengthen its position as leader in the private banking market in France.

Dexia Banque Privée France offers asset management services to private clients and organizations. It results from the 2002 merger of BIMP (Banque Industrielle et Mobilière Privée) and Banque Vernes. As of December 31, 2006, its stockholder's equity stood at €117 million and it had nearly 200 employees.

The new subsidiary of BNP Paribas Private Banking has been renamed Banque Privée Anjou.

Acquisition of 27% Interest in Indian Financial Services Firm

On March 13, 2007, BNP Paribas acquired a 27% interest in Geojit Financial Services Ltd through a reserved capital increase. The capital increase will be effected in two steps and BNP Paribas's shareholdings in Geojit will increase to at least 34.35% in the coming weeks. The capital increase allotted to BNP Paribas will mainly finance the continued development of the company in India and to enable the company to bolster its presence in the Gulf countries, primarily through the opening of a new joint-venture in Saudi Arabia.

Based in Kochi, Kerala, Geojit is a brokerage firm and distributor of financial savings products, with approximately 250,000 clients, a network of 400 branches throughout India, and over 2,000 employees. Geojit also operates in the United Arab Emirates through the joint-venture Barjeel Geojit Securities. Geojit offers brokerage services for equities, derivatives and commodities, financial savings products (funds, life insurance, programmed savings plans) and a portfolio management service, mainly to private customers. Created in 1987, Geojit is listed in India on the National Stock Exchange and the Bombay Stock Exchange.

Already present in India through its Investment Banking, Private Banking, Insurance (joint-venture SBI Life) and Asset Management (joint-venture Sundaram BNP Paribas, etc.) activities, BNP Paribas sees Geojit as a strong trading and distribution platform in a fast growing market.

Acquisition of Exelbank

On June 15, 2007, BNP Paribas signed an agreement for the acquisition of Exelbank from Banco Sabadell. The Bank expects Exelbank to be integrated into BNP Paribas Securities Services by the end of 2007.

Exelbank provides custody and settlement related services to Spanish and international financial institutions, depositary bank services to mutual and pension funds and outsourcing services related to investment operations and private banking. The subsidiary, with origins in Banco Urquijo, is more than 40 years old, and is a recognized participant within the Spanish custody market. Currently, it has approximately €18 billion in assets under custody and serves more than 150 funds managed by approximately 25 investment managers.

The Bank expects this acquisition to consolidate BNP Paribas Securities Services' position among the leading players in the Spanish market, where it already serves a large portfolio of domestic and international clients. It will enable BNP Paribas to add both significant scale to its Spanish custody operations and further strengthen its presence in one of Europe's important investor markets.

Transfer of Private Banking Activities from KAS BANK to Nachenius Tjeenk

On April 1, 2007, KAS BANK and Nachenius Tjeenk completed the transfer of the private banking activities of KAS BANK to BNP Paribas' subsidiary Nachenius Tjeenk. The transaction involved the transfer to Nachenius Tjeenk of about €750 million currently managed by KAS BANK. As part of the transaction, Nachenius Tjeenk also acquired Associatie Cassa, the company within KAS BANK providing fiduciary services to the private banking clientele.

For Nachenius Tjeenk, the acquisition represents an important step in its development strategy, enabling it to reach €2.5 billion in assets under management, compared to the €1.3 billion that it managed at the time of its acquisition by BNP Paribas Private Bank in mid 2005. With the acquisition of the private banking activities of KAS BANK, the Bank believes that Nachenius Tjeenk has strengthened its position as one of the leading platforms in the Netherlands exclusively dedicated to private banking services.

Acquisition of RBS International Securities Services

On April 3, 2007, BNPP announced that it had agreed to acquire RBS International Securities Services (Holdings) Limited, a 70-30 joint venture between the Royal Bank of Scotland International and The Bank of New York.

RBS International Securities Services is a market leader in the provision of securities related services in the UK offshore markets of Jersey, Guernsey and the Isle of Man. It provides global custody services, fund administration and corporate trustee services to fund managers and to managers of private wealth clients. With 176 employees in its 3 locations, it holds in excess of £30 billion of assets under custody and £6.2 billion of assets under administration.

Upon closing of the transaction, BNP Paribas Securities Services, the leading European headquartered provider, will have strengthened capabilities in servicing offshore funds, while completing their coverage of the European offshore markets.

BNPP Asset Management Strategic Relationship with The Saudi Investment Bank

On April 2, 2007, BNP Paribas Asset Management and The Saudi Investment Bank announced the signature of a protocol setting forth the principles of a strategic relationship for asset managemetn in Saudi Arabia. The transaction will be subject to the drafting and execution of definitive agreements and regulatory approvals. The protocol contemplates that BNPP Asset Management will make an equity investment in a company to be incorporated under the laws of Saudi Arabia, following the transfer of The Saudi Investment Bank's asset management operations to this company.

This strategic cooperation would combine The Saudi Investment Bank's established record in asset management in Saudi Arabia and its thorough knowledge of local and regional markets and BNPP Asst Management's global experience, management style and reach as a major world player in this domain. With this alliance, the parties will be well-positioned to leverage their respective expertise, and to capitalize on the significant potential of the asset management market in Saudi Arabia and in the region. Both institutions have outstanding experience in managing and developing successful joint-ventures.

Sale of BNP Paribas Lease Group Stake in Centro Leasing Banca

On April 18, 2007, BNP Paribas Lease Group (BPLG) and Banca Cassa di Risparmio di Firenze announced that they had come to an agreement whereby BPLG will sell its 43.5% stake in Centro Leasing Banca for approximately €74.90 million. The sale is conditioned on the prior authorization of regulatory and antitrust authorities.

The sale will enable BNP Paribas to focus its leasing activities on the company to be formed by combining the activities of Locafit, a subsidiary of BNL, and BPLG in Italy.

National Bank of Canada and BNP Paribas Join Forces in Hedge Fund Managed Accounts

On May 2, 2007, BNP Paribas and National Bank of Canada announced that they had formed a joint venture offering hedge fund managed accounts, a vehicle of choice for retail and institutional investors who wish to invest in hedge funds while controlling operational and market risks. BNP Paribas acquired a stake in Innocap Investment Management Inc., a subsidiary of National Bank of Canada, which specializes in hedge fund managed accounts.

Innocap, which has been in operation since 1996, has developed a broad product offering that provides full transparency and security of investment management, key elements increasingly demanded by institutional investors. BNP Paribas brings to Innocap its unique structuring and commercial capacities, together with an international reach and breadth of distribution capabilities.

Innocap currently advises on over $2 billion of assets. It provides active daily monitoring of alternative funds with complete transparency on the underlying positions and on the setting of adequate risk limits and investment guidelines. Additionally, it monitors operational risk, and advises on all the key operations for the funds, along with third party service providers.

UCB and Sundaram Finance Joint Venture in India

On May 9, 2007, Sundaram Finance Ltd. and UCB announced that they had agreed to form a strategic partnership relating to housing finance in India whereby UCB will acquire a 49.9% stake in Sundaran Home Finance Limited (SHFL). The joint venture will be named Sundaram BNP Paribas Home Finance Limited.

With a loan portfolio of over Rs. 1,250 crores (over €231 million), SHFL provides a wide range of housing finance products, largely focused on retail customers. Significant synergies are expected on both sides. The joint venture aims to grow with the support of an exclusive distribution team provided by Sundaram Finance Ltd. and UCB's experience and know-how.

UK Financial Services Authority Action

On May 10, 2007, the UK Financial Services Authority announced that it had fined BNP Paribas Private Bank £350,000 for weaknesses in its systems and controls which allowed a senior employee to fraudulently transfer £1.4 million out of clients' accounts without permission. There were 13 fraudulent transactions carried out between February 2002 and March 2005 using forged clients' signatures and instructions and by falsifying change of address documents. The FSA identified a number of inadequacies in BNP Paribas Private Bank's internal procedures, and it characterized these "failings" as serious because they enabled significant fraud to take place and failed to detect subsequent transfers to cover it up for a long period of time. The FSA also recognized, however, that BNP Paribas Private Bank has since taken steps to correct the failings, that no customers suffered loss, that a subequent independent review of BNP Paribas Private Bank's anti-fraud systems and controls found them to have no significant weaknesses, and that the Bank brought the fraud to the FSA's attention and cooperated fully in the FSA's investigation.

UCB and Turkish Economy Bank Partner to Create Mortgage Consultancy

On May 16, 2007, UCB and Turkish Economy Bank (TEB) (which is 50% owned by BNP Paribas) announced the launch of a new initiative to sell housing loans to Turkish customers, TEB UCB Mortgage Consultancy. This initiative aims to develop a tailored approach to the residential housing market through UCB's distribution expertise and TEB's retail banking network. Clients will benefit from the home finance expertise of TEB UCB Mortgage Consultancy combined with the service quality of the TEB retail banking network. TEB will continue to offer its own range of retail banking products through its growing branch network. TEB UCB Mortgage Consultancy has opened its first branch in Istanbul, and it intends to expand to other large Turkish cities.

New Business Consolidating Specialist Personal Finance Operations

On May 21, 2007, the Group announced that its subsidiaries Cetelem and UCB had consolidated their personal finance operations within the International Retail and Financial Services division. The new personal finance business aims to fulfill the full range of personal lending needs by exploiting the growing overlap between consumer lending and mortgage lending through expanded product offerings, growing distribution channels, accelerated international growth and improved sharing of expertise and resources.

By bringing together the activities of these subsidiaries operating in the French and international consumer credit markets (Cetelem), the mortgage market (UCB and BNP Paribas Invest Immo) and the debt consolidation segment (BNP Paribas Métier Regroupement de Crédits – loan consolidation), BNP Paribas will become Europe's leading personal finance operator, with total lending of €86 billion and a world-wide presence in 30 countries. The Group believes that it will be able to expand its strong personal lending customer base, while the competitive advantage gained through its specialist personal finance services will boost its international development.

SREI Infrastructure Finance and BNP Paribas Lease Group Joint Venture

On May 31, 2007, SREI Infrastructure Finance Limited, a leading non-banking financial institution with a focus on the infrastructure since 1989 and BNP Paribas Lease Group (BPLG), the leasing arm of BNP Paribas, reached an agreement regarding a strategic partnership in equipment finance in India. The partners will bring their respective expertise and know-how as well as combine the strength of the SREI brand and the local expertise of SREI with the specialized equipment finance skills and global brand strength of BPLG, in order to further develop the equipment finance business.

AXA and BNP Paribas To Join Forces on the Ukrainian Property & Casualty Insurance Market

On June 8, 2007, AXA and BNP Paribas announced they had reached an agreement for the establishment of a partnership relating to the Ukrainian property & casualty insurance market. AXA will acquire from BNP Paribas' subsidiary UkrSibbank a 50% stake in its insurance subsidiary, Ukrainian Insurance Alliance (UIA). AXA will take the management control of the joint company, which will benefit from an exclusive distribution agreement with UkrSibbank for an initial period of 10 years. Completion of the transaction is subject to customary regulatory approvals and is expected to occur before the end of 2007.

UIA sells mostly individual motor and property insurance through UkrSibbank's 1,000 branches. In 2006, it more than doubled its revenues compared to the previous year to $35 million. Following this operation, UIA will be well positioned to seize the growth prospects of the Ukrainian market, by combining the strength of UkrSibbank's network and AXA's expertise in insurance product development, client service and claims management.

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

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

Business Overview

The BNP Paribas Group (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has approximately 140,000 employees, 110,000 of whom are based in Europe. The Group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It has operations in 85 countries and has a strong presence in all the key global financial centers. Present throughout Europe, in all its business lines, France and Italy are its two domestic retail banking markets. BNP Paribas has a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

At December 31, 2006, the Group had consolidated assets of €1,440.3 billion (compared to €1,258.1 billion at December 31, 2005), consolidated loans and receivables due from customers of €393.1 billion (compared to €301.2 billion at December 31, 2005), consolidated items due to customers of €298.7 billion (compared to €247.5 billion at December 31, 2005) and shareholders' equity (Group share including income for 2006) of €49.5 billion (compared to €40.7 billion at December 31, 2005). Pre-tax net income for the year ended December 31, 2006 was €10.6 billion (compared to €8.4 billion for the year ended December 31, 2005). Net income, Group share, for the year ended December 31, 2006 was €7.3 billion (compared to €5.9 billion for the year ended December 31, 2005).

The Group currently has long-term senior debt ratings of "Aa1" with stable outlook from Moody's, "AA" with positive outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings. Moody's has also assigned the Bank a Bank Financial Strength rating of "B" and Fitch Ratings has assigned the Bank an individual rating of "A/B".

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, International Retail Banking and Financial Services, and Italian Retail Banking (BNL bc). The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, that are conducted outside of its core businesses.

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2006.

French Retail Banking

In France, the Group distributes its banking products and services to six million customers through its network of 2,200 branches. The Group is a leading provider of banking products and services for high net worth individuals and has a leading position in the corporate market. The Group has significant market shares in consumer lending, corporate lending and savings management.

International Retail Banking and Financial Services

This core business comprises the international retail banking business of the Group and a range of specialized financial services businesses. In specialized financial services, the Group is a leader in Europe in consumer loans, lease financing and vehicle fleet management. The core business is organized into five business lines as follows:

- Retail Banking in the United States (BancWest): includes retail operations in the western United States, with a network of approximately 742 branches and nearly 4 million households and businesses in twenty states;
- Consumer Financing (Cetelem): includes a complete portfolio of consumer credit and related financial services both in France and intentionally (26 countries on four continents);
- Mortgage Financing (UCB): provides financing for residential real estate purchases by individuals;
- Equipment Solutions: provides financing for capital goods leased by businesses (BNP Paribas Lease Group) and outsourcing solutions on behalf of corporate customers for the management and financing of vehicle fleets and other logistical equipment (Arval, Artegy and Arius); and
- Retail Banking in Emerging and Overseas Markets: includes networks totaling nearly 1,650 branches (excluding China) and serving approximately more than 2.5 million customers in five geographical areas (Africa—Indian Ocean, French overseas departments and territories, North Africa—Mediterranean, the Middle East and Europe—Near East).

Asset Management and Services

For the year ended December 31, 2006, Asset Management and Services contributed €1,587 million (or 14.6%) of the Group's gross operating income.

Wealth & Asset Management

BNP Paribas Private Banking is one of the leading private banking organizations worldwide, offering a full range of international private banking products and services designed to meet the needs of high net worth individuals.

BNP Paribas Asset Management offers discretionary asset management services to a prestigious international clientele of insurance companies, pension funds, central banks, international organizations and multinational corporations and distributes mutual funds through the Bank's branch network and Private Banking units, as well as through an external network of banks and other financial institutions.

The Group's subsidiary Cortal Consors specializes in direct sales of personal savings products and on-line brokerage services. With over one million clients, Cortal Consors is a European leader in its sector based on number of customers.

Finally, through BNP Paribas Immobilier, the Group provides its clients with real estate investment services. These services include property development, real estate investments, commercial real estate advisory services, asset management, property management and residential sales.

Insurance

The Group's insurance business is led by BNP Paribas Assurance, which manages all of BNP Paribas' insurance companies, including Cardif.

Securities Services

BNP Paribas Securities Services provides securities services for financial and other institutions, including banks, brokerage houses, pension funds, mutual funds and insurance companies. In addition to clearing and custody services, it offers a wide range of related services, such as securities and cash position financing, collateral management, the outsourcing of middle- and back-office functions, fund administration and accounting, performance measurement and attribution, e-banking support services and transfer agent and issuer services. At December 31, 2006 assets under custody were €3.614 billion. BNP Paribas Securities Services handled 32.2 million transactions in 2006.

Corporate & Investment Banking

The Group is at the forefront of Europe's corporate and investment banking sector in key markets and is a major player in Asia and the Americas in selected businesses. In particular, BNP Paribas has a strong Corporate and Investment Banking presence in the leading countries of Asia with 3,300 employees in the region. In addition to its leadership position in the two business areas mentioned above, BNP Paribas is well positioned in Corporate Finance in Asia where it was named Best Midcap Equity House of the Year for the fourth year running (*The Asset*).

For the year ended December 31, 2006, Corporate & Investment Banking contributed €3,462 million (or 31.8%) of the Group's gross operating income.

Advisory and Capital Markets

Advisory and Capital Markets includes the Corporate Finance, Equities and Equity Derivatives and Fixed Income business lines.

Advisory and Capital Markets is a leader in France in several areas, in particular mergers and acquisitions advice. In 2006, BNP Paribas was ranked number one in France in mergers and acquisitions advice (source: *Thomson Financial*), and was among the leaders in Europe. The Group has also been one of the European leaders in equity derivatives for several years.

Financing businesses

At the crossroads of lending and capital markets, the Group's financing businesses offer both traditional lending and innovative and multifaceted structured financing solutions, backed by a seasoned distribution network. Products include energy and commodities services, project financing, export financing, syndicated loans, acquisition financing, leveraged buy-out financing, optimization and asset financing, media and telecommunications financing, marine and aircraft financing and structured leasing. The Group has a pre-eminent position in these areas of expertise and ranks among the world's top arranging banks.

BNL bc

BNL banca commerciale is a new core business resulting from the reorganization of BNL Group's business after its acquisition by BNP Paribas in the first half of 2006. It provides banking services in Italy to individuals and private banking clients, small- and medium-sized companies and local municipal and territorial authorities.

Strategy

Strategy by Division

The Group will focus on pursuing its growth during 2007. For each of its five core businesses, the Group has set the objectives summarized below.

French Retail Banking

French Retail Banking has the following areas of priority focus in 2007:

- continuing to improve individual customer satisfaction , by continuing the branch refurbishment program and innovation efforts, especially with respect to savings and insurance products;

- consolidating its market leading position in French private banking by expanding wealth management services, helping customer service officers to bolster their skills and expertise, and continuing to deliver innovative products and services;

- capitalizing on the success of the business centers with business customers to expand cross-selling of all the Group's products and services, including BNL's Italian desks, and to be the leading bank for growing businesses;

- improving efficiency of operations in both the sales organization and the back offices, where streamlining and automation of processes will continue.

The core business seeks to grow net banking income, excluding the PEL/CEL effects, by 4% in 2007 while maintaining a differential of at least one point between growth in net banking income and in operating expenses and depreciation.

International Retail Banking and Financial Services

International Retail Financial Services will implement an ambitious strategy across the board in 2007 focusing on:

- consolidating its leading positions in Retail Financial Services in Europe, especially in France and Italy, with even greater focus on innovation and productivity gains;

- implementing the organic growth plan at BancWest by filling out its branch network and deploying a larger product offering throughout the entire network;

- increasing revenues in Emerging Markets by more than 25% and continuing to open branches in far-Eastern Europe and the Mediterranean basin (190 branch openings planned), taking full advantage of potential synergies between the networks and the Group's product platforms (consumer lending, leasing, credit protection insurance, etc.);

- taking advantage of acquisition-related cost savings.

Asset Management and Services

In 2007, the AMS core business will continue to deploy its profitable growth model designed to create substantial shareholder value, in particular by:

- focusing on organic growth, taking advantage of positive structural trends both in Europe and, increasingly, in emerging markets;

- capitalizing on new growth opportunities in Italy, where it will deploy a private banking network along with BNL and consolidate its product offering, especially asset management services and insurance products.

Asset Management Services thus seeks to continue to generate organic revenue growth above 10% while maintaining a positive jaws effect.

Corporate & Investment Banking

In 2007, CIB's goal is to:

- continue to develop its strategic franchises, in particular derivatives, focusing on flow business as well as specialized and structured finance;

- seek to expand its customer base, in particular the financial institutions and midcap segments;

- expand its business in Italy, capitalizing in particular on cross-selling opportunities with BNL;

- bolster its presence in a number of emerging markets, specifically China, India, Russia and the Middle East.

Corporate & Investment Banking will endeavour to maintain one of the industry's best cost/income ratios and to increase the productivity of the capital allocated to this core business, focusing on high value-added businesses, a selective loan origination policy and active management of the loan portfolio.

BNL

The plan to integrate BNL into BNP Paribas and the Group's general growth strategy for Italy were presented in detail in Rome on December 1, 2006. The implementation of this plan is well underway.

The retail banking, private banking and corporate banking divisions have been grouped under the name "BNL banca commerciale" (BNL bc) since January 1, 2007. The management structures for this new division have been put into place. A new geographic organization premised on the division of the Italian network into five autonomous and responsive regions is in the course of implementation. The product offering to individuals has been enriched and renewed, in particular with new life insurance products and the launching of a new demand deposit account called the "*conto revolution*". The new division has been successful in mixed sales to companies, including new clients brought in by the "Italian desks" already open within the Group, new international cash management mandates, and structuring and distribution of Fixed Income products to local municipalities.

The Group's other divisions are also in a position to provide products and services to BNL clients:

- the integrated "Asset Management and Services" team in Italy has been put into place to promote the division's platform to the branch network. The "Asset Management" group has improved its product offerings. A new life insurance product distribution agreement has been entered into with Unipol for BNL Vita;

- the Corporate and Investment Banking "BNP Paribas – BNL CIB" teams are fully operational with 225 professionals. They have enacted product training for BNL bc commercial managers and begun joint client visits;

- regarding International Banking and Financial Services, the combination of the two leasing companies is in progress. Distribution agreements have been established between BNP bc on one hand and Arval and UCB on the other. An "Italian desk" is open in Tunisia and another is in the process of opening in Turkey.

A tailored employment plan was signed by BNL SpA with workforce representatives in November 2006 pursuant to which there will be 2,200 departures and 900 hirings between 2007 and 2009. This plan is currently being implemented.

The synergies expected in 2007 are 119 million euros, including 100 million euros in cost synergies and 79 million euros in gross revenue synergies resulting in 60 million euros in marginal costs associated with implementation. The responsibilities for the carrying out of these synergies are clearly assigned and the project management and monitoring tools are in place. In 2006, 15 million euros in cost synergies were achieved in the third quarter, including 23 million euros in the fourth quarter.

Activities of the Group

History

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

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

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

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

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

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

Organization

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, International Retail Banking and Financial Services and Retail Banking in Italy (BNL bc). The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, which are conducted outside of its core businesses.

French Retail Banking

French Retail Banking's client base is composed of six million individual clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive line of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

The network operated by the French Retail Banking division has been reinforced with a view to enhancing local coverage and client service. At December 31, 2006, the network was made up of 2,200 branches and 4,500 automatic cash dispensers, in addition to a multi-channel banking structure. The division focuses on regions with high economic potential, and in particular enjoys a 15% share of the greater Paris market *(source: BNP Paribas French Retail Banking market research, market share based on number of branches).* It also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of €82,000 have their main bank account with BNP Paribas *(source: IPSOS)* – and a leading position in the corporate market.

The French Retail Banking division employs 31,000 people working in the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor, BNP Paribas Développement, a provider of growth capital, and Protection 24, a telesurveillance firm. In order to effectively respond to client expectations, French Retail Banking has organized its sales structure on the basis of network segmentation, with branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and specialized centres in charge of after-service.

The division has continued to actively expand the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out starting in 2002. The underlying aim of this system is to offer clients the highest standard of service and to step up the role of client advisers in the branches. The Client Relations Centre's three platforms in Paris, Orleans and Lille handle calls made to the branches and process client e-mails. To extend this service, a dedicated telephone line was set up in 2006 for Private Banking clients. A client relationship center for entrepreneurs and small business clients was also opened in the Paris region in 2006 with a view to nationwide deployment. The workstations operated by the client advisers are geared to managing client relations within a multi-channel framework and hereby constitute the hub of the system, whose worth and effectiveness have been demonstrated through several years of use. French Retail Banking also has the largest network in France of Private Banking Centres, with 212 centers across France that ensure extensive local coverage.

To service corporate clients, the Division has 24 Business Centers located throughout France, as well as two professional assistance services – Service Assistance Enterprise (SAE) and Cash Customer Services (CCS).

Finally, the division is reengineering its sales processing centres into Production and Sales Support Branches (PSSBs). Specialized by type of transaction, they span the whole of France and have fully integrated information systems. At the end of 2006, there were 83 PSSBs, combined into 14 Production and Sales Support Groups.

International Retail Banking and Financial Services

The International Retail Banking and Financial Services (IRFS) core business has some 54,750 employees (*excluding LaSer-Cofinoga*) in 56 countries. BNP Paribas subsidiaries and branches, with well-known brands and in many cases leading market positions, provide products and services covering five distinct business lines.

Cetelem is the market leader in France and continental Europe in household and consumer finance, and has a strong international orientation with a presence in 26 countries on four continents.

Arius, Artegy, Arval and BNP Paribas Lease Group have strong market positions in Europe in asset finance and business equipment management, with operations in 24 countries. These business are grouped within Equipment Solutions.

This core business also has significant positions in mortgage financing through UCB and its subsidiaries, which are active in ten European countries.

In retail banking, IRFS manages a network of local banks which also serve as platforms for growth for many of the Group's businesses in their domestic markets.

BancWest (Bank of the West and First Hawaiian Bank), with operations in 20 states in the western United States, is active in markets undergoing rapid economic and demographic expansion.

In emerging markets, the business is enjoying strong organic growth in new regions (Kuwait, Saudi Arabia, Algeria, Israel, Russia and Mauritania). The Group has made major investments in Turkey (TEB), China (NCCB) and Ukraine (UkrSibbank) and signed an agreement to acquire a stake in a Vietnamese bank (OCB). The retail banking business is also growing strongly in its traditional networks which already have significant market shares. This is the case in North Africa with UBCI in Tunisia, BMCI in Morocco, the BICI network in Africa, BMOI in Madagascar, BNPI in Lebanon and all countries where BNP Paribas conducts retail banking operations in its own name, in the French overseas departments and territories and the Middle East.

All IRFS businesses have a strong corporate culture that values entrepreneurship, high returns and an ability to adapt to their changing environments. These businesses seek to leverage the complementary nature of their activities to exploit synergies and opportunities for cross-selling. These businesses are the cornerstone of BNP Paribas' growth strategy.

BancWest

In the United States, the Retail Banking business is conducted through BancWest Corporation, a company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank, wholly-owned by BNP Paribas since the end of 2001. BancWest has completed a number of acquisitions since that date, including United California Bank in March 2002, Community First National Bank and Union Safe Deposit Bank in November 2004, and Commercial Federal Corporation in December 2005.

Bank of the West now offers retail banking services to individuals, small businesses and corporate clients in 19 western states. It also has strong national positions in certain niche lending markets, such as marine, recreational vehicles, church lending, and small business administration.

With a market share of close to 40% based on deposits *(source: SNL Financial, June 30, 2006*), First Hawaiian Bank is Hawaii's leading bank, offering a broad array of products and services to a local clientele of private individuals and companies.

In total, BancWest has over 12,000 employees, 742 branches and total assets of USD 66.8 billion at December 31, 2006. Serving 4 million households and companies, it is now the 5th-largest bank in the western United States *(source: SNL Financial, June 30, 2006)*.

Cetelem

Having pioneered consumer credit in 1953 and online credit in 1997, Cetelem is the leading consumer finance lender in France and continental Europe with more than €53 billion in outstanding loans as at December 31, 2006, 42% of which is outside France. Cetelem currently has more than 20,000 employees throughout the world. For more than 50 years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

Fielding operations in 26 countries across four continents, Cetelem spearheads BNP Paribas' consumer credit offering.

The Group believes that Cetelem is the benchmark in the industry, known for its ability to innovate. Its high-quality service offerings – backed by outstanding technical expertise and tight risk control – meet most household financing needs, including personal loans, instalment sales and revolving credits. In 2006, Cetelem was the European leader in online credit with e-business positioned at the centre of its strategy for international growth.

Cetelem is the preferred partner of the retail industry and has a long tradition of helping large retailers such as Carrefour, Conforama, Ikea and Dell achieve their development goals across the globe.

Since October 1, 2005, it has held joint control of LaSer-Cofinoga with Galeries Lafayette. The Cetelem-LaSer "alliance" enables the two partners to capitalize on numerous synergies and improve their market competitiveness.

Cetelem also has strong relationships with banks and insurance companies which value its expertise in consumer credit – including AXA, Dresdner Bank, Banques Populaires, Caisses d'Épargne and KBC – as well as with providers of services to private individuals, such as EDF. Cetelem also ensures the management of permanent credit card accounts granted by BNP Paribas' French Retail Banking network.

Mortgage Financing

UCB is a leading European player in mortgage financing with operations in 10 countries: France, Spain, Italy, Portugal, the Netherlands, Greece, Norway, Belgium, Switzerland and Hungary. At December 31, 2006, UCB's managed outstanding loans totalled €32.6 billion.

UCB and its subsidiaries offer residents and non-residents a range of specialised mortgage services designed to finance property acquisitions undertaken for either personal or investment purposes, as well as innovative debt consolidation solutions.

UCB markets its products through a network of business referral partners in the property industry, such as estate agents and builders or brokers, who put prospective buyers in touch with UCB. Business referral synergies with BNP Paribas' retail network both in France and abroad lend additional power to UCB's existing development resources. A varied product range, ability to adapt and innovate, high quality service, tight risk control and a European network are the key strengths that UCB and its subsidiaries bring to the European private mortgage market.

The Group's market share in terms of new mortgage loans in 2006 was around 3.2% for France, 2% for Spain, and approximately 1.3% for Italy and the Netherlands *(sources: France – BNP Paribas internal reports based on data provided by Banque de France; Spain – Instituto Nacional de Estadística; Italy – Banca d'Italia; Netherlands — Kadaster)*.

Equipment Solutions

Since 2006, corporate investment financing and business equipment management activities have been grouped together within the Equipment Solutions division, comprising the following companies:

- Arval, dedicated to the long-term management of cars and light trucks;
- Artegy, engaged in the long-term management of heavy goods vehicles;
- Arius, specialised in the leasing and management of IT equipment; and
- BNP Paribas Lease Group (BPLG), specialized in the financing of equipment sales and investments.

These companies use a multi-channel approach (direct sales, sales via referrals or via partnerships) to offer their corporate clients a range of solutions specific to each asset market, from financing to fleet outsourcing.

Equipment Solutions offers its end users and business providers the opportunity to outsource the credit, market or technical risks associated with corporate assets. The approach is to pool asset and process expertise and to create commercial synergies thanks to an extended range of solutions. Equipment Solutions works closely with the Retail Banking networks, particularly in France and Italy, to offer their clients its products and services.

BNP Paribas Lease Group and Arval developed their European activities in 2006 through their 24 local offices: 66% of Arval's operations and 55% of BPLG's operations are outside France. At the end of 2006 Arval had a total fleet of 495,000 vehicles under lease, an increase of 8% from the previous year, making it the leading operator in France and no. 2 in Europe *(source: SNLVLD, 2006)*.

In 2006, BPLG arranged 251,000 financing transactions totalling €8.3 billion, making it no. 1 in Europe in equipment leasing *(source: Leaseurope, 2006)*. In France, BPLG is the leader in the leasing market, with an 18% market share *(source: ASF, 2006)*.

In Italy, the link-up with Locafit, a subsidiary of Banca Nationale del Lavoro, has created a major player in the market and the leader supplier of equipment leasing contracts *(source: Assilea, 2006)*.

Emerging Markets

The Retail Banking in the Emerging Markets business line encompasses the bank's network of branches in over 30 countries, offering retail banking services tailored to local needs in six geographic zones: Africa and Indian Ocean; French overseas territories (DOM TOM); Maghreb; Asia, Turkey and Israel; the Middle East and Eastern Europe.

The Retail Banking in the Emerging Markets business line's networks grew substantially in 2006, with 343 new branch openings across 33 countries.

BNP Paribas is leveraging the expertise acquired in running its branch network in mainland France to drive the development of its subsidiaries in these regions, which total more than 1,650 branches and over 2.5 million clients, excluding China, where the Group operates via a strategic partnership.

In April 2006, the Group finalized the acquisition of 51% of UkrSibbank, which was Ukraine's 3rd-largest bank in terms of assets as at December 31, 2006 *(source: National Bank of Ukraine)*. Its network expanded rapidly during the year and

now stands at 985 branches and 10,000 employees. The Group also invested in the development of a local bank network in Russia.

BNP Paribas started operations in two new countries in 2006, opening a branch in Israel in November and a subsidiary in Mauritania in December.

In Turkey, Türk Ekonomi Bankası (TEB), whose holding company, TEB Mali, has been 50%-held by BNP Paribas since February 2005, is expanding rapidly. Its network added 57 branches during the year, giving it a total of 170 sales facilities at December 31, 2006.

In China, the Group is developing a strategic partnership with Nanjing City Commercial Bank, in which it holds a 19.2% stake. The two banks have begun to cooperate closely in the fields of retail banking, fixed income, consumer credit, wealth management, risk management, information systems and organization.

BNP Paribas' operations in Africa are organized around the network of Banque Internationale pour le Commerce et l'Industrie (BICI). With approximately 100 branches located in six countries (Burkina Faso, Côte d'Ivoire, Gabon, Guinea Conakry, Mali and Senegal), the Emerging Markets business manages one of the largest banking networks in French-speaking Africa. The Group also has operations in Djibouti (BCIMR), as well as in the Indian Ocean – in Madagascar (BMOI) and the Comoro Islands (BIC).

In the French overseas departments and territories (Martinique, Guadeloupe, French Guyana, New Caledonia, Reunion Island, Wallis and Fortuna), the Group has 53 branches and has solid local positions.

At the end of 2006, the Group had 303 branches in North Africa, where it is currently experiencing strong organic growth, including notably BMCI in Morocco, UBCI in Tunisia and BNP Paribas El Djazaïr in Algeria.

In the Middle East region, BNP Paribas is currently implementing a large-scale expansion plan in Egypt. The Gulf States are served by the regional headquarters in Bahrain, responsible for six territories: Bahrein, Abu Dhabi, Dubai, Qatar, Saudi Arabia and Kuwait. The Group also has operations in Cyprus and Lebanon. A partnership with the International Private Banking business line offers comprehensive wealth management solutions for the entire region.

Lastly, importers and exporters who are clients of the Emerging Markets Retail Banking business have access to the teams of international trade specialists working in BNP Paribas' international network of Trade Centers.

BNL banca commerciale (BNL bc)

BNL banca commerciale is a new core business segment resulting from the reorganization of BNL's business after its acquisition by BNP Paribas in the first half of 2006. It provides commercial banking services in Italy to individual and private banking clients, small- and medium-sized companies and municipal and territorial authorities.

As a result of consolidation among Italian banks in 2006, the Group estimates that BNL banca commerciale can now be considered the seventh largest bank in Italy in terms of both customer loans and deposits.

With nearly 16,000 employees, the network extends to all major Italian cities (i.e., provincial capitals) and comprises 730 branches and 100 centers specialized in relations with private banking clients, companies and local and regional administrations. The network's facilities are rounded out by a multi-channel approach offering 1,270 ATMs as well as online and telephone banking solutions.

Through a comprehensive range of products and services designed to meet all clients' short- and medium-term needs for financing, savings products and transactions, BNL's Retail & Private Banking division covers:

- 2.5 million individual clients (defined as those with personal assets up to €1 million), who are offered different product and service models according to their assets and their potential. The bank enjoys a strong presence on the residential mortgage market built up over the years and a reputation for innovative new insurance products, while still maintaining a solid base of short-term deposits;

- 11,000 private clients (defined as those with personal assets over €1 million), who are served by a network of 18 private banking centers located in the main Italian cities and 150 specialists dedicated to developing distinctive and personalized products and services;

- 112,000 small businesses (defined as those with revenues up to €1.5 million), in a market offering attractive opportunities that BNL banca commerciale intends to take advantage of while maintaining strict credit quality standards. The needs of small businesses are further met by Artigiancassa, the bank's subsidiary dedicated to the craft industry which, in addition to providing regular banking services, is responsible for administering the Italian state's subsidy program to help this sector.

Corporate Finance represents BNL's traditional activity and leading expertise thanks to a comprehensive range of products and services, a national network of 80 specialised centres dedicated to the needs of 36,000 medium-sized companies (defined as those with revenues between €1.5 million and €500 million), 16,000 local and regional administrations and non-profit organizations.

All types of financing are provided, in some cases in conjunction with the Group's Corporate and Investment Banking Division. In certain financing areas BNL is among the market leader, such as factoring, which is offered through BNL's specialized subsidiary, Ifitalia, and rated no. 2 in its sector with a 16% market share (s*ource: Assifact (association of factoring companies)*). BNL banca commerciale also offers medium-sized companies and local and regional administrations a broad range of products and services for managing liquidity and transactions, building on its reputation for quality and excellence in the areas of import-export payments, hedging instruments and structured finance.

Asset Management and Services (AMS)

The Asset Management and Services core business comprises all of the Group's investor services businesses and leads the BNP Paribas asset gathering effort. One of the foremost players in Europe, AMS offers fund management and discretionary asset management services, backed by a range of high value-added investor services.

AMS leverages expertise in three main areas:

- Wealth and Asset Management, comprising private banking (BNP Paribas Banque Privée), asset management (BNP Paribas Asset Management), Cortal Consors online brokerage and personal investment services, and real estate services (BNP Paribas Immobilier);

- Insurance (BNP Paribas Assurance); and

- Securities Services for corporate clients, fund managers and financial institutions across the globe (BNP Paribas Securities Services).

Through these six businesses, which at the end of 2006 had more than 18,000 employees in some 58 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals.

In 2006 all AMS businesses were leaders in their markets in France and at a European or global level.

Wealth & Asset Management

Asset Management

BNP Paribas Asset Management is one of the foremost asset managers in Europe, with €326 billion of assets under management at December 31, 2006 (including assets under advisory account).

Based on a multi-specialist approach that leverages the expertise of 1,800 employees, it offers its clients tailored solutions in 66 countries. BNP Paribas Asset Management and its affiliates have developed targeted management skills in the following areas:

- European fixed income: BNP Paribas Asset Management;
- Global fixed income: Fischer Francis Trees and Watts;
- Equities: BNP Paribas Asset Management;
- Structured and indexed investments: BNP Paribas Asset Management;
- Alternative strategies: Fauchier Partners et CooperNeff Alternative Managers;
- Currency management: Overlay Asset Management;
- Multi-management solutions: FundQuest;
- Asset allocation solutions: BNP Paribas Asset Management.

Its specialized management teams work in the world's main financial centers: Paris, London, New York, Tokyo and Hong Kong.

Over the last ten years, BNP Paribas Asset Management has built up its position in high-growth markets through internal growth (Brazil, Argentina, Morocco) or strategic partnerships with local asset managers: Sundaram BNPP AM (India), Shinhan BNP Paribas (South Korea), Shenyin & Wanguo BNPP AM (China) and TEB AM (Turkey).

Parvest, BNP Paribas Asset Management's flagship fund, is one of the leading Luxembourg-domiciled umbrella funds. With more than 71 sub funds, it covers all asset classes and is registered in 25 countries.

BNP Paribas Asset Management is strongly committed to responsible investment, and its funds have received Novethic's top rating (aaa). The Group believes that the organisation's overall excellence is reflected in Fitch's AM2+ rating, one of its highest.

Cortal Consors

Europe's leading personal investment management company and online broker, Cortal Consors offers clients its investment advisory experience through several channels, either online, by telephone or in-person meeting. It offers a broad range of independent products and services including short-term investment solutions, mutual funds and life insurance products, backed by leading-edge online brokerage technologies.

B*capital, a subsidiary of Cortal Consors, is a brokerage firm specialized in personalized securities and derivatives advice as well as discretionary management for high net worth clients. It offers private individuals direct access to the full range of markets, financial analyses and personalized portfolio advisory and management services.

Cortal Consors has operations in six European countries: Germany, France, Spain, Belgium, Luxembourg and Italy. At December 31, 2006, it had 1.17 million clients and €33.9 billion worth of managed assets (including Plug and Play business), breaking down as 34% in equities, 47% in savings products or mutual funds, and 19% in cash. Cortal Consors has 1,470 employees.

The Group believes that Cortal Consors can be readily adapted to all banking systems and is therefore easily exportable, and accordingly that Cortal Consors' future growth lies in carving out market share in emerging markets.

Private Banking

Serving a demanding client base of high net worth individuals, BNP Paribas Banque Privée offers personalized portfolio engineering and diversification advice, tailored to the specific needs of each client, backed by a range of carefully selected high-performance, innovative products.

BNP Paribas Banque Privée is the market leader in French private banking, with close to €56 billion in assets under management and a network of approximately 100 Private Banking Centers (plus 100 or so other facilities) nationwide. It ranks third in western Europe, where it is fast broadening its reach in its domestic markets, and seventh in Asia *(source: 2006 Euromoney rankings)*. At the end of 2006, BNP Paribas Banque Privée's overall client assets under management stood at more than €130 billion.

Real Estate Investment Services

With 3,500 employees, BNP Paribas Immobilier is continental Europe's leading provider (based on information published by competitors) of real estate services to companies and one of France's major players in residential property. The Group believes that the range of services offered by BNP Paribas Immobilier is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.

European network

In commercial property, BNP Paribas Immobilier is active in eight European countries: France, the United Kingdom, Germany, Spain, Belgium, Luxembourg, Italy and Ireland, and also has offices in New York. In residential real estate, BNP Paribas Immobilier's main activity is in France, but it also has operations in Spain.

BNP Paribas Immobilier includes four complementary real estate businesses:

Transactions, Advisory Services, Valuations

In commercial property, Atisreal markets office space and industrial or business premises and provides advisory services (space use, technical engineering, market and location research, feasibility studies), and valuations:

- no.1 in France, Germany and Luxembourg (based on information published by competitors);
- no. 2 in Spain (based on information published by competitors);
- among the top 10 in the United Kingdom (based on information published by competitors).

In residential property, the Espaces Immobiliers BNP Paribas network is one of the major selling groups for new and relatively new housing (over five years old).

Property Management

BNP Paribas Real Estate Property Management manages more than 16 million square meters of commercial property in Europe, including more than 8.5 million square meters. in France. In residential properties, Gérer and Les Studélites in France and Atisreal in Spain manage more than 31,000 housing units in these countries, including 5,000 units of residential accommodation.

Property Development

Meunier is France’s 3rd-largest real estate developer (*source:* “*Classement des Promoteurs*”, published by Innovapresse in June 2006):

- number 1 in commercial properties with Meunier Immobilier d’Entreprise;
- among the top ten in residential properties with Meunier Habitat;

Real Estate Investment Management

BNP Paribas Real Estate Investment Management manages €8 billion of assets, with BNL Fondi Immobiliari, and is one of France’s leading SCPI property fund managers.

Insurance

BNP Paribas Assurance designs and markets its products and services under two brands: BNP Paribas for products distributed by the BNP Paribas network in France, and Cardif for the other networks and distribution partners in France and international markets.

It operates in 35 countries including five in Latin America, 20 in Europe and 7 in Asia.

- The **savings** business includes the sale of life insurance policies to individuals in 13 countries. In France, it offers companies group pension products, end-of-career bonuses and early retirement benefits.
- In the **protection** business, it offers a broad range of products in 28 countries, including creditor insurance, bill protection, credit card protection, extended warranty, gap insurance and individual protection. In France, BNP Paribas Assurance markets both standard and personalized group policies to large companies and small and medium-sized companies.
- The **property and casualty insurance** business in France is provided through Natio Assurance, a company that is owned equally with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance, and legal protection coverage.

BNP Paribas Assurance’s partners include 35 of the world’s 100 leading banks and a large number of financial institutions, including consumer credit companies, credit subsidiaries of car makers and major retail groups.

BNP Paribas Assurance is the fourth largest life insurer in France *(source: FFSA)* and second largest worldwide in creditor insurance (based on information published by competitors).

Securities Services

BNP Paribas Securities Services (including securities operations developed through BNP Securities Services, BNP Paribas Fund Services and BNP Paribas SA) is the leading European provider of securities services to companies, asset managers and financial institutions located around the world. BNP Paribas Securities Services provides innovative solutions that can be tailored to the specific needs of clients at every stage of the investment cycle:

- financial intermediaries (banks, broker-dealers) are offered tailored solutions for settlement/delivery and global custody for all asset classes;
- Institutional investors (fund managers, insurance companies, pension funds, etc.) have access to a full array of fund administration services, including fund distribution support, transfer agency services, depobank and trustee services, fund accounting, middle office outsourcing, performance measurement and attribution analysis;
- extensive issuer services are provided to companies for transaction structuring and shareholder relations management;
- additional financing, securities lending and currency solutions are offered and coordinated by specialist teams.

As at December 31, 2006, assets under custody totalled €3,614 billion and assets under administration €623 billion, with 32.2 million transactions settled in 2006.

BNP Paribas Securities Services is ranked number 1 among European global custodians and 4th worldwide *(source: Institutional Investor magazine, September 2006)*. BNP Paribas Securities Services was voted Europe's most innovative provider of securities services by the magazine *Financial-i*. In addition, for the second consecutive year, it was named Fund Administrator of the Year by the magazine *Funds Europe* (November 2006).

Over half of BNP Paribas Securities Services' operations are outside France. The business is present in all the main European countries – including Germany, Belgium, Spain, Greece, Ireland, Italy, Jersey, Luxembourg, the Netherlands, Portugal, Switzerland, the United Kingdom – as well as in Australia, New Zealand, Turkey (where it operates through an agreement with Garanti Bank), Japan and the United States.

Corporate & Investment Banking (CIB)

Global Client Service

Leveraging its in-depth expertise spanning the full range of corporate and investment banking services, BNP Paribas is able to meet the needs for development and financial optimisation faced by companies, institutions, states and public authorities. In 2006 the Group defined a "One Bank" strategy with a view to enhancing knowledge sharing among these expert teams and consolidate the global approach to client service. In this spirit, BNP Paribas has organised client-facing groups, specialized by geographical areas, which aim to develop the Bank's origination capabilities, monitor and manage the Bank's relations with its clients and thus strengthen the Bank's positions in the various regions of the world where it operates.

The Bank has assigned 1,100 staff, divided into three major sales teams serving some 6,000 corporate clients and 640 financial institutions, as follows:

Coverage & Territories Europe (CTE) focuses on what is today Corporate and Investment Banking's largest domestic market. The team covers European companies, both multi-nationals with worldwide operations ("Large Corporate Groups") and smaller companies with a strong regional presence ("Corporate Groups"), including companies doing business in the fast-growing markets of central and eastern Europe.

Likewise, **Coverage & Territories International (CTI)** is in charge of overseeing and coordinating relations with multi-nationals or large companies in their domestic market and elsewhere the world, spanning:

- the highly developed markets of North America, Japan and Australia;
- the markets identified for their strong development potential such as Asia (monitored from two platforms: Hong Kong and Singapore), the Middle East and Latin America.

Financial Institutions Group (FIG) is in charge of the global management and development of BNP Paribas' relationships with financial institutions, general and specialized banks (public or private), insurance companies, pension funds, mutual health insurers, fund managers and supranational organisations. FIG is organized into two sub-groups, FIG Europe and FIG

International in order to locally provide banks and insurance organisations with high value-added products and services in more than 15 European countries as well as North America, Japan and emerging countries (particularly Asia and the Middle East).

This organization is based on client segmentation aimed at ensuring client access to the Bank's entire product offering, by providing a single interface and thereby facilitating coordinated access to the specialists in all of the Group's business lines, and devising structured global solutions adapted to their needs.

Advisory and Capital Markets

Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity market transactions. The mergers and acquisitions teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatisations. Primary market services include public offerings, equity issues, secondary issue placements, and convertible/exchangeable bond issues.

Corporate Finance has adopted an inter-disciplinary organizational structure designed to give clients access to the best combination of specialists in each product, industry and geographical area, while optimizing resource management.

Corporate Finance employs approximately 380 professionals located throughout its worldwide network. Focused first and foremost on Europe, it is also present in North and South America and enjoys strong visibility in Asia and emerging markets.

In mergers and acquisitions advisory work, BNP Paribas ranked number 1 in France in 2006 *(source: Thomson Financial)*, and ranked eighth in Europe (source: *Dealogic* based on transaction volumes announced in 2006). In primary equity business, BNP Paribas rank among the leading ten institutions in Europe (source: *Dealogic Equityware*).

Equities and Equity Derivatives

The Equities and Derivatives business encompasses research, structuring, trading and sales of Asian equities and global equity derivatives, indexes and funds. Equities and Derivatives teams operate in secondary as well as primary markets, where they complement Corporate Finance's range of activities. The client portfolio includes financial institutions, hedge funds, companies and individuals.

In 2006 BNP Paribas cemented its worldwide leadership in equity derivatives on the back of a strong growth performance, garnering numerous awards, including:

- "Equity Derivatives House of the Year" (*Risk* magazine);
- "Structured Products House of the Year" (*Euromoney* magazine);
- "House of the Year, Japan" (*Structured Products* magazine);
- "House of the Year, Hybrids" (*Structured Products* magazine);
- "Innovation of the Year, Americas" (*Structured Products* magazine);
- "Risk Management House of the Year, Western Europe" (*Euromoney* magazine).

Fixed Income

Fixed Income's product expertise and distribution capabilities have positioned BNP Paribas among the top three fixed income market participants in Europe, and it has strong franchises in Asia, Japan and the USA. The Group's comprehensive approach to developing solutions for its clients integrates global expertise in research, sales, trading, origination and distribution, comprising three product lines: Global Credit, Interest Rates Group and Foreign Exchange.

The Bank is a recognized global house in the interest rate and credit derivatives markets, and is a leading player in global foreign exchange trading. BNP Paribas' broad range of fixed income products is delivered through an accomplished sales and marketing platform. Further, the Bank has a comprehensive range of research products and services available for one-on-one client support and advice, as well as an extensive array of written reports through a variety of channels. In particular, the Bank's research methods are supported by innovative quantitative techniques.

In line with strategies pursued in recent years, the Bank has continued to invest in its derivatives platforms (such as currency options, interest rate and forex instruments, hybrid instruments, synthetic credit solutions) while intensifying its investments in securitization (origination, structuring and distribution) and reorganizing its flow activities. Thanks to this platform, clients are provided with a full array of tailor-made services on a global scale across a broad range of markets and currencies.

With headquarters in London and five other main trading floors in New York, Paris, Singapore, Hong Kong and Tokyo, BNP Paribas Fixed Income employs more than 1,600 professionals around the world.

In terms of market recognition, reader polls conducted by various magazines show that the Bank has significantly consolidated and improved its competitive rankings. It has also been honored with several prestigious awards, including:

- "Hybrids House of the Year" and "Interest Rates House of the Year" from *Structured Products* magazine: (November 2006);
- "Bank of the Year for Interest Rate Derivatives" from *The Banker* magazine (October 2006);
- "Best Credit Derivatives Provider in Asia" and "Best Interest Rate Derivatives Provider in Europe" from *Global Finance* magazine (September 2006); and
- "Best Structured Products House" from the *Euromoney* magazine (July 2006).

Financing Businesses

Energy, Commodities, Export and Project Finance (ECEP)

By grouping together under a single management umbrella all of the Bank's expertise in energy, commodities, infrastructures, capital goods and asset financing, BNP Paribas has created an innovative structure that meets the full array of client needs and effectively leverages synergies between the various businesses:

- financing of commodities trading, in all forms, an activity in which BNP Paribas is the global leader;
- structured commodities financing in emerging markets, which includes, in addition to export pre-financing, reserves financing and structured inventory financing;
- corporate loans for energy, metals and mining activities in industrialized countries;
- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows;
- export financing, with ten dedicated desks in exporter countries and some 30 specialized correspondent banks in importer countries;
- Global Trade Services, which offers a range of products and services, including supply chain financing for import-export trading;
- asset financing, including structured leasing, and marine and aircraft financing.

In 2006, BNP Paribas maintained its position as one of the key worldwide players in these businesses and as the global market leader in commodities and energy financing.

- Trade finance: ranked "Best Trade Bank in Oil/Energy", "Best Trade Bank in the Middle East", and "Best Structured Trade & Export Finance Bank" (all by *Trade & Forfaiting Review*), no. 3 "Mandated Arranger of Global Trade Finance Loans" (*Dealogic*, full-year 2006), and no.1 "Mandated Arranger of Asia Pacific (excluding Japan) Trade Finance Loans" (*Dealogic*, full-year 2006).
- Project finance: awarded "Excellence in Renewable Energy" (*Energy Business/Commodities Now*), and "Best Project Finance House in the Middle East" and "Best at Project Finance in Central Asia" (both by *Euromoney*).
- Financing for distant export markets: ranked no. 2 "Mandated Arranger of Global Export Credit Agency-backed Trade Finance Loans" (*Dealogic*, full-year 2006); and in aeronautics, number 1 "Worldwide Arranger of Export Credit backed Aircraft Financing Solutions" (*Euromoney*).

BNP Paribas was also recognized for its innovation in this area (awarded “Aircraft Finance Innovator of the Year” by *Jane’s Transport Finance* and “Most Innovative Shipping Finance Deal 2006” for CMA CGM by *Lloyd’s Shipping Economist*).

Structured Finance

BNP Paribas’ Structured Finance team designs and structures a broad range of complex financing arrangements, on a worldwide basis, including syndicated loans, acquisition and LBO financing, media and telecommunications financing, and real estate financing. This business is also in charge of syndicating and distributing all financing originated by the BNP Paribas Group.

In 2006, BNP Paribas continued to rank as the sixth-largest bookrunner of syndicated loans worldwide and third-largest bookrunner of syndicated loans in the Europe – Middle East – Africa region. It was also the market leader in terms of number of transactions *(source: International Financial Review)*.

Cash Management

Within Corporate and Investment Banking, the Cash Management business provides international companies with a wide range of solutions for managing day-to-day cash flows and optimizing liquidity.

Developed in close collaboration with French Retail Banking’s Cash Management department, this product offering draws on the most advanced technologies (automatic cash pooling, communication networks, e-banking through the CONNEXIS range of services).

In 2006, the strong sales organization, which provides close client support thanks to experienced professionals in some 30 countries as well as central teams, resulted in a robust 15% rise in both transaction volumes and fees. Many multi-nationals in Europe, North America and Asia have chosen BNP Paribas for its cash management services.

Loan and Portfolio Management

This activity combines the management of traditional bank loans with the functions of portfolio management by structuring, executing and managing the transfer of credit risk via derivatives.

BNP Paribas Principal Investments

BNP Paribas Capital

BNP Paribas Capital manages the Group’s proprietary portfolio of unlisted investments as part of a strategy designed to gradually scale down the portfolio.

This portfolio had an estimated value of €5.0 billion at December 31, 2006 and is split into four segments:

- non-banking strategic investments;
- directly held investments (primarily minority interests) in manufacturing and sales companies in France and abroad;
- investments in sponsored and unsponsored funds;
- joint investments made simultaneously with funds or institutional investors.

In 2006, the main divestments related to Power Corp. of Canada and Ipsen. The Group continued investing in private equity funds and made joint investments alongside these funds.

Listed Investment and Sovereign Loan Management

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to actively manage assets with a view to deriving the greatest possible value over the medium term. The medium-term perspective clearly differentiates this business from a trading activity. The Listed Investment Management team manages BNP Paribas’ portfolio of minority stakes in listed companies.

Sovereign Loan Management’s mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, Eurobonds and restructured credits.

Klépierre

A real estate investment company listed on the Eurolist by Euronext Paris (TM), Klépierre (50.16% held by BNP Paribas SA) develops, owns and manages shopping centers in ten European countries, mainly France, Spain and Italy. Klépierre is continental Europe's second-largest listed property group specialized in shopping centers, with a market capitalization of €6.6 billion at December 31, 2006. Its property assets totalled €9.1 billion at year-end, of which more than 89% consisted of shopping centers with the remaining 11% made up of offices in the Paris region. Over 40% of Klépierre's business is conducted outside France.

Klépierre's success in its shopping centre activity is supported by the centralized development and management capabilities of its subsidiary Ségécé (which is 75%-held by Klépierre, and 15%-held by BNP Paribas SA.). Ségécé is continental Europe's leading manager of shopping centers. Ségécé manages 342 shopping centers – 236 of which are owned by Klépierre – through a network of eight subsidiaries.

Klépierre also owns and manages high quality office premises located in Paris and its near suburbs. Office property is a secondary activity in which Klépierre aims at seizing opportunities arising in the course of market cycles.
Klépierre has more than 1,000 employees.

Litigation

The Group is involved in a number of legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on the Group's businesses, financial condition or results of operations.

An action has been brought against the Bank by Kensington International Ltd. ("Kensington"), a Cayman Islands-based investment fund. Kensington has obtained the "right, title and interest" as lender under various loan agreements with the Republic of Congo ("Congo") in respect of which Congo is in default, and has brought this action in relation to amounts loaned to Congo in 1983 and 1984. The plaintiff filed a civil lawsuit in May 2005 under the U.S. federal Racketeer Influenced and Corrupt Organizations (RICO) Act in the U.S. District Court for the Southern District of New York, against Congo's principal state-owned oil company (SNPC), its former chief executive, and BNP Paribas. The complaint alleges that the defendants and certain oil traders pursued a "scheme" to misappropriate Congo funds for the private benefit of certain Congo public officials and to protect oil and oil revenues from the reach of creditors, by entering into a series of "prepayment agreements", pursuant to which SNPC received advance payments on sales of oil to the oil traders. It is claiming damages of approximately $100 million (which may be tripled pursuant to the RICO Act), plus interest and legal fees. On March 31, 2006 the Court denied a motion to dismiss filed by the defendants, without prejudice to the merits of the claim. The proceedings are currently in the discovery and disclosure phase, but a date for a hearing on the merits of the case has not yet been set. The Bank will continue to vigorously defend its position, in which it is confident.

In December 2006, seven Iraqi citizens filed a class action lawsuit in federal court in New York against the Australian Wheat Board and the Bank. The plaintiffs are attempting to assert claims on behalf of all Iraqis who resided in the three northern governorates of Iraq to recover the value of money that the Iraqi Government allegedly demanded be paid to it by entities that supplied goods to it pursuant to the Oil-for-Food Program. Before the Bank responded to the plaintiffs' allegations, the plaintiffs advised that they intend to amend their complaint. The Bank expects that the plaintiffs will file an amended complaint sometime in mid-June. The Bank considers the plaintiff's claim, as well as any allegation that the Bank somehow was at fault for improper payments that may have made by others in connection with the sale of goods to Iraq under the Oil-For-Food Program, to be baseless, and intends to vigorously defend itself in the lawsuit.

Main Shareholders of BNP Paribas

At December 31, 2006, AXA, a French *société anonyme* (corporation), held 5.7% of the share capital, or approximately 52.7 million shares, of BNP Paribas (5.8% of voting rights). At that date, to the knowledge of the Board of Directors of BNP Paribas, no other shareholder held more than 5% of the share capital.

The Bank has also long been a shareholder of AXA, previously indirectly via a holding company (Finaxa) and since the merger between AXA and Finaxa on December 16, 2005, directly. At December 31, 2006, the Bank held 5.8% of the share capital, or approximately 120.9 million shares, of AXA (5.2% of voting rights).

On December 15, 2005, AXA and the Bank entered into an agreement regarding their reciprocal shareholdings. Under the agreement, AXA agreed to hold at least 43,412,598 of the Bank's shares, and the Bank agreed to hold at least 61,587,465 of AXA's shares for as long as the agreement is in place. In addition, each party is entitled, during a three-month period following

a “hostile” takeover (i.e. change in control) of the other party, to repurchase its shares held by the other party. The agreement has an initial term of five years and is subject to a two-year and subsequent one-year renewal.

RISK MANAGEMENT

Managing risk is an inherent part of the banking business, which the Bank's operating methods and procedures are geared towards effectively addressing. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring, approving and controlling risks at the Group level, as well as for drawing up, communicating and applying the corresponding risk management rules and procedures. GRM reports directly to Group executive management and is independent from the various divisions, business lines and territories.

The Role and Organization of GRM

While primary responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for ensuring that the risks taken by the Bank are compatible with its risk policies and its profitability and credit rating objectives. GRM performs continuous and *ex ante* controls that are fundamentally different from the periodic, *ex-post* examinations of the internal auditors. GRM reports regularly to the Board of Directors' Internal Control and Risk Management Committee with respect to its main findings concerning risks, as well as with respect to the methods it uses to measure and consolidate these risks on a Group-wide basis.

GRM operates broadly and is responsible for managing all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. GRM's mission includes formulating recommendations concerning risk policies, analyzing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of risk monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all of the consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the business line in question and all of the specific departments concerned (legal, compliance, tax, information systems, general and management accounting). GRM's role is to assess the quality of the evaluations by analyzing the list of identified risks and the proposed methods of minimizing them, and determining the essential prerequisites for the sound development of the business.

GRM's organizational structure is tailored to reflect the different types of risk. There are three departments within GRM: one manages credit and counterparty risks (comprised of three units, France, International, Banks and Financial Institutions), one manages market and liquidity risks and one manages operational risks. GRM also has specialist departments that are involved in analyzing, summarizing and reporting various data.

Credit Risk

Global Credit Policy

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, headed by the Chief Executive Officer. The purpose of the committee is to determine the Group's risk management strategy. The key principles governing the Global Credit Policy include compliance with the Group's ethical standards, a clear definition of responsibilities and strict application of risk analysis procedures. The Global Credit Policy is applied throughout the Group in the form of specific policies tailored to each type of business or counterparty.

Decision-making procedures

A system of discretionary lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management Department. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a credit committee.

Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereigns and customers operating in certain industries, are required to be referred to a higher level for approval. In addition, the loan application may require consultation of an industry expert or designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making tools.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies applicable to the business line or the type of facility requested. To be considered, all loan applications must comply with applicable laws and regulations. In particular, before making any commitments, BNP Paribas carries out an in-depth review of any known business plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the Risk Director, has ultimate decision-making authority for all credit and counterparty risks.

Monitoring procedures

The Group maintains a comprehensive risk monitoring and reporting system, covering all Group entities. The system is organized around control and reporting units responsible for ensuring that lending commitments comply with the loan-approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks.

Monitoring is carried out at different levels, generally reflecting the organization of discretionary lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. The Group Debtor Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. In Retail Banking, the Group employs a monitoring system more specifically tailored to the needs of this business line.

Impairment procedures

Customer loans are recorded on the Group's consolidated balance sheet net of the provision for possible loan losses. The establishment of a provision, or an increase in its amount, is reflected in the Group's consolidated statement of income by a provision. The reversal of a provision is reflected by a credit to income. The amount of new provisions, less reversals of provisions and recoveries of loans written-off, is recorded under "Cost of risk".

GRM reviews all customer loans in default at monthly intervals in order to determine the amount of any impairment loss to be recognized, either by reducing the carrying value or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the value of any collateral.

Where possible or desirable, due to the specific nature of the relevant lending activities (for example, consumer loans) case-by-case provisions are replaced by statistical provisions. In addition to these specific or statistical provisions, the Bank may also set aside general provisions to cover a probable increase in risks, relating, for example, to a specific industry, country or rating category.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the Group Risk Director meets quarterly to determine the amount of this portfolio provision. The amount is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but with respect to which the customers in question have not been identified as in default (in which case, they would be covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the rating system described below.

Internal Rating System

The Bank has a comprehensive rating system that already complies with future requirements under consideration by regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. For a summary of the new standards under consideration, see "Capital Adequacy of the BNP Paribas Group – Planned Changes to the BIS Capital Standards". The Bank periodically checks that this system is appropriate and is being correctly implemented. In addition, the French Banking Commission is in the process of ensuring that the system complies with its regulatory framework. For corporate loans, the system is based on a default probability rating and an overall recovery rate, which depends on the structure of the transaction. There are twelve counterparty ratings. Ten cover "sound" clients, which include a range of credit quality levels from "excellent" to "very concerning", and two relate to clients deemed to be in default, under the regulatory definition. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have final decision-making authority. Tailored quality tools have been developed to support the rating process, including analytical aids and credit scoring systems. The decision to use these tools and the choice of technique depend on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio Policy

In addition to carefully selecting and evaluating individual risks, the Bank follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and guidelines. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitization programs or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses in crisis scenarios. BNP Paribas also purchases credit risks as part of its portfolio diversification and capital utilization strategy, based on strict risk/yield ratio guidelines.

Risk Reduction Techniques

Structuring of transactions

The BNP Paribas Global Credit Policy sets forth guidelines for structuring transactions in order to reduce risk. Collateral and other security are taken into account at value in use, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment as primary debtors.

Netting agreements

Netting is a technique used by the Bank to attenuate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralized by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The relevant transactions are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within this organization.

Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks. As part of this process, the protected loans remain on the consolidated balance sheet and are hedged by credit derivatives. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applicable to derivatives used for other purposes.

For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches that are generally junior or mezzanine.

Credit Risk Exposure

The table below shows the credit risk exposure of all financial assets held by the BNP Paribas Group. Credit risk exposure, determined without taking into account unrecognized netting or collateral, equals the carrying amount of financial assets on the balance sheet net of impairment.

In millions of euros	December 31, 2006	December 31, 2005
Financial assets at fair value through profit or loss (excluding variable-income securities)	607,541	582,201
Derivatives used for hedging purposes	2,803	3,087
Available-for-sale financial assets (excluding variable-income securities)	78,033	77,608
Loans and receivables due from credit institutions	75,170	45,009
Loans and receivables due from customers	393,133	301,196
Held-to-maturity financial assets	15,149	15,445
Balance sheet commitment exposure, net of impairment provisions	**1,171,829**	**1,024,546**
Financing commitments given	235,736	209,679
Guarantee commitments given	80,945	67,154
Provisions for off balance sheet commitments	(238)	(244)
Off balance sheet commitment exposure, net of provisions	**316,443**	**276,589**
Total net exposure	**1,488,272**	**1,301,135**

The exposure above does not take into account the effect of master netting agreements in force at December 31, 2006 or collateral on over-the-counter forward financial instruments, which (based on calculations prepared using the prudential method) would reduce the Group's credit risk exposure at December 31, 2006 by approximately €123 billion (approximately €133 billion at December 31, 2005). Nor does this exposure take into account guarantees and collateral obtained by the Group in connection with its lending activities or purchases of credit protection.

Due to its size, the Group may have substantial exposure in absolute terms to certain counterparties, geographic areas or industries. However, the Group believes that its credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a specific geographic area or industry.

Market and Liquidity Risks

Market Risks Related to Financial Instruments

These risks relate mainly to the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates and equity or commodity prices. The main market risks faced by the Group are:

- **Interest rate risk,** which relates to potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- **Currency risk**, which is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- **Price risk**, which arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- **Credit spread risk on the trading book**: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

Market risks arise mainly on the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

Controlling risk

The market and liquidity risk control structure is based on:

- *General Exposure Limits*. These consist of Gross Earnings at Risk (GeaR) limits or "nominal" limits and cover trading positions by country and by issuer as well as sensitivities, in order to specifically limit certain risks that are not fully captured by GEaR calculations and stress tests.
- *Rolled Down Exposure Limits*. The Chief Executive Officer has overall responsibility for setting market risk exposure limits, in the same way as for credit limits. The Market Risk Committee is responsible for rolling down these limits to the

various levels in the organization. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, limits are set according to counterparty credit strength.

- *Decision-Making Rules*. Risk-acceptance decisions are based on a two-dimensional process. The first dimension corresponds to the approval of new businesses or risks. The second concerns the approval of transactions proposed in the normal course of business. Transactions involving large amounts or which are unusually complex must be approved by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects. Responsibility for analyzing credit risk on trading activities lies with the Group Credit Committee.
- *Risk Monitoring*. This system is based on: daily calculation of the risk and value of the Group's trading positions; daily monitoring of accidental or authorized temporary trading limit overruns logged in a central database; periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used and check observability criteria; weekly reporting of the aggregate amount of significant positions by business line; monthly meetings of the Market Risk Committee to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

Market risk on trading activities is measured and assessed using a detailed sensitivity analysis of each type of position, as well as global analyses (such as GEaR and stress tests) that measure aggregate exposures.

Analysis of sensitivity to market parameters

In the first instance, market risk is analyzed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

GeaR

BNP Paribas operates an internal Value at Risk (VaR) system approved by banking authorities to estimate the potential loss arising from an unfavorable change in market conditions – the key element in market risk measurement.

Potential losses are measured using GEaR. GEaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. GEaR calculation methods are regularly refined in order to better reflect the specific features of each business line, in particular with respect to unusual products. The accuracy of the model is continuously tested by comparing any daily losses with 1-day GEaR.

Banking authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are:

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GEaR in 99% of cases);
- historical data covering one year (260 days) of trading.

For the year ended December 31, 2006, total average Value at Risk was €71 million (with a minimum of €48 million and a maximum of €116 million), after taking account of the effect of netting the different types of risk (€104 million). These amounts break down as follows:

	Year to 31 Dec. 2006			31 December 2006	31 December 2005
	Average	Minimum	Maximum		
Interest rate risk	42	27	69	45	48
Credit risk	55	28	87	70	63
Currency risk	7	2	17	8	13
Equity price risk	55	29	135	66	43
Commodity price risk	16	11	34	17	17
Effect of netting	*(104)*			*(142)*	*(94)*
TOTAL	**71**	**48**	**116**	**64**	**90**

Market Risks Related to Banking Intermediation Activities and Investments

These risks relate mainly to retail banking activities in France and abroad, the specialized financing subsidiaries and investments made by the Group. They are managed centrally by the Asset/Liability Management Department, which is part of the Asset/Liability Management & Treasury Department (ALM Treasury). ALM Treasury, which is part of Corporate & Investment Banking, reports to two committees, each headed by the Group Senior Advisor or a Chief Operating Officer. The ALM Commercial Banking Committee is responsible for decisions concerning mismatch and match-funding principles applicable to the balance sheet of the commercial banking business and for managing the related interest rate risks. The ALM Investment Banking Committee is responsible for establishing funding and liquidity management policies, managing solvency ratios and structural currency risks and monitoring market risks related to Treasury transactions.

Management of interest rate risk on the banking book

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialized financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM Treasury, in the equity intermediation book.

Transactions initiated by the bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the net position of the entity.

Positions are measured and transfers to ALM Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM Treasury, and the business line ALM managers (who report operationally to ALM Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

Measurement of interest rate risk

Banking book interest rate gaps are measured each month, with embedded behavioral options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behavior. For retail banking products, behavioral models are based on historical data and econometric studies. The models take into account early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions. Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

In the case of retail banking activities, BNP Paribas' structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioral options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

A specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

The banking book interest rate gap, structural interest rate risk and specific option risk indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risks involved.

In 2006, the Market Risk Department continued to perform controls over risks arising from the use of behavioral and other models for Asset/Liability Management purposes. Its conclusions on these controls are presented on a quarterly basis to a specialist committee for review.

Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations among the various parameters. The limit is based on annual revenues, in order to set limits on future fluctuations in net banking income caused by changes in interest rates.

The primary limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialized financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralization of risks at ALM Treasury level. The residual risk is controlled by technical interest rate gap limits, monitored by the ALM committee of the relevant business line.

Sensitivity of the value of banking intermediation books

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately €315,000 at December 31, 2006, compared with approximately €460,000 at December 31, 2005.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 December 2006					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(33)	(362)	(1,146)	(1,681)	4,468	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	**(160)**	**(401)**	**(1,609)**	**(1,898)**	**3,753**	**(315)**

In thousands of euros	31 December 2005					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	98	(1,005)	(1,174)	447	(201)	(1,835)
USD	79	96	(391)	588	1,182	1,554
GBP	(1)	5	(122)	(37)	(20)	(175)
Other currencies	1	(9)	(34)	12	26	(4)
TOTAL	**177**	**(913)**	**(1,721)**	**1,010**	**987**	**(460)**

Management of structural currency risk

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management department is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM department.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests expressed in foreign currencies, financed by purchasing the currency in question. Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

However, for most soft currencies, the investment is financed by purchasing the currency in question.

Hedging of interest rate and currency risks

The hedging relationships initiated by the Group are mainly intended to hedge interest rate or currency risk, in the form of swaps, options, forwards or futures.

Depending on the objective of the hedge, derivative financial instruments used for hedging purposes are designated as either fair value hedges, cash flow hedges or net foreign investment hedges.

Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Hedging of financial instruments recognized in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behavior (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex post facto basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

Cash flow hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of currency risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity band analyses.

The table below shows the amount of hedged future cash flows, split by the forecast date of realization:

In millions of euros	31 December 2006				31 December 2005			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Hedged cash flows	657	1,988	2,720	5,365	668	1,843	1,969	4,480

For the year ended December 31, 2006, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

Liquidity risk

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy consists of management principles designed to apply both in normal conditions and during a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning indicators and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the liquidity management policy are to secure a balanced financing mix to support the Group's development strategy; to ensure the Group is always in a position to discharge its obligations to its customers; to ensure that it does not trigger a systemic crisis solely by its own actions; to comply with the standards set by local banking regulators; to keep the cost of refinancing as low as possible; and to cope with liquidity crises.

Roles and responsibilities in liquidity risk management

The ALM CIB Committee, acting on recommendations from ALM Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programs. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM CIB Committee, ALM Treasury is responsible for implementing the policy at both the central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The ALM business line committees and local ALM committees implement at local level the strategy approved by the ALM CIB Committee. The Risk Department ensures oversight over the models, with indicators, limits and market parameters used.

Core principle of the Group's liquidity policy: centralization of liquidity management, from intra-day to long-term, within ALM Treasury

ALM Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium/long-term financing. The Treasury department is responsible for refinancing and short-term issues (certificates of deposit, commercial paper, etc). The ALM department is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds etc.), preferred share issues, and loan securitization programs for the

retail banking business. ALM Treasury is also responsible for providing finance to core businesses and business lines, and reinvesting their surplus cash.

Day-to-day liquidity management is based on a full range of internal standards and warning flags at various maturities

An overnight cap is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to all the currencies in which the Group does business.

The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at the Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

Three internal ratios are used to manage medium/long-term liquidity at the Group level:

- the one-year ratio for outstanding loans that have contractually matured represents the maturity gap, at one year plus, of outstanding loans as compared with applications of funds of the same type. The gap represents the shortfall in outstanding loans relative to applications of funds with the same maturity;
- The one-year internal liquidity ratio on total outstanding loans is defined as the total maturity gap, at one year plus, of outstanding loans with a residual maturity of more than one year. The gap represents the shortfall in outstanding loans relative to applications of funds with the same maturity carried on– and off-balance sheet in the form of contractual commitments with no maturity. The cap, which was set at 25% for up to 2006, has been reduced to 20% for 2007;
- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year plus gap on outstanding loans that have contractually matured, and is set at a minimum of 60%.

These three internal ratios are based on liquidity maturity schedules of balance sheet and off balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks – 100% weighted, and with customers – 20% or 30% weighted) or theoretical (i.e. based on customer behavior: prepayments in the case of loans, behavior modeling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

Regulatory ratios: an element of the liquidity risk management system

The 1-month regulatory liquidity coefficient and regulatory observation ratio are calculated monthly. These ratios cover the parent company BNP Paribas SA (French operations and branches). Group subsidiaries required to comply with these ratios calculate them independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all of the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than 5 years.

Foreign subsidiaries and branches may be subject to local regulatory coefficient requirements.

Liquidity risk reduction techniques

As part of the day-to-day management of liquidity, and in the event of a one-off liquidity crisis, the Group's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling under repurchase agreements financial instruments on the open market or by discounting assets with the central bank. If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by disposing of assets. As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets, via the securitization of loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing. For example, in the last quarter of 2006, BNP Paribas set up a covered bond program with a total issuance capacity of €25 billion, of which €2.5 billion was issued in December.

Insurance Underwriting Risk

BNP Paribas Assurance is exposed to varying degrees of underwriting risk on written insurance policies, and applies a distinction between savings, annuities and protection policies.

Policies providing for annuities, granted almost exclusively in France, are exposed to long-life risk. However, this risk is largely offset by the possibility of passing on all or part of the losses that may be incurred through lower annuities. The size of the annuity portfolio remains limited (mathematical annuity reserves of around €1 billion). Furthermore, BNP Paribas Assurance seldom writes policies providing for deferred annuities, which would expose it to the long-life risk over a greater period of time.

The bulk of underwriting risk is incurred in the protection business (€3 billion in premiums), which cover death, incapacity or unemployment. The risk is highly diversified, with 35 million policyholders in 26 different countries. The maximum exposure (capital at risk) on a given policyholder is €450,000. Catastrophe risk in respect of policies granted in vulnerable areas or those in France presenting a high concentration risk are covered by specific reinsurance policies.

Insurance underwriting risk is monitored by BNP Paribas Assurance's Actuarial function, based on three main tools: underwriting policy, portfolio reviews and reinsurance (see the section entitled "Hedging strategies" for details of the reinsurance policy). In each of BNP Paribas Assurance's two business lines (savings and protection), central actuarial teams have a functional responsibility over local actuarial departments.

Product Development

BNP Paribas Assurance's actuaries based in the head office or in local branches apply consistent underwriting methodologies and calculations. To take into account the various risks to which BNP Paribas Assurance is exposed (statistical, macro-economic, behavioural, or related to public health issues or natural disasters), the bases of experience used to price policies are developed locally and validated by the central team. This is designed to ensure that risk-taking is consistent across the Group and that products are suitably adapted to local markets.

Portfolio Reviews

The central Actuarial teams review the portfolio and provisioning policy every quarter. The teams validate the level of provisioning (mainly premiums, claims and equalisation reserves) and identify any risk overruns on given portfolios, allowing them to take immediate steps in the event of any shortfalls noted.

As a result of this process, the bases of experience used for pricing policies are regularly enhanced and adjusted to reflect changes in the various statistical, behavioral or macro-economic risk to which the business is exposed. The process also helps to provide a consolidated view of the Group's exposure to certain underwriting risks.

Compliance Risk

Compliance is integral to the Group's internal control framework, and managing compliance risk is high on the Group's agenda. Compliance covers adherence to applicable laws, regulations, codes of conduct and standards of good practice. Compliance also involves protecting the Group's reputation as well as the reputation of its investors and customers; publishing accurate and complete information; ensuring that members of staff act in an ethical manner and avoid conflicts of interest; anti-money laundering procedures, combating corruption and the financing of terrorism; and respecting financial embargoes.

The Compliance department manages compliance risks for all of the Group's domestic and international businesses. Reporting to the Chief Executive Officer, the Compliance department has direct and independent access to the Internal Control and Risk Management Committees.

The function includes a central structure in Paris responsible for overseeing and supervising all compliance issues, and local teams within the various divisions and business lines acting under delegated authority from the central teams. All Group entities able to support such a structure have dedicated Compliance teams, at both global and local level. The Compliance function has grown continuously since 2004, with a 24% surge in employees in 2006 (excluding the impact of changes in Group structure).

Management of compliance risks is based on a system of permanent controls built around the elements described below:

An internal procedures manual describing general and specific procedures is regularly updated to take into account new regulatory banking or financial requirements. These procedures are designed to safeguard the reputation of the Group and its

subsidiaries, ensure the primacy of customer interests and maintain the integrity of the financial markets. The procedures address:

- the avoidance of conflicts of interest and the establishment of "Chinese walls" to prevent the unauthorized disclosure of sensitive information;
- supervision of customer transactions in order to detect any market abuse based on specific control definitions and trigger points, or any transactions related to money laundering, the financing of terrorism or breach of financial embargos; and
- controls over transactions carried out by staff, particularly on the stock market.

In 2006, the Group enacted general guidelines relating to compliance risks, including conflicts of interest management. The Group has also updated its procedures for authorizing exceptional transactions and new products and business streams. This represents one of the lynchpins of the Group's permanent control framework, and is therefore an essential part of its permanent controls over compliance risk. It includes:

- coordination of action taken by the various Group entities to guarantee the effectiveness and efficiency of monitoring systems and tools;
- Internal control tools. BNP Paribas is currently rolling out (i) the new Regulatory Risk Matrix, which makes it possible to measure and monitor compliance risk with regard to applicable laws and regulations; and (ii) new tools designed to prevent money laundering, the financing of terrorism and corruption (see below). These new capabilities are key to enhancing the effectiveness of permanent controls over compliance issues; and
- Training and awareness-raising initiatives, which are being implemented across the Group (introduction of an e-learning training module on Compliance risk) and within the various divisions and business lines (for example as regards the application of the European Market Abuse Directive).

The changing international environment, proliferation of illegal activity and the tightening of regulations in many countries, coupled with a determination to safeguard the Group's reputation, have prompted BNP Paribas to intensify its efforts against money laundering, terrorism financing and corruption:

- Know Your Customer (KYC) procedures are regularly updated and are based on continuously reassessed sensitivity criteria;
- action is currently underway to review information about existing customers based on KYC rules, and a KYC reporting system has been set up;
- the Customer Acceptance Committees and Intermediary Selection Committees (referral agents, brokers and non-Group asset managers) have been strengthened and embedded more deeply in the organisation;
- computerized monitoring systems are continuously developed and updated. These systems include the Vigilance database, containing the names of more than 1,800 individuals suspected of being members of terrorist organisations or subject to financial embargoes; and the Lynx/Factiva database, containing the names of politically sensitive individuals. Funds transfer screening systems have been updated and broadened in scope (Shine project), and money-laundering detection applications for abnormal account activity are being rolled out as part of the IRIS project; and
- training and awareness-raising initiatives focusing on the combat against money laundering, the financing of terrorism and corruption.

The European Market Abuse Directive, aimed at safeguarding the integrity of the financial markets and protecting client interests, came into force in 2006. The Group is currently preparing for the new European Markets in Financial Instruments Directive (MiFID), which will be applicable as from November 2007. MiFID introduces far-reaching changes in European financial markets and contains important provisions on compliance, particularly as regards the alignment of banking products and services with customers' risk profiles, best execution practices, conflicts of interest and outsourcing. The Group has been closely monitoring developments and has already put into place part of the requisite system, for example as regards outsourcing practices and avoidance of conflicts of interests.

Operational Risk

The dual aim of the operational risk management framework is (i) to ensure compliance with regulatory requirements and criteria prescribed by rating agencies; and (ii) to improve the Group's internal processes, resulting in an improvement in performance and a reduction in risk events and their impact.

Specific policies, methodologies and procedures for managing operational risk are applied across all of the Group's divisions and functions.

Operational risk management practices are rooted in four key principles:

- a focus on internal processes both within Group entities and cross-functionally between Group entities; analysis of key processes;
- analysis of the cause – event – effect chain, with the main focus on the "event". The analysis is designed to identify and monitor potential or known risk events and assess the causes in order to prevent the event from materialising or recurring, and mitigate the impact for the organisation;
- monitoring of risk based on risk profiles and tolerance levels, with qualitative and quantitative data stored in the reporting system to be used as the basis for determining risk profiles in view of the tolerance levels set;
- definition and supervision of responsibilities: it is vital that managers and staff take individual responsibility for operational risk.

Operational Risk Management Process

To meet regulatory requirements on regular high-quality risk reporting to management, BNP Paribas has set up a two-way information flow (ascending and descending) that acts as a loop.

The information originates in the entities managing the process. The data compiled for management purposes are then analysed and transferred upwards and the issues are discussed at the appropriate level prior to review and validation. Standards and tolerance levels are then defined and decisions taken to approve or refuse the exposure, which are then transferred downwards to the relevant line of management.

In the descending infomation loop, the relevant risk managers are responsible for communicating on the principles and standards regarding their particular business area that are to be applied by the divisions, business lines, territories and subsidiaries.

Committees

In line with the Group's operational risk management policy, committees comprising members of the Executive or Management Committee meet three times a year at all levels of the organization. Group Risk Management (GRM) is responsible for gathering and summarising all of the information stemming from these committees as a basis for discussion at Group level. The Group's operational risk committee is made up of members of the Executive Committee.

These committees are tasked with supervising the Group's management of operational risk and implementing the risk infrastructure within their particular business area. The committees are also responsible for formally validating the quality and consistency of management data and for examining the risk profile adopted in light of the tolerance levels set by either the committee itself or the Group. The decisions to accept or reduce the exposure are also taken at the committee meetings.

Resources

In accordance with regulatory requirements, BNP Paribas ensures that internal audit teams are wholly independent of operational risk management personnel within its divisions and functions.

Group Risk Management – Operational Risk ("GRM-OR") is responsible for designing and maintaining the risk infrastructure on an ongoing basis, to ensure that operational risk is identified, assessed, controlled and managed, and that the related exposure is reduced.

Group entities have set up a risk management framework based on a network of operational risk analysts and part-time correspondents. These analysts can be found in all divisions, business lines and main territories, as well as within the Bank's major functions, and are responsible for validating the operational risk management process falling within their own particular remit and implementing the standard operational risk management policy as well as the associated methodologies and tools.

Data Compilation and Risk Analysis

Two categories of data are compiled, based on historical experience and prospective scenarios.

Historical data: operational risk data has been systematically compiled since the beginning of 2002 and the process was rolled out to all of the Group's businesses and territories in 2002 and 2003. The operational risk data compilation process was strengthened by data quality reviews in 2004 and certification procedures in 2005. An analysis of historical data enables the Bank to determine the remedial action needed to ensure that risk events do not recur.

Prospective scenarios: the Group adopts an integrated approach to modelling risks and analysing potential incidents, based on an analysis of its internal processes. A qualitative analysis of the causes, corresponding controls and impacts of potential incidents is carried out for each process, with the results quantified and input into the internal capital calculation model. This porcedure highlights the Group's main risk exposures and enables the organisation to identify the necessary remedial action.

Legal Risk and Special Regulations

BNP Paribas is bound by regulations applicable to financial institutions in all countries where it does business, including banking, insurance and financial services regulations. The Group is required to respect the integrity of the markets and safeguard clients' interests.

Group Legal Affairs has established and regularly updates an internal control system designed to anticipate, detect, measure and manage legal risks.

The system is organized around:

- Specific committees, including:
    - the Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs function;
    - the Legislation Tracking Committee, which analyzes, interprets and distributes throughout the Group the texts of new laws and regulations, and details of changes in French and European case law;
    - the Global Legal Committee, which coordinates the activities of the legal function throughout the Group and in all countries that have their own legal staff;
    - the Group Legal Coordination Department, which ensures that the Group's legal policies are consistent and deals with cross-functional issues.

  The Legal department is a permanent member of the Compliance Committee and the Internal Control Coordination Committee.

- Internal procedures and databases providing a framework for managing legal risk, in close collaboration with the Compliance function for all matters which also fall under their responsibility, and for the activities of the Group's legal staff. At the end of 2004, a procedures database comprising all internal procedures, in French and in English, was set up on the Group's intranet and made accessible to all employees;

- Legal reviews, which are carried out in Group entities, to ensure that local systems for managing legal risks are appropriate, procedures are properly applied, and tools correctly used. Regular visits are made, particularly to vulnerable countries, to check the effectiveness of the systems developed by foreign units to manage legal risks;

- Internal reporting systems, model documents and analysis systems, which are upgraded on an ongoing basis by Group Legal Affairs and play a part in the analysis of operational risk.

This system enables active monitoring of new legal developments, both in France and abroad.

Tax Risk

In the various countries where it does business, BNP Paribas is subject to local tax laws and regulations applicable to its entities' areas of activity such as banking, insurance and financial services companies.

Group Tax Affairs is a global department, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor the overall tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable level and are consistent with the Group's reputation and profitability objectives.

Group Tax Affairs resources include:

- a network of tax correspondents, covering all of the countries where the Group does business, backed by local tax specialists in 12 countries;

- a qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws;
- a reporting system to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

Group Tax Affairs is a member of the Tax Coordination Committee chaired by Group Finance and Development and extended to all divisions and the Compliance function. The committee is responsible for analyzing key tax issues and making appropriate decisions. Group Finance and Development is required to consult Group Tax Affairs on tax issues that affect financial or accounting information.

Group Tax Affairs has also established procedures covering all divisions, designed to ensure that tax risks have been identified and are being managed appropriately. Tax risks may arise for the entire Group or from specific customer product or service offerings developed by the Group's entities. The objectives cover a wide range of subjects, including:

- the tax risk management framework. The tax risk charter is used to draw up job descriptions for local tax managers and to specify the responsibilities of divisional heads with regard to entities that do not have their own tax manager. The tax risk charter is revised regularly to reflect changes in the charter applicable to Territory Chief Executives;
- validation procedures by Group Tax Affairs for all new products featuring a significant tax component, together with all new activities and "specific" transactions structured in France or abroad;
- procedures for seeking outside tax advice;
- description of tax-driven operational risk incidents and common filing and reporting standards;
- definition and disclosure of groupwide tax rules and regulations, and validation of any framework agreement or internal circular/document presenting complex tax issues;
- tax inspection reporting procedures; and
- control procedures relating to the delivery of tax opinions and advice.

Information Systems Security

The ever-greater role played by IT in banking activities, alongside the increasing external exposure of information systems (internet, open source software, network interconnections between different economic players, etc.) present a distinct risk associated with information technologies.

Managing information systems security is part of a wider approach to operational risk and is closely related to changes in permanent and periodic controls in all banking activities (particularly as regards Directive CRBF 97-02 in France and similar regulations in other countries). The ISO 27001 standard (amended version of ISO 17799 – formerly BS 7799) is taken as the basis of information systems security best practices.

Each of BNP Paribas' businesses is exposed to some form of information systems security risk, and some risks are found in all businesses. The Group's policy for managing IT risks takes into consideration the specific nature of the business, often rendered more complex by local regulations in the different countries in which the Group does business.

Like most global banking organizations, the Group's online banking businesses suffered a number of phishing/pharming attacks in 2006. All of these attacks were addressed – with no harm to our customers – thanks to the measures put in place by BNP Paribas to anticipate and detect such risks in an expedient, efficient manner. The Group's businesses will continue to invest in tools designed to improve e-banking security while seeking to avoid unnecessary complexity for the internet user.

The availability of information systems is vital to allow the Bank to continue operating in a crisis or emergency. The BNP Paribas Group maintains, develops and regularly verifies its information back-up capabilities and system robustness, in line with its values of operational excellence, and in response to tighter regulations and a better awareness of extreme risk scenarios (flu pandemic, natural disasters or other catastrophes).

BNP Paribas seeks to minimize and control its IT risks, by:

- regularly updating and distributing information security procedures at Group and divisional level, and continually raising the awareness of its staff to these security imperatives;

- requiring all divisions to formally document the risks to which they are exposed along with their strategies for managing such risks, and to develop progress trackers and a multi-year action plan in step with their strategy; and

- monitoring incidents and keeping abreast of technological developments in the area of IT security.

Risk Exposure in 2006

Credit Risk

2006 saw an improvement in credit risk in all of the geographical areas in which BNP Paribas operates. The credit quality of BNP Paribas' loan book improved throughout the year, leading to a reduction in the cost of risk, particularly in the Corporate and Investment Banking Division.

Outstanding commercial loans at December 31, 2006 totalled €715 billion. The 24% growth compared to the previous year reflects the integration of BNL and other international retail banking networks, as well as expanded business in North America – partly offset by the fall in the value of the dollar – and the vigorous sales momentum in retail banking in France.

The change in provisions for credit risks and country risks is shown in the following table:

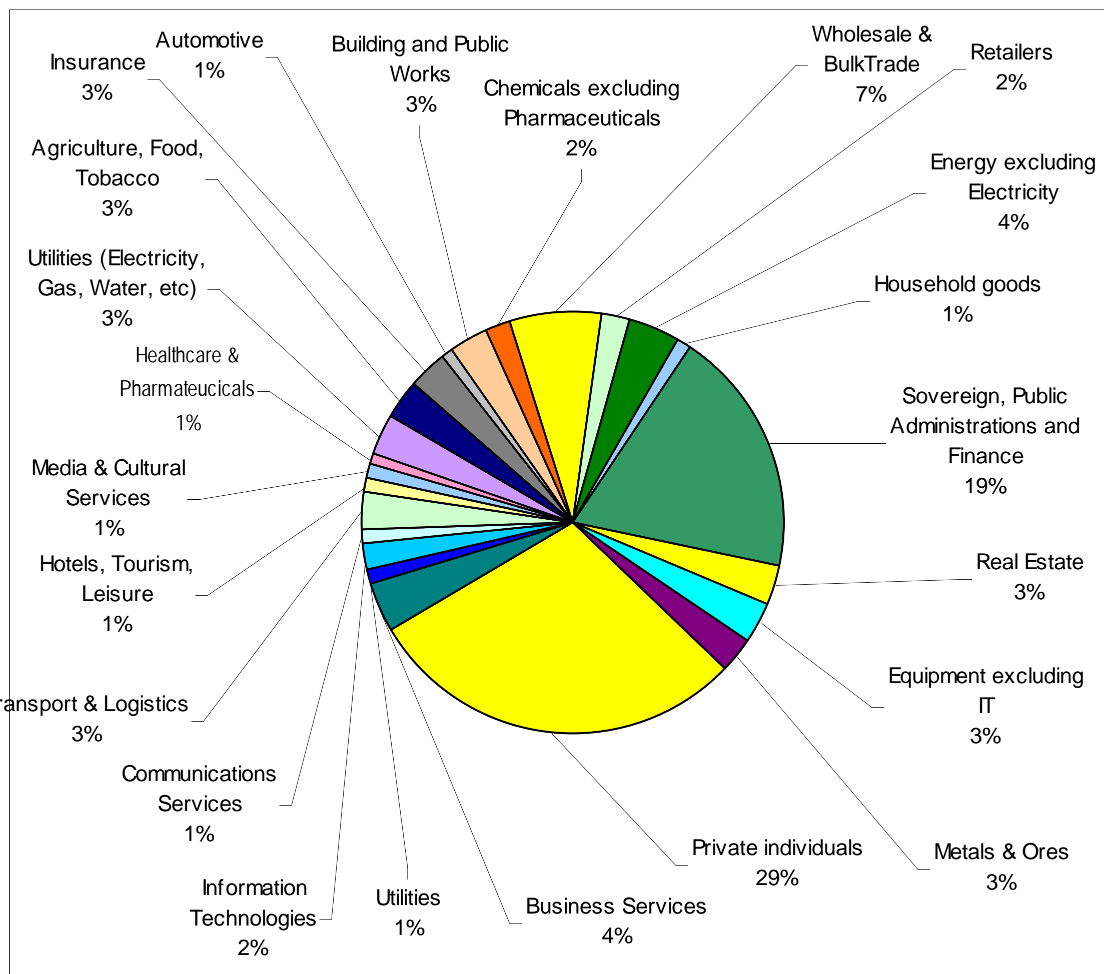
In millions of euros	**French Retail Banking**	**Inter-national Retail Financial Services**	**Asset Management and Services**	**Corporate & Investment Banking**	**Group Total**
Net additions to provisions for credit risks and country risks –2005...............	194	559	8	(130)	610
Net additions to provisions for credit risks and country risks –2006...............	153	708	2	(253)	783

Diversification by Counterparty

Diversification of commitments by counterparty is a matter of constant concern and is closely monitored. The Group's concentration of credit risks is well below the limits set in the European Directive on major banking risks. The top 10 client groups represented less than 3% of total commitments at December 31, 2006.

Industry Diversification

The following chart presents a breakdown of the Group's commercial loans and commitments by industry at December 31, 2006:



Industry diversification remained at a healthy level, with no further concentrations of risk arising in 2006. Cyclical industries continue to be regularly monitored and no such industry represents more than 3% of the portfolio, with the exception of energy and commodities. Growth industries such as “Finance, sovereign and local government”, do not represent significant risks. Commitments also increased towards the energy & commodities sector, corresponding mainly to financing granted in respect of commodity trading, which is usually highly structured and secured by collateral.

- Our automobile industry portfolio, which has traditionally been an important sector for the Bank, remains principally focused on the financial data of leading car makers. This industry has been regularly monitored in 2006, particularly in the US which is considered to be more exposed. Total loans and commitments in this sector are down from 2005.

- The airline industry, which has also been closely monitored, represents only a very small portion of loans and risks.

- The Bank’s high-tech industry commitments (information and communication technologies) account for only a very small portion of total commitments. The Bank adopts a highly selective approach and its high-tech client base consists essentially of major players that are rated investment grade.

- The real estate sector as a whole was closely monitored in 2006. Real estate companies and private individuals accounted for 3% and 13%, respectively, of the Group’s total commitments. Most of the commitments in the real estate sector are made in France. Within the real estate companies segment, the Group lends primarily to counterparties with diversified and stable revenue streams (i.e., property companies).

- The utilities portfolio (mainly companies producing and distributing electricity) is reviewed every six months. The client base in this industry consists mainly of major market participants.

- Commodity financing commitments (production and international trade) are also reviewed on a regular basis.

Geographic Diversification

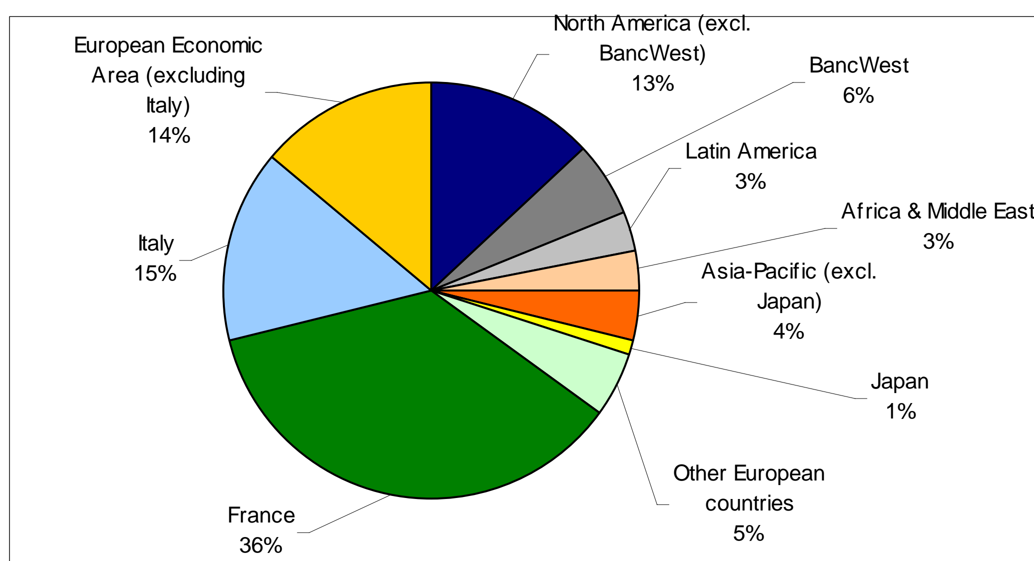
The Bank's commitments remain fairly evenly balanced geographically, after a period of changes observed mainly in Europe. France now accounts for only 36% of commitments, due to the 29% increase in business in other European countries. This is mainly attributable to the integration of BNL.

North America (including BancWest) remains BNP Paribas' second-largest region in terms of lending business. However, the region accounted for 19% of commitments in 2006, falling significantly year-on-year due to the increase in the Bank's commitments in Europe.

Asia represents 5% of total commitments, down slightly on the year-earlier period. China is a major focus of growth plans in the region, tempered by a selective approach to new business.

Commitments in countries considered by the Group to be "high risk" represent 14% of total commitments, but only 7% after taking into account eligible collateral. These commitments are closely monitored and exposure limits are reviewed each year. Commitments in these countries continue to be based primarily on export credit and short-term commercial commitments. Longer term financing is generally secured and, in most cases, highly structured.

The following chart presents a geographic breakdown of the Group's commercial loans and commitments at December 31, 2006:



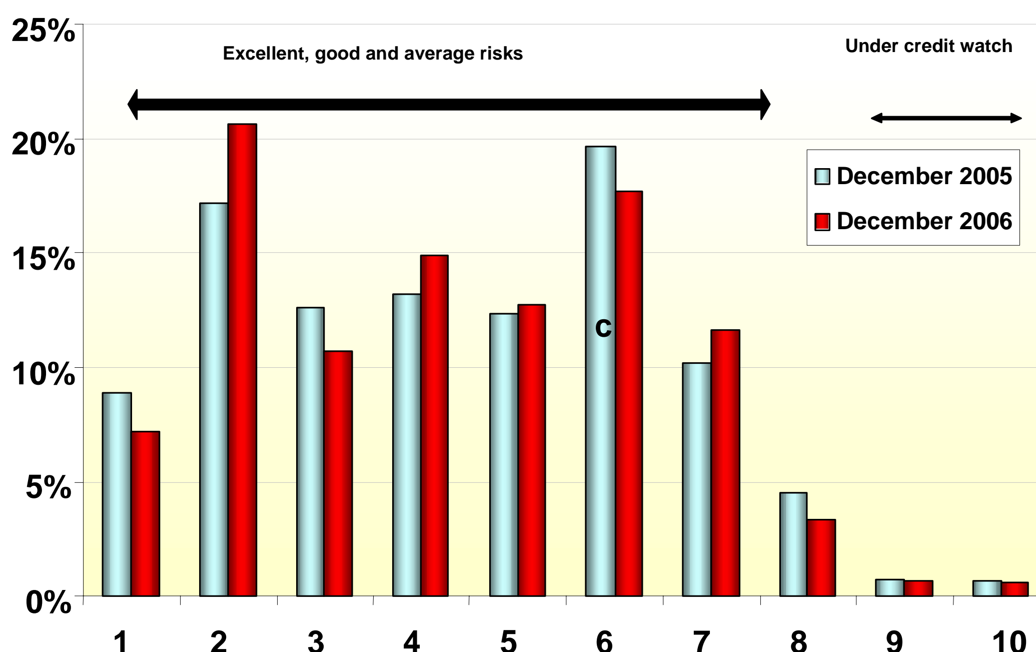
Portfolio Quality

Based on the internal corporate rating policy that is being successfully rolled out across the Group and covers all of the Corporate & Investment Banking and French Retail Banking "corporates" portfolios (companies, government agencies, banks and institutions) portfolios, as well as a significant part of other divisions, the Group considers these portfolios to be of a high quality. The majority of commitments are towards investment grade borrowers, reflecting the Bank's strong presence among large multi-nationals and financial institutions.

A significant proportion of commitments to borrowers with lower credit ratings are secured by high quality guarantees. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

The Bank's commitments in terms of portfolio quality are fairly evenly balanced from one year to the next, with a 6 basis-point rise in 2006 in the proportion of commitments towards counterparties awarded the highest credit rating.

The following chart presents a breakdown of sound commitments of the Corporate & Investment Banking and French Retail Banking Divisions (excluding private individuals) by internal credit rating:



Doubtful Commitments

BNP Paribas' non-performing loans and other doubtful commitments presented below include on- and off-balance sheet commitments towards all categories of counterparties (customer transactions, interbank transactions, fixed-income available-for-sale securities). Provisions correspond to the aggregate of specific provisions and portfolio provisions.

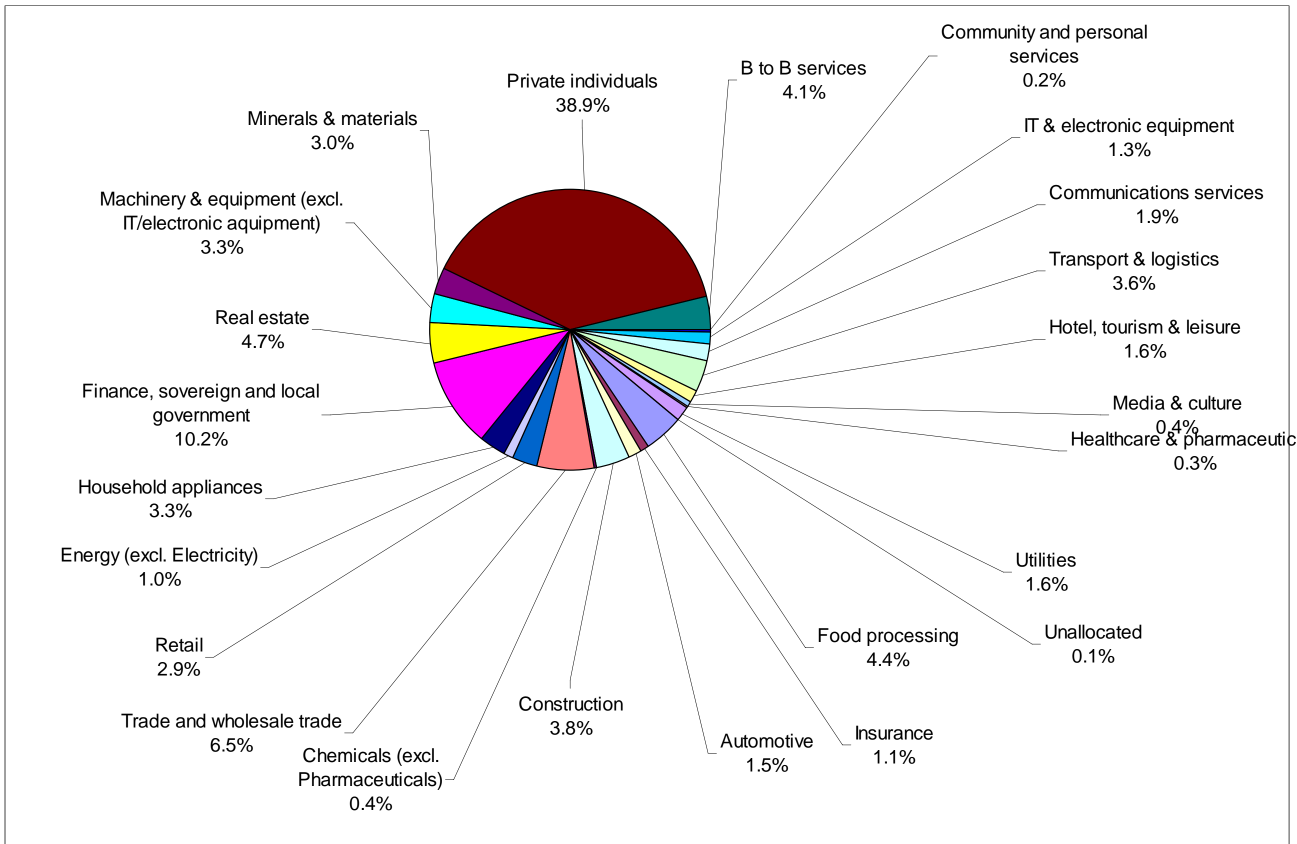
The following table presents the Group's provision rate:

In billions of euros	December 31, 2005	December 31, 2006
Doubtful commitments	12.7	15.7
Provisions	11.1	13.9
Provision rate	87%	89%

The following table presents the Group's geographic breakdown of doubtful loans reported on the balance sheet and provisions:

At December 31, 2006	Doubtful loans	Provisions
France	40.5%	43.2%
Italy	34.2%	30.2%
European Economic Area (excl. France and Italy)	4.5%	5.2%
North America	6.6%	5.6%
Latin America	2.6%	2.4%
Africa and Middle East	6.1%	7.1%
Asia – Pacific	2.4%	1.5%
Japan	0.1%	0.0%
Other European countries	3.0%	4.8%

Industry breakdown of doubtful loans reported on the balance sheet at December 31, 2006



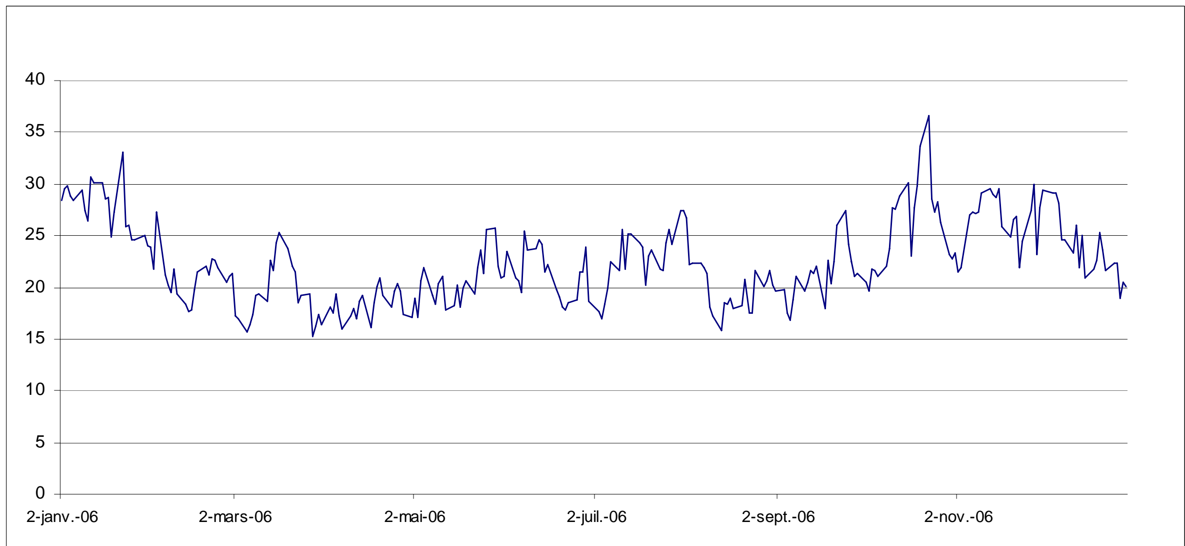
Market and Liquidity Risk

<u>Value at Risk (VaR)</u>

VaR calculation methods are continually being refined to factor in new risks arising from changes in the structure of products and financial markets.

Changes in VaR for all of the Group's trading activities in 2006 were as follows:

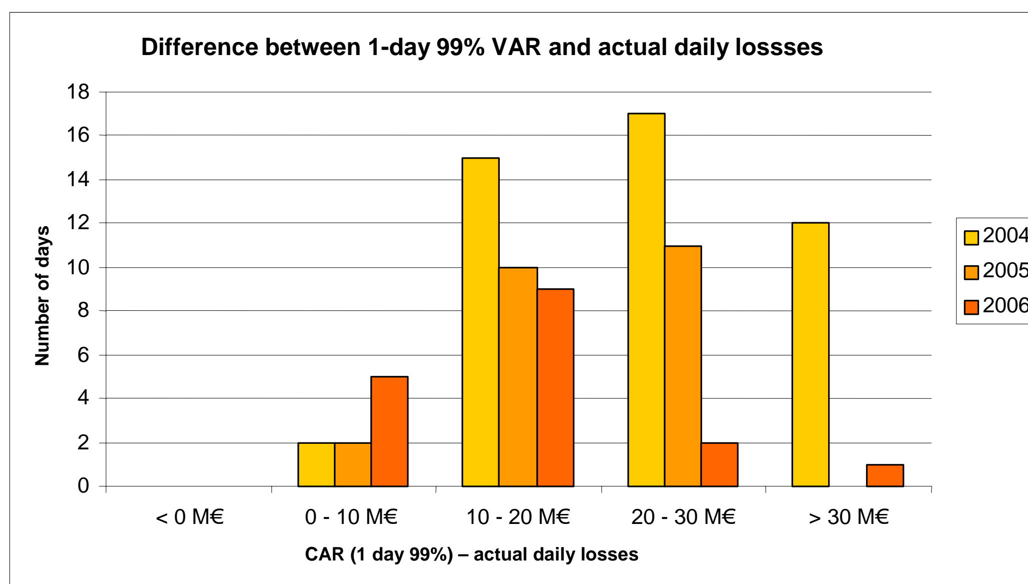
Changes in 1-day 99% VaR in 2006 (*in millions of euros*):



The strong growth in the Bank's capital markets business has not resulted in notable changes to the overall VaR, owing mainly to the significant netting impacts between the different risks. On average, total VaR in 2006 was 1.8 to 3 times below the sum of its components by risk factor, thus reflecting the Group's healthy diversification of its market risks.

GRM-MLR continuously tests the quality of its model through a variety of techniques including that of regularly comparing over a long-term horizon actual daily losses, if any, from capital market transactions with the 1-day VaR. A 99% confidence level means in theory that the Bank will not incur daily losses in excess of VaR more than two or three times during the year. The chart below reflects the quality of the valuation model and its rigorous implementation.

In 2006, daily losses from capital market activities were never in excess of VaR; losses were only reported on 17 occasions in the year, compared with 23 occasions in 2005 and 46 in 2004. Daily losses have always remained within the 1-day VaR limit.



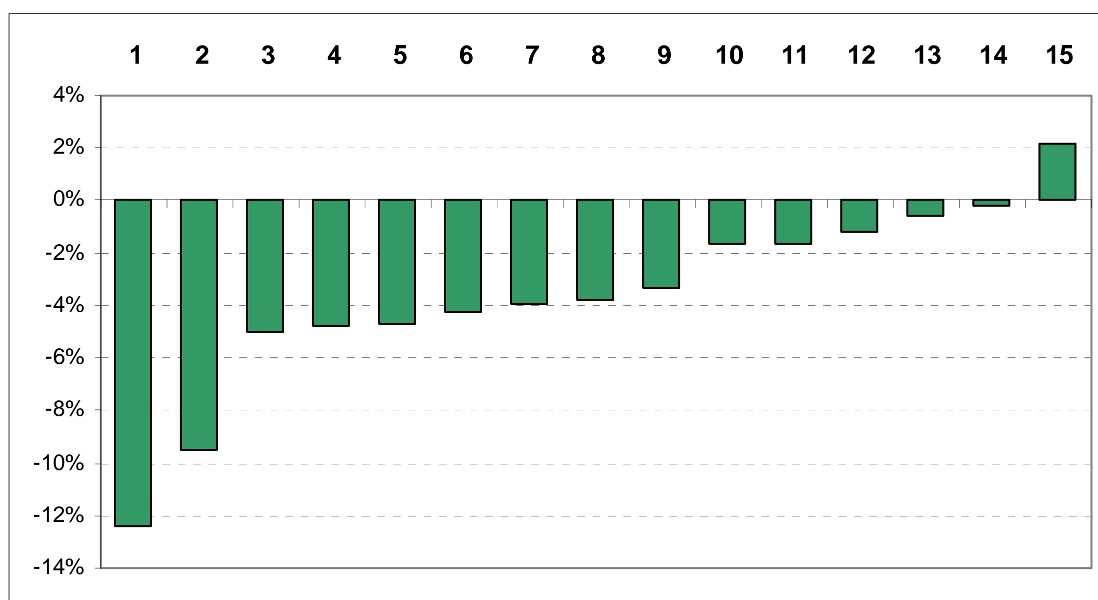
Stress Tests

The 15 scenarios considered capture the impact of situations in which all risk parameters (interest rate, equities, credit, volatility, currency, etc.) are suddenly (within the space of one day) subject to severe but improbable stress. The resulting level of potential losses confirms the Group's strong resistance to market risks, since none of the scenarios would have a serious adverse impact on the Bank's financial strength.

Fifteen different scenarios capture a variety of different stresses, as follows:

- equity market crisis triggering a severe drop in share prices in one trading day;
- crisis in emerging markets;
- terrorist attack;
- sudden hike in inflation;
- hedge fund crisis, triggered by the bankruptcy of several key players and leading to a general decline in hedge fund performance, coupled with corrections on certain markets;
- crisis caused by a pandemic such as post-war Spanish influenza.

The following chart simulates a fall in capital markets revenues for 15 extreme stress scenarios at December 31, 2006 (as a percentage of 2006 capital markets revenues):



Asset Liability Management Risk

Interest Rate Risks

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially in relation to the Bank's equity and customer demand deposits.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately €315,000 at December 31, 2006, compared with an expense of approximately €460,000 at December 31, 2005.

The following table shows the interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

Thousands of euros	December 31, 2006, under IFRS-EU					
	< 3 months	3 to 12 months	1 to 3 years	3 to 5 years	> 5 years	**Total**
EUR	(33)	(362)	(1,146)	(1,681)	4,468	**1 246**
USD	(99)	71	(390)	(185)	(768)	**(1,371)**
GBP	(8)	(57)	(61)	(49)	(5)	**(180)**
Other currencies	(20)	(53)	(12)	17	58	**(10)**
Total	**(160)**	**(401)**	**(1,609)**	**(1,898)**	**3,753**	**(315)**

Liquidity and Refinancing Risk

Movements in the Consolidated Balance Sheet

The Group had outstanding loans of €1,440 billion at December 31, 2006.

Balance sheet assets to be refinanced in cash represent €700 billion, an increase of €146 billion on the year-earlier period, including €30 billion relating to interbank loans, €92 billion relating to loans to customers, €17 billion relating to securities and €7 billion relating to non-current assets.

The increase in assets was refinanced by customer deposits (€51 billion), loans from credit institutions (€25 billion), senior and junior debt securities (€53 billion), and shareholders' equity and provisions (€10 billion). The remaining €7 billion was generated as a result of the rise in net trading book derivatives over the period.

Change in Off-Balance Sheet Financing Commitments

At December 31, 2006, outstanding financing commitments totalled €236 billion, including €36 billion relating to credit institutions and €200 billion relating to customers. Financing commitments given increased by €26 billion year-on-year, with commitments to credit institutions and commitments to customers advancing €18 billion and €9 billion, respectively.

Outstanding financing commitments received totalled €76 billion, including €71 billion from credit institutions and €5 billion from customers. Financing commitments received increased by €20 billion year-on-year, with commitments received from credit institutions and customers advancing €16 billion and €4 billion, respectively.

On a net basis, commitments with credit institutions advanced €2 billion and commitments with customers advanced €5 billion.

Regulatory Ratios

The average 1-month regulatory liquidity coefficient for BNP Paribas SA (French operations and foreign branches) was 112% in 2006. The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than five years.

Internal Medium- and Long-Term Liquidity Ratios

The maturity gap, at one year plus, of outstanding loans compared with applications of funds with the same maturity was 12.9% at end-2006[1] for the entire BNP Paribas Group, versus 17.9% one year earlier. The permanent funds coefficient came to 94% at end-2006[1], versus 92% at end-2005.

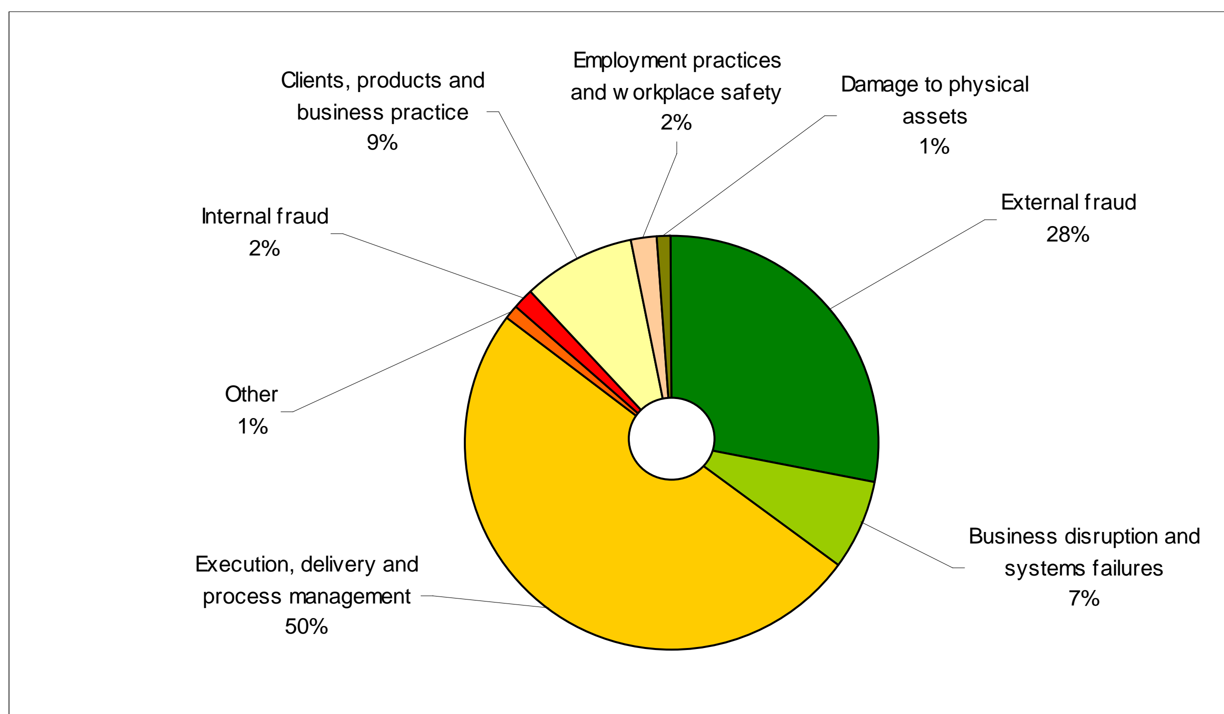
Insurance Underwriting Risk

Savings policies are essentially financial commitments. The main underwriting risk on this business arises from the guaranteed additional capital paid out on multi-investment policies in the event of death of the policyholder. These policies have a low level of sensitivity to underwriting risk due to (i) the small amount of capital at risk; and (ii) the term of the commitment, which is limited to one year for virtually all policies. These additional benefits linked to savings policies generated premiums of €18 million in 2006.

Operational Risk

Data is collected on historical risk incidents according to the type of event (as defined in applicable regulations), as follows:

[1] Estimate. The liquidity position at end-December 2006 will be available at the end of April 2007.



At December 31, 2006, most of the 2,500 loss events reported across the Group had a minor impact on the organization. The loss events mainly related to execution errors and external fraud relating chiefly to the credit card business.

Hedging Strategies

Credit Risk

For a description of certain hedging strategies employed by the Group, see "—Credit Risk—Risk Reduction Techniques".

BNP Paribas' active management of its loan book enables the Bank to reduce its exposure to credit risk and the related capital consumption by contracting hedging instruments such as credit default swaps and carrying out funded or non-funded synthetic securitizations, as illustrated by the following table:

	Dec 31-05		Dec 31-06		Average maturity At December 31 2006 *(years)*
(in billions of euros)	Face value	Tranches retained *(o/w "investment grade")*	Face value	Tranches retained *(o/w "investment grade")*	
Consolidated SPVs (Euroliberté and Global Liberte 3, 4, & 5)	2.0	0.2 *0.1*	20.4	0.9 *0.2*	4.3
Non-Consolidated SPVs (Global Liberte 1 & 2)	10.5	0.5 *0.1*	9.5	0.5 *0.1*	3.6
Other securitizations (RCT 1 through 7, Condor)	19.4	0.6 *0.0*	21.2	0.6	2.2
Credit default swaps	4.4		4.1		1.7
TOTAL	**36.3**	**1.2**	**55.2**	**2.0**	**3.2**

In 2006, the face value of the hedging portfolio rose €18.9 billion to €55.2 billion from €36.3 billion. During the year, credit markets remained attractive due to low spreads and investors' continuing appetite for this type of risk, which prompted the development of new transactions and led to increased business.

BNP Paribas set up a large-scale securitization programme, Global Liberte 3, 4 & 5 and RCT 7. As part of its strategy of actively managing its loan book, the Group contracted new credit default swaps for a face amount of €1.8 billion to maintain the hedging relationships set up through the previous contracts that had expired.

As the bulk of the Bank's credit protection was contracted in US dollars, the face amount of assets protected at December 31, 2006 (€55.2 billion) was affected by currency movements (negative impact of €5.9 billion between end-2005 and end-2006). Savings achieved in terms of risk-weighted assets through the hedging strategy jumped 72% year-on-year to €25.3 billion at December 31, 2006, and relate mainly to hedges of CIB exposures.

At December 31, 2006, the residual average maturity of the entire hedging portfolio was 3.2 years.

Asset Liability Management Risk

Interest Rate Risks

The Bank's strategy for managing overall interest rate risk is based on closely monitoring the sensitivity of the Bank's earnings to changes in interest rates. In this way, it can determine how to achieve an optimum level of offset between different risks. This procedure requires an extremely accurate assessment of the risks involved so that the Bank can determine the most appropriate hedging strategy, after taking into account the effects of netting the different types of risk.

In 2006, the imbalance widened between fixed-rate lending to customers and long-term deposits: outstanding medium/long-term fixed-rate loans granted by French Retail Banking rose 13% in the year, while outstanding long-term deposits advanced by only 3%. This is mainly attributable to an 8% fall in home savings plans on the back of tax measures introduced at the end of 2005.

In the euro zone, markets witnessed a rise in nominal and actual interest rates, a flattening of the yield curve, lower volatility and greater swap/security spreads. This led to extended terms of credit protection and a wider use of options.

To cover the net position generated by these new fund movements, the Bank contracted mainly fixed-rate borrower swaps or options aimed at controlling the cost of financing new loans. The hedges consist mainly of forwards, futures and options, and purchases of government securities. Derivatives are almost always reported as fair value hedges (pursuant to the EU IAS 39 carve-out) or as cash flow hedges. Government securities are chiefly recorded in the "Available for sale" category. No hedging relationship was disqualified from hedge accounting in 2006.

Currency Risks

Currency hedges are contracted by Group ALM in respect of the Group's investments in foreign operations and its future foreign currency revenues. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Hedging documentation is compiled for investments financed by foreign currency loans so that the impacts of movements in exchange rates are recorded in a symmetrical fashion and do not impact the profit and loss account. The instruments used are designated as net investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of consolidated subsidiaries and branches. Fair value hedges are used to hedge the currency risk on investments in non-consolidated companies.

No hedging relationship was disqualified from hedge accounting in 2006.

The Group hedges the variability of the components of BNP Paribas' earnings, in particular revenues expected to be generated on highly probable forecast transactions (mainly interest and external commission fees) denominated in currencies other than the euro relating to the Group's main businesses, subsidiaries or branches.

No hedges of forecast transactions were disqualified from hedge accounting in 2006 on the grounds that the future transaction was no longer highly probable.

Liquidity and Refinancing Risk

The Group continued to diversify its sources of financing in 2006 in terms of structures, investors and collateralised financing.

A "deposit" product line was created in order to diversify the corporate and institutional depositor base and limit interbank borrowings. This strategy aims to dilute the impact of a fall in deposits that may be triggered by an abrupt change in the Bank's rating.

In the last quarter of 2006, BNP Paribas set up a covered bond (*obligations foncières*) programme worth €25 billion. Its first €2.5 billion issue in December 2006 concerned property loans granted by the French Retail Banking business. The forthcoming issues may be secured by property loans granted by UCB or BNL.

Senior Debt

Senior debt issued by BNP Paribas SA and subsidiaries totalled €42 billion in 2006, a rise of 30% over 2005.

Issues with an economic life of more than one year (after statistically modelling issues redeemable in advance by the issuer), amounted to €38 billion, also a rise of 30% over 2005 the previous year.

Issues with an economic life of one year or less due to the exercise of a call provision amounted to €4.5 billion, or 20% more than in 2005, essentially due to the Equity Linked Notes issed by the Group's Hong Kong branch.

Structured debt issues amounted to €17.9 billion in 2006 compared with €18.1 billion in 2005, while non-structured debt issues totalled €20.2 billion in 2006 versus €13.2 billion a year earlier.

Outstanding issues backed by receivables totalled €3.9 billion, including €2.5 billion of covered bonds and €1.4 billion of debt relating to the *Caisse de refinancement de l'habitat* (CRH) and the European Investment Bank (EIB).

Subordinated Debt and Hybrid Securities

During the year, BNP Paribas issued subordinated notes amounting to €2.0 billion and four undated super subordinated notes (two denominated in euros and two in pounds sterling) amounting to €2.0 billion.

Securitization

As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets, via the securitization of loans (mortgages and consumer loans) granted to retail banking customes, as well as loans granted to corporate customers.

Total funds of €4.5 billion (attributable to the Group) were raised from securitizations in 2006, relating to UCI (UCB's Spanish subsidiary) amounting to €1.6 billion (attributable to the Group) and to BNL amounting to €2.9 billion.

At December 31, 2006, loans totalling €15.2 billion had been refinanced through securitizations, including €7.0 billion for the Financial Services business and €8.2 billion for BNL (€7.4 billion and €5.8 billion, respectively, at end-2005).

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. All registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) is chaired by the Governor of the *Banque de France*. It makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations.

The Banking Commission (*Commission bancaire*), which is chaired by the Governor of the *Banque de France*, is responsible for the supervision of credit institutions and investment firms. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions and investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the *Commission bancaire* concerning the principal areas of their activity. The *Commission bancaire* may also request additional information that it deems necessary and may carry out on-site inspections. These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. Where regulations have been violated, the *Commission bancaire* may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its winding-up. The *Commission bancaire* also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. These decisions of the *Commission bancaire* may be appealed to the French Administrative Supreme Court (*Conseil d'état*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the *Commission bancaire.*

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100%.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer may not exceed 25% of the credit institution's regulatory capital as defined by French

capital ratio requirements. In addition, the aggregate amount of individual exposures exceeding 10% of the credit institution's regulatory capital may not exceed eight times such regulatory capital.

An equity and permanent resources ratio (*coefficient de fonds propres et de ressources permanentes*) requires French credit institutions to maintain, as of each year-end, a minimum ratio of 60% between amounts representing equity and related items and amounts representing certain long-term assets denominated in euros.

French credit institutions are required to maintain on deposit with the European Central Bank a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France.* Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

The principal means used by the *Commission bancaire* to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements and other documents that these banks are required to submit to the *Commission bancaire*. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The *Commission bancaire* may also inspect banks on an unannounced basis.

Reporting Requirements

In addition to furnishing to the *Commission bancaire* the detailed monthly report mentioned above, credit institutions must also report monthly (and, with respect to lease financings, quarterly) to the *Banque de France* the names and related amounts of certain customers (only for companies and individuals engaged in commercial activities) having loan utilization exceeding approximately €25,000. The *Banque de France* then returns to each credit institution a list stating, as to that credit institution's customers, total loan utilizations from all reporting credit institutions.

Credit institutions must make periodic reports, collectively referred to as *états périodiques,* to the *Commission bancaire.* The *états périodiques* comprise principally (a) a statement of the activity of the concerned institution during the relevant period (*situation*), to which is attached exhibits that provide a more detailed breakdown of the amounts involved in each category, (b) a statement of income, together with exhibits and (c) certain additional data relating to operations (*indicateurs d'activité*) such as the number of employees, client accounts and branches.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €70,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

The Governor of the *Banque de France,* as chairman of the *Commission bancaire*, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Money Laundering

French credit institutions are required to report all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, as well as unusual transactions in excess of certain amounts, to a special government agency (*TRACFIN*) placed under the authority of the Minister of the Economy.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

Capital Adequacy under the BIS Standards

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. In 1996, the Basel Committee adopted a significant amendment to the BIS standards to provide a specific capital cushion for market risks in addition to a bank's credit risks. This amendment defines market risks as: (i) the risks pertaining to interest rate-related instruments and equities in a bank's trading book and (ii) foreign exchange risks and commodities risks held generally on the bank's books. As amended in 1996 and refined in September 1997 by the Basel Committee, the BIS standards continue to require a capital solvency ratio with respect to a bank's credit risks and, in addition, require a bank to quantify its market risks in figures equivalent to credit risks and to maintain an overall capital ratio of 8% with respect to its credit and market risks. As adopted by the Banking Commission, these revised BIS standards have been applicable to French credit institutions since January 1, 1998.

Under the BIS standards, a credit institution's capital is divided into three principal categories, or "tiers". Tier 1 capital consists of "core" capital items such as common and qualifying perpetual preferred equity, Tier 2 capital includes "quasi-capital" items such as certain perpetual and long-term preferred equity and subordinated debt, and Tier 3 capital (counted in regulatory capital only for the market risk component of the BIS standards) consists of qualifying short-term subordinated debt. The composition of each tier of capital is described in more detail under "The CAD Ratio—Determination of the Level of Capital". The aggregate amount of the credit institution's regulatory capital is compared to the value of the credit institution's assets, weighted to take into account the market and/or counterparty risk inherent in those assets. Under the BIS standards, credit institutions are required to maintain a total risk-based ratio (combined Tier 1 and Tier 2 capital to risk-weighted assets) of at least 8%, and the Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) must be at least 4%.

Capital Adequacy Directives

In 1989, the Council of the European Union adopted two directives that set the framework of capital adequacy within the European Union with respect to credit risks and, in 1993, adopted a capital adequacy directive for credit institutions and investment enterprises under which member states are required to adopt regulations to supplement the solvency rules so as to take into account risks associated with a bank's trading activities in addition to credit risk. In France, these directives have been implemented through a series of regulations adopted by the Banking and Finance Regulatory Committee since 1996 (collectively, the "CAD Regulation").

Effective as of January 1, 1996 pursuant to the CAD Regulation, French credit institutions became subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of banking activities. In addition to credit risk, the CAD Regulation specifies different standards for a credit institution's trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulation also requires credit institutions to maintain additional capital measured by reference to the foreign exchange and commodities risks of all their activities, including banking and trading. Under the CAD Regulation, a credit institution's total capital is divided by the total amount of capital that the bank is required to maintain under the CAD Regulation, which is based on weightings designed to address the various risks intended to be covered. The resulting quotient (expressed as a percentage) is the credit institution's CAD ratio (the "CAD Ratio"), which must be at least 100%.

The CAD Ratio

The CAD Ratio is calculated in a process that includes five principal steps. First, the overall level of the credit institution's capital is determined, with capital subdivided into three tiers, Tier 1, Tier 2 and Tier 3. Second, the credit institution's assets and off-balance sheet commitments are divided into a banking portfolio and a trading portfolio. Third, the

components of the banking portfolio (including the relevant off-balance sheet items converted to balance sheet equivalents) are adjusted by multiplying the value of each asset by a percentage designed to reflect the level of associated credit risk, a process known as "risk-weighting". Fourth, the aggregate capital requirement of the credit institution is calculated, in an amount equal to 8% of the risk-weighted value of the assets and off-balance sheet items in the banking portfolio, plus specified percentages of the value of the assets and off-balance sheet items in the trading portfolio, plus capital requirements in respect of foreign exchange risk and commodities risk. Fifth, the level of the credit institution's capital (subject to certain limitations described herein) is divided by the aggregate capital requirement of the credit institution as described above.

Determination of the Level of Capital

Tier 1 capital (referred to as "own funds") includes share capital, reserves (other than revaluation reserves, as described below), share premiums, retained earnings, unallocated profit from the most recent fiscal year (less the amount of any related dividend proposed for approval to the shareholders) or interim period and any reserves for general banking risks (*i.e.*, any reserves established to cover risks that are not accounted for by specific or country risk provisions). Share capital and the related share premium (the equivalent of additional paid-in capital) include common equity and qualifying non-cumulative perpetual preferred stock. Because unallocated profit for the most recent year (less the amount of any proposed dividend for that year) or interim period is included in Tier 1 capital, fluctuations in net income may have a significant impact on the CAD Ratio of a credit institution. For an institution that prepares financial statements on a consolidated basis, such as BNP Paribas, Tier 1 capital is adjusted to reflect the result of the consolidation, most notably by the addition of minority interests in the equity accounts of consolidated companies. Goodwill and certain other non-qualifying intangible and other assets are deducted in calculating Tier 1 capital.

Tier 2 capital (referred to as "supplementary capital") includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses, is classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as "ancillary own funds") consists of subordinated debt that like Tier 2 capital must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a "lock-in" clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250% of a bank's residual Tier 1 capital (*i.e.*, Tier 1 capital above that required to cover credit risks).

Determination of the Banking Portfolio and the Trading Portfolio

Under the CAD Regulation, a credit institution's banking portfolio includes all of its assets and off-balance sheet items, other than those included in its trading portfolio. The trading portfolio includes any items that the Bank intends to trade with a view to benefiting from favorable price trends or to finance or hedge such items, such as trading securities, securities held for sale (subject to certain exceptions) and derivative instruments (broadly defined), the purpose of which is either to maintain open positions to benefit from price variations or to manage the bank's trading portfolio. Items in the banking portfolio are recorded at historical cost and most items in the trading portfolio are marked to market.

Risk-Weighting

As discussed above, the nature of banking operations involves a variety of risks that depend upon credit quality and market conditions. To determine the risk-weighted value of the assets in the banking portfolio under the CAD Ratio, a specific weighting is assigned to each such asset, based on the credit risk of the relevant obligor, guarantor or other counterparty. The weighting is expressed as a percentage, which is multiplied by the value at which the relevant asset is carried on the credit

institution's balance sheet. For risk-weighting purposes, commercial loans are taken as a benchmark with a risk weighting of 100%. Certain other transactions qualify for reduced weightings. The following table sets forth the risk weightings applicable to various types of assets. If the relevant obligation is fully guaranteed, the risk weighting of the guarantor is applied (except as specified in the table below).

Type of Asset or Counterparty	**Risk Weighting**
Cash and equivalents; government or central bank obligations of OECD countries and certain other countries ("Zone A" countries) and obligations expressly guaranteed by such entities; government or central bank obligations of non-Zone A countries ("Zone B" countries) and obligations of a borrower of a Zone B country guaranteed by the government or central bank of such country, in each case that are payable and funded in local currency; obligations of the European Communities and of certain local governments of the European Economic Area; and assets secured by securities of a Zone A government or central bank or the European Communities, deposits lodged with the lending credit institution or certificates of deposit issued by, and deposited with, the lending credit institution	0%
Securities issued by certain French and EU mortgage companies	10%
Obligations of certain multilateral development banks and obligations expressly guaranteed by such entities; obligations of certain regional or local governments of Zone A countries and obligations expressly guaranteed by such entities (excluding entities authorized to apply a 0% ratio on these obligations); obligations of credit institutions in Zone A countries (unless classified as qualifying capital by those institutions); obligations of Zone B credit institutions with a residual maturity of one year or less (unless classified as qualifying capital by those institutions); assets secured by securities of certain multilateral development banks or regional or local governments of Zone A countries; and cash items in course of collection	20%
Obligations secured by residential mortgages on owner-occupied or leased properties; real estate leasing operations; prepayments and accrued income when the counterparty cannot be determined	50%
All other assets	100%

Off-balance sheet items are converted to balance sheet equivalents by applying specified conversion factors, except in the case of off-balance sheet items relating to interest rates, currency exchange rates, securities, precious metals and commodities, which are discussed separately below. The converted balance sheet equivalent amounts are then multiplied by the applicable risk-weighting percentages described above, and the product is the risk-weighted equivalent value of the relevant item. For purposes of determining the applicable conversion factors, off-balance sheet items other than those relating to interest rates, currency exchange rates, securities, precious metals and commodities are first classified in four categories, with higher levels of capital required for the categories perceived as representing greater risk. Each off-balance sheet item is classified in the category that is deemed appropriate (according to instructions of the Banking Commission). The following table sets forth a summary description (which is not exhaustive) of the items in each category and the corresponding risk weighting.

Type of Off-Balance Sheet Item	Conversion Factor
Limited Risk Undrawn commitments that are for an initial maturity less than or equal to one year or that may be cancelled unconditionally at any time by the relevant entity of the credit institution member without notice and other items presenting a limited risk	0%
Moderate Risk Documentary credits secured by underlying goods and other similar transactions and other items presenting a moderate risk	20%
Average Risk Unsecured documentary credits, guarantees (including performance bonds and similar non-payment guarantees), agreements to repurchase assets when the transferee benefits from a resale option, irrevocable credit lines that do not constitute credit substitutes, standby facilities and undrawn credit lines with an initial maturity of more than one year, note issuance facilities and revolving underwriting facilities and other items presenting an average risk	50%
High Risk Loan guarantees, acceptances (including endorsements with the character of acceptances), transfers with recourse, irrevocable credit lines or guarantees that are credit substitutes, forward purchase agreements, sale and repurchase agreements, forward deposits, and non-paid up share capital or other securities and other items presenting a high risk	100%

Off-balance sheet items relating to interest rates, exchange rates, titles to property, commodities and similar items, such as forward exchange operations, interest rate or exchange rate futures and other similar items, are valued on a mark-to-market basis. Under this mark-to-market method, the initial step is to determine the net exposure of the credit institution to each counterparty, measured as if the arrangement were terminated on the date of measurement. An additional amount is then added to such net exposure, calculated by multiplying the notional principal amount of the relevant contract by a certain coefficient (ranging from 0% to 15%) depending on the type of item and its residual maturity. The resulting amounts are multiplied by the risk weighting for the applicable type of counterparty (as set forth above for balance sheet items). Interest rate and currency options sold (subject to certain exceptions), contracts traded on a regulated market that requires daily margin posting and exchange rate contracts with an initial maturity of 14 days or less are not converted to balance sheet equivalents.

Total capital requirements

The capital requirement applicable to the banking portfolio is equal to 8% of the aggregate risk-weighted value of the assets and off-balance sheet items included in the banking portfolio, determined in the manner set forth above.

The capital requirement applicable to the trading portfolio is determined by multiplying the value of the assets and off-balance sheet items in the trading portfolio by specified percentages designed to take into account the market risks (which include the interest rate risk, the equity-position risk and certain option risks) and settlement risk associated with such assets. Interest rate risk is the risk to the value of interest-bearing assets relating to future movements in interest rates, based either on factors specific to the asset or on general level of market interest rates. Equity-position risk is the risk to the value of equity securities relating to either future movements in prices of the relevant shares or stock market prices generally or factors specific to the security or issuer concerned. Settlement risk is the risk that a counterparty to a trade will not complete the trade and deliver the relevant asset or pay the relevant purchase price.

Capital is also required under the CAD Regulation for foreign exchange risk and commodities risk, whether located in the credit institution's banking portfolio or trading portfolio. In general, these requirements are calculated by (i) applying an 8% capital charge to net foreign exchange and gold positions that exceed 2% of the credit institution's total capital, and (ii) multiplying matched and unmatched positions in other commodities and related derivatives by certain specified percentages.

Calculation of the CAD Ratio

The CAD Ratio of a credit institution is determined by comparing the aggregate amount of capital available to cover the institution's capital requirements, calculated in accordance with the CAD Regulation, with the aggregate capital requirement of the institution.

The amount of the institution's capital for purposes of calculating the CAD Ratio is equal to the sum of the amount of capital allocated to cover the capital requirements of the banking portfolio, plus the amount of capital available to cover the capital requirements of the trading portfolio (including foreign exchange and commodities risks). The amount of capital allocated to cover the banking portfolio is required to be equal to 8% of the risk-weighted value of the assets and off balance sheet items in the banking portfolio. As the amount of capital available to cover the trading portfolio and foreign exchange and commodities risks depends on the availability of capital to cover the banking portfolio in excess of the related capital requirements, no capital will be available to cover the trading portfolio and foreign exchange and commodities risks if the capital available to cover the banking portfolio is insufficient to cover such requirements.

The amount of capital available to cover the capital requirements of the banking portfolio is equal to the aggregate amount of Tier 1 and Tier 2 capital, except that (A) Tier 2 capital is included in the calculation only to the extent that it does not exceed Tier 1 capital and (B) Lower Tier 2 capital is included in the calculation only to the extent that it does not exceed 50% of Tier 1 capital (the limitations described in clauses (A) and (B) are referred to as the "Tier 2 Caps"). The resulting amount is reduced by deductions equal to the amount of equity (including certain hybrid instruments) owned by the institution in non-consolidated credit institutions in which the institution holds at least a 10% interest or exercises control, or as to which the institution's holdings represent more than 10% of its total capital before deductions, as well as the balance sheet equivalent of certain credit support obligations in respect of securitization transactions. These amounts are first deducted from Tier 2 capital (after application of the Tier 2 Caps), and then from Tier 1 capital.

The amount of capital available to cover the capital requirements of the trading portfolio is equal to the aggregate amount of Tier 1 capital and Tier 2 capital not used to cover the banking requirement, as described above, plus the aggregate amount of Tier 3 capital, except that the amount of Tier 2 capital and Tier 3 capital included in the calculation may not exceed 250% of the amount of Tier 1 capital included in the calculation.

The CAD Ratio of a credit institution is equal to the quotient (expressed as a percentage) obtained by dividing (i) the total amount of capital available to cover the credit institution's capital requirements, by (ii) the capital requirements of the banking portfolio, the trading portfolio and foreign exchange and commodities risks. If the CAD Ratio is equal to 100% or more, then the bank is in compliance with the CAD Regulation.

Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at December 31, 2006.

	At December 31, 2006
	(in billions of €, except percentages)
Total Capital:	
Tier 1	33.3
Tier 2	18.3
Deductions	-3.8
Tier 3	1.5
	49.4
Calculation of commercial banking portfolio capital requirement	
Risk-weighted value	445.2
Capital requirement	35.6
Calculation of trading portfolio capital requirement	
Risk-weighted value	12.0
Capital requirement	1.0
Total capital requirement	36.6
CAD Ratio	**135%**

Planned Changes to the BIS Capital Standards

On July 4, 2006, the Basel Committee issued a final comprehensive version of the International Convergence of Capital Measurement and Capital Standards (commonly referred to as the "Basel II Accord"). Earlier versions of the proposed Basel II Accord were issued by the Basel Committee in November 2005, June 2004, April 2003, January 2001 and June 1999. The Basel Committee has also released numerous discussion papers, conducted several quantitative impact studies and established several working groups to address various issues under the proposed Accord. The Accord Implementation Group, for example, serves as a means for supervisors to share information and seeks to promote consistent implementation as participating countries move forward with adopting and interpreting the new Accord.

The Basel II capital framework consists of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline. Under the first pillar, minimum capital requirements will consist of capital charges for credit risk, market risk and operational risk.

With respect to credit risk capital charges, the existing risk weighting categories of the current BIS accord will be replaced with three alternative approaches, designed to be more risk sensitive: a "standardized" approach, and two "internal ratings based" (IRB) approaches ("foundation" and "advanced"). The standardized approach is an updated and expanded version of the existing risk weight categories, with risk weights based, in many cases, on credit ratings from *external* sources (such as credit rating agencies), with a greater range of risk weights available (some of the new risk weights would exceed 100% for low quality exposures), and with greater recognition of credit risk mitigation techniques such as the use of collateral, guarantees and credit derivatives. Under either of the two internal ratings based approaches, banks will input their own *internal* calculations of certain risk parameters ("probability of default", "loss given default" and "exposure at default") into risk weight formulas developed by the Basel Committee for each of several different types of assets or credit exposures. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modeling systems must be reviewed and approved by its banking supervisory authority.

Capital requirements for market risk will be calculated under essentially the same general approach as in the 1996 Market Risk Amendment to the existing BIS accord, with a number of technical modifications adopted in July 2005.

The Basel II Accord also introduces a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge would be determined by one of three alternative approaches. The two simpler approaches apply multipliers to gross income by institution or business line. The more sophisticated third approach, known as the "Advanced Measurement Approach" (AMA), would allow a bank to determine an appropriate capital charge for operational risk using the institution's own internal data and methodologies, subject to prior supervisory review and approval. The operational risk capital charge for any given institution may vary greatly depending on its operating environment, systems and other factors.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions will be expected to maintain capital at some level in excess of the mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in the first pillar (such as interest rate risk in the banking book and credit concentrations). Supervisors will review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasizes public disclosures to enhance market discipline. The new framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies.

The Basel Accords have no legal force and must be transposed into national banking regulations. On September 28, 2005, the European Parliament approved a new Capital Requirements Directive (the "EU Capital Requirements Directive") based on Basel II, with certain adaptations in order to take into account the European context. This Directive is being turned into banking regulations by each member state. The implementation date of the EU Capital Requirements Directive—which applies to all credit institutions and investment firms in the European Union—was January 1, 2007, for those wishing to adopt the most simple approaches and January 1, 2008, in all other cases, although institutions are permitted to continue to use existing rules to determine their capital requirements until and including year-end 2007. The Bank expects that it will be granted authorization to use the advanced approaches for a large part of the Group at the earliest possible date, which is January 1, 2008. Specific implementation procedures will be carried out in respect of certain subsidiaries, mostly operating in the retail banking segment where regulatory and operational host country considerations are particularly important. Where appropriate, including for BNL

and BancWest, the Bank will prepare a specific migration and validation plan for their transition to the advanced approaches, which will be submitted to the appropriate banking authorities for review and approval.

The Basel Committee has said it will continue to review the calibration of the capital requirements as it monitors the results of the parallel calculations submitted by banks during the implementation and transition period. The European Parliament has also authorized technical amendments to the EU Capital Requirements Directive without need for further parliamentary vote.

The Bank cannot currently predict what additional changes may be adopted in the Basel II framework or what specific capital charges may be required as a result of banking supervisors' implementing measures, or, more generally, what effect the Basel II Accord may have on the Bank's regulatory capital ratios, financial condition or results of operations.

Differences in the application of Basel II between the various jurisdictions in which the Bank operates could represent challenges in implementation. The Basel II Accord allows significant scope for interpretation by supervisors in participating countries. For example, the European Union and U.S. approaches to the implementation of Basel II are expected to differ in a number of respects. Among other things, the U.S. federal banking agencies have announced that many, generally small and medium-sized U.S. banking institutions will continue to be subject to the existing BIS accord (updated in certain respects), while large internationally active banks and others that "opt in" voluntarily will be subject to the advanced approaches of Basel II. BNP Paribas is currently considering "opting in" to the advanced approaches at its depository institution subsidiaries in the United States, although the targeted timing for such an opt-in approach has yet to be definitively determined. The implementation date of Basel II in the United States is currently targeted for January 1, 2009, one year later than for Europe. Guidelines for the U.S. implementation of Basel II are still in development. The Bank is unable to predict how the delayed implementation and other differences in application of Basel II in the United States may affect the Bank's consolidated capital adequacy ratio once the EU Capital Requirements Directive becomes effective.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 12 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2006 was €0.5 million.

The following table sets forth the names of the members of the Board of Directors as of May 16, 2007, their current function at the Bank, their business address and their principal business activities* outside of the Bank as at May 16, 2007:

Name	Function	Business Address	Principal Outside Activities
Michel Pébereau	Chairman, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** ● Lafarge ● Compagnie de Saint-Gobain ● Total ● *Pargesa Holding SA, Switzerland* **Member of the Supervisory Board of:** ● Axa ● *Banque Marocaine pour le Commerce et l'Industrie, Morocco* **Non-voting director of:** ● *Société Anonyme des Galeries Lafayette* **Chairman of:** ● *Fédération Bancaire Européenne* ● *Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française* ● *Conseil de Direction de l'Institut d'Études Politiques de Paris* ● *Conseil de Surveillance de l'Institut Aspen France* ● *Institut de l'Entreprise* **Member of:** ● *Executive committee of Mouvement des Entreprises de France* ● *European Financial Round Table* ● *Institut International d'Etudes Bancaires* ● *International Advisory Panel of the Monetary Authority of Singapore* ● *International Capital Markets Advisory Committee of the Federal Reserve Bank of New York* ● *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*
Patrick Auguste	Executive, BNP Paribas	14, rue Bergère, 75009 Paris, France	

* The directorships shown in italics are not governed by provisions of the French Commercial Code (*Code de Commerce*) concerning multiple directorships.

Name	Function	Business Address	Principal Outside Activities
	(elected by employees)		
Claude Bébéar		25, avenue Matignon, 75008 Paris, France	**Principal function:** Chairman of the Supervisory Board of Axa **Chairman and Chief Executive Officer** of Finaxa (merged with AXA on 12/16/05) **Director of:** ● *Axa Assurances Iard Mutuelle* ● *Axa Assurances Vie Mutuelle* **Member of the Supervisory Board of:** ● *Vivendi* **Non-voting director of:** ● *Schneider Electric* **Chairman of:** ● *Institut du Mécénat de Solidarité* ● *Institut Montaigne* **Member of:** ● *International Advisory Panel of the Monetary Authority of Singapore* ● *International Advisory Board of the Tsinghua's School of Economics and Management, Beijing*
Jean-Louis Beffa	Vice-Chairman	"Les Miroirs" 18, avenue d'Alsace 92096 La Défense, France	**Principal function:** Chairman and Chief Executive Officer of Compagnie de Saint-Gobain **Vice-Chairman of the Board of Directors** of BNP Paribas **Chairman of** *Claude Bernard Participations* **Director of:** ● *Gaz de France* ● *Groupe Bruxelles Lambert, Belgium* ● *Saint-Gobain Cristaleria SA, Spain* ● *Saint-Gobain Corporation, United States* **Permanent representative :** *Saint-Gobain PAM* **Chairman of the Supervisory Board of:** ● *A.I.I (Agence de l'Innovation Industrielle)* ***Member of the Supervisory Board of:*** ● *Le Monde SA* ● *Le Monde Partenaire AS (SAS)* ● *Société Éditrice du Monde (SAS)*
Suzanne Berger		30, Wadsworth Street, E 53-451 Cambridge, MA 02139-4307 U.S.A.	**Principal function:** *Professor of political science, Massachusetts Institute of Technology* **Director of:** ● *MIT International Science and Technology Initiative (MISTI)* **Member of Executive Committee of:** ● *Center for European Studies at Harvard University* **Fellow of:** ● *American Academy of Arts and Sciences*

Name	Function	Business Address	Principal Outside Activities
Gerhard Cromme		August-Thyssen-Strasse 1 Postfach 10 10 10 40001 Düsseldorf, Germany	**Principal function:** *Chairman of the Supervisory Boards of ThyssenKrupp AG and Siemens AG, Germany* **Member of the Supervisory Board of:** ● *Allianz AG, Germany* ● *Axel Springer AG, Germany* ● *Deutsche Lufthansa AG, Germany* ● *E.ON AG, Germany* **Director of:** ● Compagnie de Saint-Gobain ● Suez **Chairman of:** ● *German Governmental Commission on Corporate Governance* **Member of:** ● *European Round Table of Industrialists (ERT)*
Jean-Marie Gianno	Employee, BNP Paribas (elected by employees)	21, avenue Jean Medecin, 06000 Nice, France	**Member of:** ● *Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI)* ● *European think tank "Confrontation"*
François Grappotte		128, avenue de Lattre de Tassigny 87045 Limoges, France	**Principal function:** Honorary Chairman of the Board of Directors of Legrand **Member of the Supervisory Board of:** ● Michelin **Director of:** ● Legrand ● Legrand France ● Valeo **Member of:** ● *Conseil consultatif de la Banque de France*
Alain Joly		75, quai d'Orsay 75007 Paris, France	**Principal function:** Director of Air Liquide **Director of:** ● Lafarge
Denis Kessler		1, av. du Général de Gaulle 92074 Paris La Défense, France	**Principal function:** Chairman and Chief Executive Officer of Scor **Chairman of:** ● Scor Global Life ● *Scor Italia Riassicurazioni S.p.a., Italy* ● *Scor Life US Re Insurance, United States* ● *Scor Reinsurance Company, United States* ● *Scor US Corporation, United States* **Director of:** ● Bolloré Investissement SA ● Dassault Aviation ● *Amvescap Plc, United Kingdom* ● *Cogedim SAS* ● *Dexia SA, Belgium* ● *Scor Canada Reinsurance Company, Canada* **Member of the Supervisory Board of:**

Name	Function	Business Address	Principal Outside Activities
			● *Scor Deutschland, Germany* **Permanent representative of:** ● *Fergascor* on the Board of SA Communication & Participation **Non-voting director of:** ● *FDC SA* ● *Gimar Finance SCA* **Member of:** ● *Commission Économique de la Nation* ● *Conseil Économique et Social* ● *Conseil d'administration du Siécle, Association de Genéve* ● *Comité des Entreprises d'Assurance* *Global Counsellor of Conference Board*
Jean-François Lepetit		24, rue St Nom 78112 Fourqueux, France	**Principal function:** Chairman of the *Conseil National de la Comptabilité* **Associate professor** at EDHEC **Member** of the Board of *QFCRA (Qatar Financial Center Regulatory Authority, Doha))* **Director of:** ● *Smart Trade Technologies S.A.* ● *Shan SA* **Chairman of Advisory Board** *of EDHEC Desk and Asset Management Research Center*
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	**Principal function:** Chairman of Mouvement des Entreprises de France (MEDEF) **Chairman of the Board of Directors:** IFOP SA **Member of the Supervisory Board** : Michelin
Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	**Principal function:** Chairman of *Pechel Industries SAS* and *Pechel Industries Partenaires SAS* **Director of:** ● Lafarge ● *Boots Group Plc, United Kingdom* ● *Ferring SA, Switzerland* **Member of the Supervisory Board of:** ● Publicis **Representative of Pechel Industries for:** ● *Aquarelle.com Group* ● *CAE International* ● *CVBG-Dourthe Kressman* ● *Pechel Service SAS* ● *Quinette Gallay* **Representative of Pechel Industries Partenaires SAS for:** ● *Board of Directors of SVP Management et Participations* **Legal Manager of:** ● *Hélène Ploix SARL* ● *Hélène Marie Joseph SARL* ● *Sorepe, Société civile* **Member of** *the Investment Committee for the United Nations Personnel Pension Fund*

Name	Function	Business Address	Principal Outside Activities
Baudouin Prot	Chief Executive Officer, BNP Paribas	3, rue d'Antin 75002 Paris, France	**Director of:** ● Accor ● Pinault-Printemps-Redoute ● Veolia Environnement ● *Banca Nazionale del Lavoro, Italy* ● *Erbé SA, Belgium* ● *Pargesa Holding SA, Switzerland* **Chairman of** *the French Banking Association*
Louis Schweitzer		860, quai de Stalingrad 92109 Boulogne Billancourt, France	**Principal function:** Chairman of the Board of Renault **Chairman of the Board of Directors of:** ● *AstraZeneca Plc, United Kingdom* **Vice-Chairman of the Supervisory Board of:** ● *Philips, Netherlands* **Director of:** ● Électricité de France ● L'Oréal ● Veolia Environnement ● *AB VOLVO, Sweden* **Chairman of:** ● *Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)* **Member of the Board of:** ● *Fondation Nationale des Sciences Politiques* ● *Institut Français des Relations Internationales* ● *Musée du Louvre* ● *Musée du Quai Branly* **Member of the Consultative Committee of:** ● *Banque de France* ● *Allianz, Germany*

Conflicts of Interests

To the knowledge of the Bank, the duties owed by the members of the Board of Directors of the Bank do not give rise to any potential conflicts of interest with such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. Until the end of 2006, these committees consisted of the Financial Statements Committee, the Internal Control and Risk Management Committee and the Compensation and Nominations Committee. In 2006, the latter committee was separated into two distinct committees: the Compensation Committee and the Corporate Governance and Nominations Committee.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise

methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix.

Internal Control and Risk Management Committee

This Committee's duties involve, among other things, (i) reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection department and their main findings, and correspondence with the French banking regulator (*Commission bancaire*), (ii) reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues, (iii) holding discussions, occasionally outside the presence of executive management, with the heads of the General Inspection and Internal Audit departments, Ethics and Group Risk Management, and (iv) presenting to the Board of Directors the Committee's assessment of the Group's methods and procedures. Its current members are François Grappotte (Chairman), Jean-Marie Gianno, Jean-François Lepetit.

Compensation Committee

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. The Committee's current members are Alain Joly (Chairman), Jean-Louis Beffa and Gerhard Cromme.

Corporate Governance and Nominations Committee

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Alain Joly (Chairman), Claude Bébéar and Gerhard Cromme.

Executive Committee

The Executive Committee of BNP Paribas currently consists of the following members:

Baudouin Prot	Chief Executive Officer
Georges Chodron de Courcel	Chief Operating Officer
Jean Clamon	Chief Operating Officer
Jean-Laurent Bonnafé	Head of French Retail Banking and BNL banca commerciale
Philippe Bordenave	Head of Group Development and Finance
Jacques d'Estais	Head of Corporate and Investment Banking
Alain Marbach	Head of Group Information Systems
Frédéric Lavenir	Head of Group Human Resources
Vivien Lévy-Garboua	Head of Compliance
Pierre Mariani	Head of International Retail Banking and Financial Services
Alain Papiasse	Head of Asset Management and Services

TERMS AND CONDITIONS OF THE NOTES

The issue outside the French Republic of the USD 1,100,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**") of BNP Paribas (the "**Issuer**") was decided on June 18, 2007 by the Chief Executive Officer (*Directeur Général*) of the Issuer, acting pursuant to a resolution of the board of directors (*conseil d'administration*) of the Issuer dated May 23, 2006. The Notes are issued with the benefit of a fiscal agency agreement (the "**Fiscal Agency Agreement**"), expected to be dated on or about June 25, 2007 among the Issuer, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being of the Fiscal Agent), the other paying agents named therein (together, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time) and BNP Paribas Securities Services, Luxembourg Branch, as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being of the Calculation Agent). References below to the "**Agents**" shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1. DEFINITIONS

For the purposes of these Conditions:

"**144A Global Note**" means the one or more fully registered global certificates, without coupons, representing the Notes offered pursuant to Rule 144A under the Securities Act.

"**Absorption Year End**" means the end of the most recent fiscal year in which there was a Loss Absorption.

"**Account Holders**" has the meaning set forth in Condition 2.

"**Agents**" has the meaning set forth in the preamble to these Conditions.

"**Applicable Banking Regulations**" means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

"**Base Call Price**" has the meaning set forth in Condition 6.2.

"**BIS Press Release**" has the meaning set forth in Condition 3.

"**Broken Interest**" is only applicable with respect to an Interest Period whose Interest Payment Date is an Optional Interest Payment Date and means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

"**Calculation Agent**" has the meaning set forth in the preamble to these Conditions.

"**Capital Deficiency Event**" means the first date on which either of the following events occurs:

(a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or

(b) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

A Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has fallen below the relevant level, or on any such other date on which the Issuer determines that such ratio has fallen below such level.

"**Consolidated Net Income**" means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

"**CRBF Regulation**" has the meaning set forth in Condition 3.

"**Current Principal Amount**" means the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the Loss Absorption mechanism and/or reinstated on one or more occasions, pursuant to Conditions 5.1 and 5.2, respectively.

"**DTC**" means The Depository Trust Company, New York, New York.

"**End of Capital Deficiency Event**" means, following a Capital Deficiency Event, the first date on which either of the following events occurs:

(a) if the Capital Deficiency Event occurred pursuant to paragraph (a) of the definition of Capital Deficiency Event, the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations; or

(b) if the Capital Deficiency Event occurred pursuant to paragraph (b) of the definition of Capital Deficiency Event, the notification by the Relevant Banking Regulator to the Issuer that it has determined, in its sole discretion, in view of the financial condition of the Issuer, that the circumstances which resulted in the Capital Deficiency Event have ended.

An End of Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has been restored to the relevant level, or on any such other date on which the Issuer determines that such ratio has been so restored.

"**Equity Securities**" means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer's share capital or other securities of the Issuer ranking junior to the Parity Securities.

"**Equity Securities Payment**" means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

"**Euro-zone**" means the region comprised of member states of the European Union which have adopted the Euro as their national currency in accordance with the Treaty establishing the European Community, as amended.

"**First Call Date**" means June 25, 2037.

"**Fiscal Agency Agreement**" has the meaning set forth in the preamble to these Conditions.

"**Fiscal Agent**" has the meaning set forth in the preamble to these Conditions.

"**Fixed Rate Interest Amount**" has the meaning set forth in Condition 4.

"**Fixed Rate Interest Payment Date**" has the meaning set forth in Condition 4.

"**Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

"**Floating Rate Interest Amount**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Determination Date**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Payment Date**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Period**" means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"**Interest Amount**" means a Fixed Rate Interest Amount and/or a Floating Rate Interest Amount, as the case may be.

"**Interest Non-Payment Notice**" has the meaning set forth in Condition 4.4.

"**Interest Payment Date**" means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be.

"**Interest Period**" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

"**Issue Date**" means June 25, 2007.

"**Issuer**" means BNP Paribas.

"**London Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in London.

"**Loss Absorption**" has the meaning set forth in Condition 5.

"**Luxembourg Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in the Grand Duchy of Luxembourg.

"**Mandatory Interest Payment**" means the amount of interest due on any Mandatory Interest Payment Date, as calculated in accordance with Condition 4.

"**Mandatory Interest Payment Date**" means each Interest Payment Date as to which at any time during the one-year period prior to such Interest Payment Date any of the following events occurs:

(i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or

(ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement, or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities),

provided, however, that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) above.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the difference between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "Mandatory Reinstatement Event", the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

"**New York Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in New York.

"**Noteholders**" means the holders of the Notes.

"**Notional Interest Amount**" has the meaning set forth in Condition 4.4.

"**Optional Interest Payment Date**" means any Interest Payment Date other than a Mandatory Interest Payment Date.

"**Ordinarily Subordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

"**Original Principal Amount**" means the nominal amount of each Note on the Issue Date (*i.e.* USD 100,000), which amount may be permanently reduced in the event of a partial call as set forth in Condition 6.2.

"**Parity Securities**" means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, "Parity Securities" include, without limitation, BNP Paribas' US$1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 29, 2005, its EUR 1,000,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its US$400,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 12, 2006, its £450,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 19, 2006, its EUR 150,000,000 Undated Deeply Subordinated Non-

Cumulative Notes issued on July 13, 2006, its £325,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 13, 2007 and its US$600,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 6, 2007 and any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.'s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.'s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred III L.L.C.'s 6.625% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred IV L.L.C.'s 6.342% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred V L.L.C.'s 7.20% Noncumulative Company Preferred Securities and (vi) BNP Paribas Capital Preferred VI L.L.C.'s 5.868% Noncumulative Company Preferred Securities).

"**Parity Securities Payment**" means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

"**Paying Agents**" has the meaning set forth in the preamble to these Conditions.

"**Reinstatement**" has the meaning set forth in Condition 5.

"**Regulation S Global Note**" means the one or more fully registered global certificates, without coupons, representing the Notes offered pursuant to Regulation S under the Securities Act.

"**Relevant Banking Regulator**" means the SGCB or its successor or any other relevant regulatory authority by which the Issuer is then supervised.

"**Relevant Date**" has the meaning set forth in Condition 8.

"**Restricted Payment**" means an Equity Securities Payment or a Parity Securities Payment.

"**Return to Profitability**" has the meaning set forth in Condition 5.

"**SGCB**" means the *Secrétariat général de la Commission bancaire*.

"**Tier 1 Capital**" has the meaning set forth in Condition 3.

"**Underlying Security**" has the meaning set forth in Condition 4.4.

"**Underlying Security Payment Percentage**" has the meaning set forth in Condition 4.4.

"**Unsubordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

2. FORM, DENOMINATION AND TITLE

The Notes sold in reliance on Rule 144A will be represented by one or more permanent global certificates in fully registered form (together the "**Rule 144A Global Note**") and the Notes sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more permanent global certificates in fully registered form (together the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be registered in the name of a nominee of, and deposited with a custodian for, DTC. The Global Notes will be subject to certain restrictions on transfer as described in "Notice to Investors".

Except in the limited circumstances described in "Book-Entry Procedures and Settlement", owners of interests in the Notes represented by the Global Notes will not be entitled to receive physical delivery of definitive certificates. For the purposes of these Conditions, "**Account Holder**" shall mean any authorized financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with DTC. The Notes and certificates are not issuable in bearer form. Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3. STATUS OF THE NOTES AND SUBORDINATION

The Notes are deeply subordinated notes of the Issuer issued pursuant to the provisions of Article L. 228-97 of the French *Code de commerce*.

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer ("**Tier 1 Capital**"). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise

recognized as *fonds propres de base* by the SGCB. The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached as an exhibit to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité"*.

The principal and interest on the Notes (which constitute *obligations* under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Parity Securities, but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations and Unsubordinated Obligations of the Issuer.

In the event of liquidation of the Issuer, the Notes shall rank in priority to any payments to holders of Equity Securities.

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes.

4. INTEREST AND INTEREST SUSPENSION

4.1 General

The Notes bear interest on their Current Principal Amount at a fixed rate of 7.195% per annum (the "**Fixed Interest Rate**") from (and including) the Issue Date to (but excluding) the First Call Date, payable semi-annually in arrears on a non-cumulative basis on June 25 and December 25 of each year (each, a "**Fixed Rate Interest Payment Date**"), commencing on December 25, 2007. Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month USD Libor plus a margin equal to 1.29% per annum (the "**Floating Interest Rate**"), as determined by the Calculation Agent in accordance with Condition 4.3 below and payable quarterly in arrears on a non-cumulative basis on March 25, June 25, September 25 and December 25 of each year (each, a "**Floating Rate Interest Payment Date**"), commencing on September 25, 2037. For the avoidance of doubt, the Floating Interest Rate is equivalent to the Fixed Interest Rate following conversion of the Fixed Interest Rate into a floating interest rate using the mid-market interest rate swap rate in USD as quoted at the time of pricing for a period equivalent to the Fixed Rate Interest Period.

Interest will cease to accrue on the Notes on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default otherwise occurs in respect of payment thereof. In such event, interest will continue to accrue at the relevant rate as specified in the preceding paragraph (before as well as after any judgment) on the Original Principal Amount of the Notes until the day on which all sums due in respect of the Notes up to that day are received by or on behalf of the relevant Noteholder.

4.2 Fixed Interest Rate

4.2.1 The amount of interest (the "**Fixed Rate Interest Amount**") payable on the Notes on each Fixed Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Fixed Interest Rate (calculated on a 30/360 basis and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards)).

4.2.2 If interest is required to be calculated in respect of a Fixed Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Fixed Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Fixed Rate Interest Period, multiplying such product by the 30/360 day count fraction for each relevant portion of the Fixed Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.2.3 The Calculation Agent will cause such Fixed Rate Interest Amount to be notified to the Issuer and the Fiscal Agent and will cause the publication thereof in accordance with Condition 11 as soon as possible after its determination but in no event later than the fourth Luxembourg Business Day thereafter.

For the purposes of this Condition 4:

"**30/360**" means, in respect of any period, the number of days in any portion of a Regular Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months); and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4.3 Floating Rate

4.3.1 Determination of Floating Interest Rate

The Notes bear interest at the Floating Interest Rate from the First Call Date, payable on each Floating Rate Interest Payment Date.

The Floating Interest Rate for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

(a) the Calculation Agent will determine the 3-month rate for deposits in U.S. dollars which appears on the display page designated Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m. (London time), on the second London Business Day before the first day of the relevant Floating Rate Interest Period (the "**Floating Rate Interest Determination Date**"); or

(b) if at the specified time such rate does not appear on that page, the Calculation Agent will:

(A) request the principal London office of each of four major banks in the London interbank market as selected by it (but which shall not include the Calculation Agent) to provide a quotation of the rate at which deposits in U.S. dollars are offered by it at approximately 11:00 a.m. (London time) on the Floating Rate Interest Determination Date to prime banks in the London interbank market for a 3-month period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations, with the highest and lowest (or, in the event of equality, one of the highest and/or lowest) of such quotations being disregarded for purposes of the calculation; or

(c) if fewer than two such quotations are provided as requested by the Calculation Agent in accordance with the above paragraph, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in London, selected by the Calculation Agent, at approximately 11:00 a.m. (London time) on the first day of the relevant Floating Rate Interest Period for loans in U.S. dollars to leading London banks for a 3-month period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Interest Rate for such Floating Rate Interest Period shall be equal to the sum of 1.29% per annum and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Interest Rate applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.29% per annum and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

4.3.2 Calculation of Floating Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each Floating Rate Interest Determination Date in relation to each Floating Rate Interest Period, calculate the amount of interest (the "**Floating Rate Interest Amount**") payable in respect of each Note for such Floating Rate Interest Period. The Floating Rate Interest Amount payable on the Notes on the relevant Floating Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Floating Interest Rate for such Floating Rate Interest Period, multiplied by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated in respect of the Floating Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Floating Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Floating Rate Interest Period, multiplying such product by the actual number of days divided by 360 for each relevant portion of the Floating Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.3.3 Publication of Floating Interest Rate and Floating Rate Interest Amount

The Calculation Agent will cause the Floating Interest Rate and the Floating Rate Interest Amount for each Floating Rate Interest Period and the relevant Floating Rate Interest Payment Date to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 on or as soon as practicable after the first day of the relevant Floating Rate Interest Period. The Floating Rate Interest Payment Date so published may subsequently be amended (or appropriate arrangements made by way of adjustment). If the Notes become due and payable under Condition 6.2(b) or 6.3 (in case of a purchase of all the outstanding Notes) or under Condition 9, no publication of the Floating Interest Rate or the Floating Rate Interest Amount so calculated need be made.

4.4 Mandatory Interest and Optional Interest

4.4.1 Mandatory Interest Payment

The Issuer shall, on each Mandatory Interest Payment Date, for so long as the mandatory interest provisions apply (as set out in the definition of "Mandatory Interest Payment Date"), pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date.

In order to calculate the amount of interest required to be paid on the Notes on a Mandatory Interest Payment Date pursuant to this condition (the "**Mandatory Interest Payment**"):

(x) if the Mandatory Interest Payment results from an event described in sub-paragraph (i) of the definition of Mandatory Interest Payment Date, it will be calculated on the basis of the Current Principal Amount of the Notes applying the Fixed Interest Rate or the Floating Interest Rate for such Interest Period, as the case may be, and

(y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of the definition of Mandatory Interest Payment Date, it shall be equal to the Notional Interest Amount.

"**Notional Interest Amount**" means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to conditions 4.4.2 and 4.5 below, for the one-year period prior to, and including, such Interest Payment Date, calculated by the Issuer on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

"**Underlying Security**" means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

"**Underlying Security Payment Percentage**" means the ratio, calculated by the Issuer as a percentage, equal to (i) the payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction in accordance with Condition 5.1.

4.4.2 Optional Interest Payment

For so long as the mandatory interest provisions do not apply, the Issuer may elect not to pay interest on any Optional Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

On any Optional Interest Payment Date, the Issuer may, at its option, pay all or part of the interest in respect of the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date, but the Issuer shall have, subject to such election and decision having been made as described above, no obligation to make such payment and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Notice of non-payment of all or any interest under the Notes on any Optional Interest Payment Date (an "**Interest Non-Payment Notice**") shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg

Stock Exchange. The Interest Non-Payment Notice shall be given no later than two New York Business Days prior to the relevant Optional Interest Payment Date.

Save as otherwise provided, any interest not paid on an Optional Interest Payment Date will be forfeited and accordingly will no longer be due and payable by the Issuer.

The amount of Broken Interest in respect of the Interest Period ending immediately prior to any Optional Interest Payment Date may be reduced following a Capital Deficiency Event, as provided in Condition 5.1.

Payment of interest will automatically be suspended upon the occurrence of a Capital Deficiency Event (and until the occurrence of an End of Capital Deficiency Event), unless the relevant Interest Payment Date is a Mandatory Interest Payment Date.

4.5 Optional Interest and Capital Deficiency Event

4.5.1 Interest Payable on Optional Interest Payment Dates Following the Occurrence of a Capital Deficiency Event

In the event that during any Interest Period, on or at any time prior to the fifth Business Day prior to an Optional Interest Payment Date, a Capital Deficiency Event has occurred or would occur upon payment of the interest due on the next Optional Interest Payment Date:

(x) the accrual of interest, if any, in respect of the Notes shall automatically be suspended. In addition, the amount of Broken Interest may be reduced to absorb losses in accordance with Condition 5.1; and

(y) no interest on the Notes shall accrue nor be payable by the Issuer with respect to the remaining period in such Interest Period or any other Interest Period during the period starting on the date of the Capital Deficiency Event and ending on the date of the End of Capital Deficiency Event.

4.5.2 Interest Payable on Optional Interest Payment Dates after End of Capital Deficiency Event

At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses in accordance with Condition 5.1, may be paid on the first Optional Interest Payment Date falling on or after the date of the End of Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

In respect of any Optional Interest Payment Date which occurs on or after the End of Capital Deficiency Event, interest on the Notes will recommence accruing on its Current Principal Amount, on the basis of the number of days elapsed during the period from (and including) the date of End of Capital Deficiency Event to (but excluding) the next succeeding Interest Payment Date as calculated by the Calculation Agent in accordance with Condition 4.2 or, as the case may be, 4.3. At the option of the Issuer, such interest may be paid on the next succeeding Optional Interest Payment Date occurring as from the date of the End of Capital Deficiency Event (inclusive). Any such interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

5. LOSS ABSORPTION AND RETURN TO PROFITABILITY

5.1 Loss Absorption

In the event that, at any time, a Capital Deficiency Event has occurred, the board of directors of the Issuer will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event in full, or if such event remains in effect at the end of the Quarter following the Quarter during which the Capital Deficiency Event has occurred, the board of directors of the Issuer will implement, within ten days, a reduction of the amount of Broken Interest, if any, and thereafter for purposes of computing the Interest Amount a reduction of the Current Principal Amount of the Notes (a "**Loss Absorption**"). "**Quarter**" means one quarter of a calendar year, *i.e.*, January 1st to March 31st, April 1st to June 30th, July 1st to September 30th and October 1st to December 31st.

Notwithstanding any other provision, the Current Principal Amount of each Note shall never be reduced to an amount lower than one cent of one dollar (USD 0.01).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the issuer to absorb losses in order to ensure the continuity of its activities in accordance with the Applicable Banking Regulations, will be (in the case that a Capital Deficiency Event has occurred pursuant to clause (a) of the definition thereof) the lower of (i) the amount of the excess of (a) the total consolidated capital required by Applicable Banking Regulations over (b) the total consolidated capital of the Issuer after the share capital increase or any other measures adopted by the shareholders' meeting of the Issuer to remedy such Capital Deficiency Event (or the total consolidated capital of the Issuer in the absence of such measures) and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction. In the case that a Capital Deficiency Event has occurred pursuant to clause (b) of the definition thereof, the amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced, will be determined by the Issuer with the consent of the Relevant Banking Regulator.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Broken Interest and the Current Principal Amount of the Notes may be reduced on one or more occasions, as required.

In the event that other Parity Securities, which would be subject to such reductions are outstanding, such reductions will be applied on a pro-rata basis among the Notes and such other Parity Securities.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction.

Notice of any Capital Deficiency Event and of any End of Capital Deficiency Event shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Capital Deficiency Event and of any End of Capital Deficiency Event. Notice of any reduction of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of the Current Principal Amount.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

5.2 Return to Profitability

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the Current Principal Amount of the Notes (a "**Reinstatement**") on any date and in any amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount on any date that it determines if (i) a Mandatory Reinstatement Event has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

The amount of any Reinstatement will not exceed the amount of the latest positive Consolidated Net Income of the Issuer.

For the avoidance of doubt, any Reinstatement shall be made in a maximum amount that will ensure that such Reinstatement does not trigger the occurrence of a Capital Deficiency Event or, except with respect to any optional redemption by the Issuer of the Notes in accordance with their terms, a worsening of a Capital Deficiency Event.

No payments will be made to holders of Equity Securities, in each case to the extent categorized as Tier 1 Capital, before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

In the event that other Parity Securities are outstanding and may also benefit from a reinstatement or an increase of their current principal amount in accordance with their terms, any Reinstatement will be applied on a pro-rata basis with other reinstatements or increases of the principal amount made on such other Parity Securities.

Such Reinstatement or increase of the Current Principal Amount of the Notes shall be made on one or more occasions in the conditions described above until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount (save in the event of occurrence of another Capital Deficiency Event).

For the avoidance of doubt, any Broken Interest that has been reduced pursuant to Condition 5.1 shall not be reinstated pursuant to this Condition 5.2.

Notice of any Return to Profitability shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Return to Profitability. Notice of any Reinstatement and any increase of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement and increase of the Current Principal Amount of the Notes.

6. REDEMPTION AND PURCHASE

The Notes may not be redeemed otherwise than in accordance with this Condition 6.

6.1 No Final Redemption

The Notes are undated securities in respect of which there is no fixed redemption or maturity date.

6.2 Issuer's Call Options Subject to the Approval of the Relevant Banking Regulator

(a) General Call Option

On the First Call Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 60, days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to prior approval of the Relevant Banking Regulator, may, at its option, redeem the Notes in whole or in part at a price (the "**Base Call Price**") equal to the Original Principal Amount of the Notes, together with any amounts outstanding thereon, including accrued interest.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from a Loss Absorption. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

(b) Redemption for Regulatory Reasons or Taxation Reasons

(i) If by reason of any change in French law, any change in Applicable Banking Regulations, or any change in the official application or interpretation of such laws or regulations, becoming effective on or after the Issue Date, the proceeds of the Notes cease to be eligible as Tier 1 Capital for the Issuer, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the proceeds of the Notes cease to meet the requirements to be eligible as Tier 1 Capital.

(ii) If by reason of any change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), or any other change in the tax treatment of the Notes, becoming effective on or after the Issue Date, interest payment under the Notes is no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than

30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes.

(iii) If by reason of a change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), becoming effective on or after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8.2, the Issuer may, at any time, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

(iv) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8.2, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

6.3 Purchases

The Issuer may at any time purchase Notes in the open market or otherwise at any price provided that it has obtained the prior approval of the Relevant Banking Regulator.

6.4 Cancellation

All Notes which are purchased or redeemed by the Issuer (other than in the event of a partial call, as set out in paragraph 6.2 of Condition 6) pursuant to paragraphs 6.2 or 6.3 of this Condition 6 will be cancelled and accordingly may not be reissued or sold.

7. PAYMENTS AND CALCULATIONS

7.1 Method of Payment

Payments in respect of principal and interest on the Notes will be made in U.S. dollars by credit or transfer to a U.S. dollar-denominated account (or any other account to which U.S. dollars may be credited or transferred) specified by the payee. Such payments shall be made to the Account Holders (including the depositary banks for Euroclear and Clearstream, Luxembourg) for the benefit of the Noteholders and all payments validly made to such Account Holders in favor of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment. Payments in respect of principal on the Notes which are redeemed by the Issuer (other than in the event of a partial call, as set out in paragraph 6.2 of Condition 6) pursuant to paragraphs 6.2 or 6.3 of this Condition 6 will be made against surrender and presentation of the Notes at the specified office of the Paying Agent.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Noteholders in respect of such payments.

7.2 Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of this Condition, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which DTC, Euroclear and Clearstream, Luxembourg are operating and (ii) which is a New York Business Day.

7.3 Fiscal Agent, Paying Agents and Calculation Agent

The name and specified office of the initial Fiscal Agent, the name and specified office of the initial Paying Agents and the name and specified office of the initial Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT
BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich, Howald - Hesperange
L-2085 Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agents or Calculation Agent and/or to appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents, provided that there will at all times be (i) a Fiscal Agent, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), and (iii) a Calculation Agent. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading bank engaged in the U.S. dollar interbank market to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 not more than 45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Noteholders as specified in Condition 11.

7.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the relevant banks in the London interbank market (or any of them) shall (in the absence of willful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the relevant banks in the London interbank market and the Noteholders. No Noteholder shall (in the absence of the aforesaid willful default or manifest error) be entitled to proceed against the Calculation Agent or any of the foregoing entities in connection with the exercise or non-exercise by them of their powers, duties and discretionary judgments.

8. TAXATION

8.1 Withholding Tax Exemption

Because the Notes constitute *obligations* under French law and are issued outside of France through an international syndicate, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France and who are not concurrently shareholders of the Issuer benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

8.2 Additional Amounts

If French law or regulations should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the French Republic or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary so that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a Noteholder (or beneficial owner (*ayant droit*)):

(a) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Note by reason of his having some present or former connection with the French Republic other than the mere holding of such Note; or

(b) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(c) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of money payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 to Noteholders that such money has been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts that may be payable under the provisions of this Condition 8.

9. MANDATORY REDEMPTION

If any judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any other reason, then the Notes shall become immediately due and payable as described below.

The rights of the Noteholders in the event of a liquidation of the Issuer will be calculated on the basis of the Original Principal Amount of the Notes they hold together with interest accrued and due in accordance with the Conditions and any other outstanding payments under the Notes. No payments will be made to the Noteholders before all amounts due, but unpaid, to all other creditors of the Issuer (including holders of Unsubordinated Obligations, holders of Ordinarily Subordinated Obligations, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer, but excluding Parity Securities, which will be paid *pro rata* with the Notes) have been paid by the Issuer, as ascertained by the judicial liquidator.

No payments will be made to holders of Equity Securities before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer, as ascertained by the judicial liquidator.

10. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Issuer may at any time call a meeting of the Noteholders to seek their approval of the modification of or amendment to, or obtain a waiver of, any provision of the Notes. This meeting will be held at the time and place determined by the Issuer and specified in a notice of such meeting furnished to the Noteholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

If at any time the holders of at least 10% in principal amount of the then outstanding Notes request the Fiscal Agent to call a meeting of the Noteholders for any purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent will call the meeting for such purpose. This meeting will be held at the time and place determined by the Fiscal Agent, after consultation with the Issuer, and specified in a notice of such meeting furnished to the Noteholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

Noteholders who hold a majority in principal amount of the then outstanding Notes will constitute a quorum at a Noteholders' meeting. In the absence of a quorum, a meeting may be adjourned for a period of at least 20 days and not more than 45 days. At the reconvening of a meeting adjourned for lack of quorum, holders of 25% in principal amount of the then outstanding Notes shall constitute a quorum. Notice of the reconvening of any meeting may be given only once, but must be given at least ten days and not more than 15 days prior to the meeting.

At any meeting when there is a quorum present, holders of at least 50% in principal amount of the Notes represented and voting at the meeting may approve the modification or amendment of, or a waiver of compliance for, any provision of the Notes except for specified matters requiring the consent of each Noteholder, as set forth below. Modifications, amendments or waivers made at such a meeting will be binding on all current and future Noteholders.

Notwithstanding the procedures mentioned above, no amendment or modification will apply to the Notes, without the consent of each Noteholder, with respect to the following matters:

- to change the stated interest on the Notes;
- to reduce the principal amount of or interest on the Notes;
- to change the currency of payment of principal or interest on the Notes; and

- to impair the right to institute suit for the enforcement of any payment in respect of the Notes.

In addition, no such amendment or notification may, without the consent of each Noteholder (the items below being, for the purposes of this condition 10, "**Reserved Matters**"):

- reduce the percentage of principal amount of Notes outstanding necessary to make these modifications or amendments to the Notes; or
- reduce the quorum requirements or the percentages of votes required for the adoption of any action at a Noteholder meeting.

Without prejudice to the provisions hereof relating to the Reserved Matters, no consent of the Noteholders is or will be required for any modification or amendment requested by the Issuer or by the Fiscal Agent, with the consent of the Issuer, to:

- surrender any right or power of the Issuer in respect of the Notes or the Fiscal Agency Agreement;
- cure any ambiguity in any provision, or correct any defective provision, of the Notes; or
- change the terms and conditions of the Notes or the Fiscal Agency Agreement in any manner which the Issuer and the Fiscal Agent mutually deem necessary or desirable so long as any such change does not, and will not, adversely affect the rights or interest of the Noteholders as a class.

Notwithstanding anything to the contrary in this Condition 10, no amendment or modification to the status of the Notes may be approved until the prior consent of the Relevant Banking Regulator has been obtained in relation thereto.

11. NOTICES

Any notice to the Noteholders will be given by delivery of the relevant notice to DTC and any other relevant securities clearing system for communication by each of them to entitled participants. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice shall also be published (i) in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or the *Tageblatt*), or (ii) on the website of the Luxembourg Stock Exchange (www.bourse.lu). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13. FURTHER ISSUES

The Issuer may from time to time, subject to the prior written approval of the Relevant Banking Regulator but without the consent of the Noteholders, issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

14. GOVERNING LAW AND JURISDICTION

The Notes are governed by, and shall be construed in accordance with, the laws of the State of New York, United States of America, provided, however, that Condition 3 of the Notes will be governed by, and construed in accordance with, the laws of the French Republic.

The Issuer has consented to the jurisdiction of the courts of the State of New York and the U.S. courts located in The City of New York with respect to any action that may be brought in connection with the Notes.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

General

The Notes are being offered and sold only:

- to QIBs in reliance on Rule 144A ("**Rule 144A Notes**"), or
- to persons other than "U.S. persons" (as defined in Regulation S) in offshore transactions in reliance on Regulation S ("**Regulation S Notes**").

The Notes will be issued in fully registered global form in minimum denominations of $100,000 and integral multiples of $100,000 in excess thereof. Notes will be issued on the issue date therefor only against payment in immediately available funds.

The Rule 144A Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the "**Rule 144A Global Note**"). The Rule 144A Global Note will be deposited upon issuance with BNP Paribas, New York Branch, as custodian (the "**Custodian**") for The Depository Trust Company ("**DTC**") in New York, New York and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC (including the Euroclear System ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") as described below under "—Depositary Procedures".

The Regulation S Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the "**Regulation S Global Note**", together with the Rule 144A Global Note, the "**Global Notes**" and each a "**Global Note**"). The Regulation S Global Note will be deposited upon issuance with the Custodian for DTC and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear and Clearstream, Luxembourg, as described below under "—Depositary Procedures". Prior to the 40th day after later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**"), interests in the Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg, as participants in DTC, either directly for investors that have accounts with Euroclear or Clearstream, Luxembourg, or indirectly through organizations that are account holders in Euroclear or Clearstream, Luxembourg.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under "—Exchange of Book-Entry Notes for Certificated Notes."

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

Exchanges Between Regulation S Global Note and Rule 144A Global Note

During the Distribution Compliance Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Paying Agent a written certificate to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Paying Agent a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Note for a beneficial interest in the Rule 144A Global Note or vice versa will be effected in DTC by means of an instruction originated by the Paying Agent.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as it remains such an interest.

Depositary Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urges investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "**Participants**") and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Managers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "**Indirect Participants**"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Managers with portions of the principal amount of the Global Notes, and
- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including, in case of the Regulation S Global Note, Euroclear and Clearstream, Luxembourg) that are Participants or Indirect Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream, Luxembourg. The depositaries, in turn, will hold interests in the Global Notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of these systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in the Global Notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see "—Exchange of Book-Entry Notes for Certificated Notes".

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or holders thereof for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be payable by the Paying Agent to DTC in its capacity as the registered holder under the Fiscal Agency Agreement. The Issuer and the Paying Agent will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Issuer, the Paying Agent or any agent of the Issuer or the Paying Agent has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to, or payments made on account of beneficial ownership interests in, the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes, or
- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Paying Agent or the Issuer. Neither the Issuer nor the Paying Agent will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Issuer and the Paying Agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under "Notice to Investors", transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to the transfer restrictions described under "Notice to Investors", cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Issuer nor the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for individual certificated Notes in definitive, fully registered form without interest coupons ("**Certificated Notes**") only in the following limited circumstances:

- DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time

when DTC is required to be so registered in order to act as depositary, and in each case the Issuer fails to appoint a successor depositary within 90 days of such notice,

- the Issuer notifies the Paying Agent in writing that such Global Note shall be so exchangeable,
- if there shall have occurred and be continuing an Event of Default with respect to the Notes,
- the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor clearing system is available, or
- the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by a Global Note in definitive form.

In all cases, Certificated Notes delivered in exchange for a Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors", unless the Issuer determines otherwise in accordance with the terms and conditions of the Notes and in compliance with applicable law.

TAXATION

United States Federal Income Taxation

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary describes certain U.S. federal income tax considerations with respect to the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). The summary deals only with U.S. Holders that purchase Notes at their issue price as part of the initial offering and that hold such Notes as capital assets. It does not purport to be a comprehensive description of all tax considerations that may be relevant to any particular investor. We have assumed that U.S. Holders are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. This summary does not address considerations that may be relevant to investors subject to special tax rules, such as dealers in securities or currencies, certain financial institutions, tax-exempt entities, life insurance companies, persons liable for alternative minimum tax, persons holding Notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings or investors whose functional currency is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below.

Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, a "U.S. Holder" of a Note means a beneficial owner that is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or any political subdivision thereof, or any other person that is subject to U.S. federal income tax on a net income basis in respect of its investment in the Notes.

U.S. Tax Status; Payments of Interest

The Notes will be treated as equity of the Issuer for U.S. federal income tax purposes. In accordance with their treatment as dividends for U.S. federal income tax purposes, payments of interest on the Notes generally will be includible in a U.S. Holder's income on the date of receipt without regard to the U.S. Holder's method of tax accounting. Interest payments on the Notes generally will constitute foreign-source income for foreign tax credit purposes and will not be eligible for the dividends-received deduction available to domestic corporations.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain non-corporate U.S. Holders before January 1, 2011 will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Interest received with respect to the Notes will be qualified dividends if (i) the Issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service ("IRS") has approved for purposes of the qualified dividend rules and (ii) the Issuer was not, in the year prior to the year in which the interest payment was made, and is not, in the year in which the interest payment is made, a passive foreign investment company ("PFIC"). The Issuer expects to be eligible for the benefits of the comprehensive income tax treaty between the United States and France, which has been approved by the IRS for purposes of the qualified dividend rules. Based on the Issuer's audited financial statements and relevant market data, the Issuer believes that it was not a PFIC for U.S. federal income tax purposes with respect to its 2006 taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market data, the Issuer does not anticipate becoming a PFIC for the foreseeable future.

However, a legislative proposal recently introduced in the U.S. Congress generally would, if enacted, deny qualified dividend treatment in respect of interest payments on the Notes after the date of enactment. It is not possible to predict whether or in what form this proposal will be enacted into law.

U.S. Holders should consult their own tax advisers regarding the availability of the reduced dividend rate in light of their own particular circumstances.

Sale, Exchange or Retirement

Upon the sale, exchange or other taxable disposition of Notes, a U.S. Holder generally will recognize U.S.-source gain or loss in an amount equal to the difference between the amount realized on the sale and the U.S. Holder's tax basis in such Notes. Such gain or loss will generally be long-term capital gain or loss if the U.S. Holder has held the Notes for more than one year. Net long-term capital gain recognized by certain non-corporate U.S. Holders before January 1, 2011 generally will be taxed at a maximum rate of 15 %. The deductibility of capital losses is subject to limitations.

In accordance with the treatment of the Notes as equity for U.S. federal income tax purposes, U.S. Holders generally will not be required to account separately for accrued interest realized upon a sale, exchange, or retirement of the Notes, and instead will treat amounts received in respect of accrued interest as part of the amount realized for purposes of determining gain or loss realized upon the sale, exchange, or retirement.

Information Reporting and Backup Withholding

Payments in respect of the Notes that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the U.S. Holder (i) is a corporation or other exempt recipient, or (ii), in the case of backup withholding, provides a taxpayer identification number and certifies that it has not lost its exemption from backup withholding. Noteholders that are not U.S. Holders generally are not subject to information reporting or backup withholding; however, any such holder may be required to provide a certification to establish its non-U.S. status in connection with payments received within the United States or from certain U.S.-related payors. The amount of backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund provided the required information is furnished to the IRS.

EU Directive on the Taxation of Savings Income

On June 3, 2003, the European Council of Economics and Finance Ministers adopted a Directive (in this section "Taxation", the "**Directive**") on the taxation of savings income under which Member States are required from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, provided however that the relevant beneficial owner of the payment may instead elect for a disclosure of information method). The ending of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries.

In relation to French taxation, the Directive has been implemented in French law under Article 242 *ter* of the *Code général des impôts* and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to the *Code général des impôts* (General Tax Code). As regards Luxembourg taxation, on April 12, 2005, the Luxembourg Parliament adopted a law implementing the Directive.

The Directive, as well as several agreements concluded between Luxembourg and certain dependant territories of the European Union, have been implemented in Luxembourg by the laws dated June 21, 2005 (the "**Laws**").

French Taxation

Because the Notes constitute *obligations* under French law and are issued outside of France through an international syndicate, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France and who are not concurrently shareholders of the Issuer benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

Luxembourg Taxation

Luxembourg non-residents

BNP Paribas has been advised that, under Luxembourg tax law currently in effect, and subject to the provisions of the Laws implementing the Directive and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union (i.e. Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat, and

Netherlands Antilles collectively the "**Dependent Territories**"), there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident Noteholders.

Under the Laws, a Luxembourg based paying agent (within the meaning of the Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity ("**Residual Entity**") within the meaning of article 4.2. of the Directive (i.e. an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognized in accordance with Council Directive 85/611/EEC) resident or established in another Member State of the European Union, unless such individual or Residual Entity elects for a disclosure of information method established. The same regime applies to payments made by a Luxembourg based paying agent to an individual or Residual Entity established in one of the Dependent Territories.

The withholding tax rate is initially 15 per cent, increasing steadily to 20 per cent and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg resident individuals

Pursuant the law dated December 23, 2005, a 10 per cent withholding tax is levied as from January 1, 2006 on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg residents individuals. Only interest accrued after July 1, 2005 falls within the scope of this withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

In each case described above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

There is no Luxembourg withholding tax payable on payments received by resident or non-resident Noteholders upon repayment of the principal or upon redemption of the Notes at their nominal value.

Prospective purchasers of the Notes should consult their own tax advisers as to the applicable tax consequences of the ownership of the Notes, based on their particular circumstances. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Notes. It is included herein solely for preliminary information purposes and is not intended to be, nor should it construed to be, legal or tax advice.

ERISA MATTERS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain restrictions on employee benefit plans ("**ERISA Plans**") that are subject to Title I of ERISA and on persons who are fiduciaries with respect to these ERISA Plans. In accordance with ERISA's general fiduciary requirements, a fiduciary with respect to an ERISA Plan who is considering the purchase of the Notes on behalf of the ERISA Plan should determine whether the purchase is permitted under the governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts ("IRAs") (such plans, together with any entities whose underlying assets include the assets of any such plans and with ERISA Plans, "**Plans**")) and persons who have certain specified relationships to the Plan ("parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code). A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and/or the Code. A fiduciary of a Plan (including the owner of an IRA) that engages in a prohibited transaction may also be subject to penalties and liabilities under ERISA and/or the Code.

The Issuer, directly or through its affiliates, may be considered a "party in interest" or a "disqualified person" with respect to many Plans. The purchase of the Notes by a Plan with respect to which an Issuer is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless the Notes are acquired pursuant to and in accordance with an applicable exemption, such as Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 95-60 (an exemption for certain transactions involving insurance company general accounts), PTCE 96-23 (an exemption for certain transactions determined by an in-house asset manager) or Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (together, an exemption for transactions with certain service providers). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. Any Plan fiduciary (including the owner of an IRA) considering the purchase of the Notes should consider carefully the possibility of prohibited transactions and the availability of exemptions. Governmental, church and non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of section 4975 of the Code, may nevertheless be subject to local, state, federal or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code. ANY PENSION OR EMPLOYEE BENEFIT PLAN OR OTHER RETIREMENT ACCOUNT, INCLUDING ANY SUCH GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, PROPOSING TO ACQUIRE ANY NOTES SHOULD CONSULT WITH ITS COUNSEL.

By its purchase of any offered Note, the purchaser or transferee thereof (and the person, if any, directing the acquisition of the offered Note by the purchaser or transferee) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered Note through and including the date on which the purchaser or transferee disposes of its interest in such offered Note, either that (a) such purchaser or transferee is not a Plan, an entity whose underlying assets include the assets of any Plan, or a governmental, church or non-U.S. plan which is subject to any non-U.S., federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) the purchase, holding and disposition of such offered Note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of a governmental, church or non-U.S. plan, any substantially similar non-U.S., federal, state or local law) unless an exemption is available with respect to such transactions and all the conditions of such exemption have been satisfied.

PLAN OF DISTRIBUTION

BNP Paribas Securities Corp. (the "**Lead Manager and Sole Bookrunner**"), Citigroup Global Markets Inc. (the "**Senior Co-Lead Manager**"), and Banc of America Securities LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wachovia Capital Markets LLC (the "**Co-Lead Managers**", and together with the Lead Manager and the Senior Co-Lead Manager, the "**Managers**") have, pursuant to a purchase agreement dated June 18, 2007 (the "**Purchase Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at a price equal to 100% of their Original Principal Amount. The Issuer and the Managers have, in the Purchase Agreement, reached an agreement in relation to commissions and expenses. The Purchase Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the AMF or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the AMF. Each of the Managers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors, in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D. 411-1, D.411-2, D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*, but excluding individuals. The direct or indirect distribution to the public in France of any Notes so acquired may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except that the Notes may be offered or sold to (a) QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) non-U.S.-persons in offshore transactions in reliance upon Regulation S. For further information on certain restrictions on resale and transfer, see "Notice to Investors". Offers and sales of Notes in reliance on Rule 144A will be made only by broker-dealers who are registered as such under the Exchange Act.

In connection with sales outside the United States, each of the Managers has agreed that, except for sales described in (a) of the preceding paragraph, it has not offered, sold or delivered, and will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons (a) as part of such Manager's distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Notes, and it will send to each distributor or dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another valid exemption from the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Rule 144A and Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes which are the subject of the offering contemplated by this Offering Circular (the "**Securities**") in circumstances in which section 21(1) of the FSMA would not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Italy

Each Manager has acknowledged and agreed that no prospectus has been nor will be published in Italy in connection with the offering of the Notes and that such offering has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to Italian securities legislation and, accordingly, has represented and agreed that the Notes may not and will not be offered, sold or delivered, nor may or will copies of the Offering Circular or any other documents relating to the Notes be distributed in Italy, except (i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, (the "Regulation No. 11522"), or (ii) in other circumstances which are exempted from the rules governing offers of securities to the public pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Italian Finance Law") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Each Manager has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Finance Law, Legislative Decree No. 385 of September 1, 1993, as amended (the "Italian Banking Law"), Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

The Offering Circular and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules governing offers of securities to the public pursuant to Article 100 of the Italian Finance Law and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive in Italy, such requirements shall be replaced by the applicable requirements under the relevant implementing measures of the Prospectus Directive in Italy.

NOTICE TO INVESTORS

Because of the following restrictions on the Notes, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been, and will not be, registered under the Securities Act or the state securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or the benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to QIBs in compliance with Rule 144A and outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S.

Each purchaser and subsequent transferee of the Notes offered hereby will be deemed to have acknowledged, represented and agreed as set out below. Terms used in this section have the meanings defined in Rule 144A or in Regulation S.

(1) (a) It is qualified institutional buyer (a "**QIB**") within the meaning of Rule 144A and it is acquiring such Notes for its own account or for the account of another QIB, and it is aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A or (b) it is acquiring the Notes in an offshore transaction within the meaning of Regulation S and it is not a U.S. person (and is not acquiring the Notes for the account or benefit of a U.S. person) within the meaning of Regulation S.

(2) It understands that the Notes have not been, and will not be, registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except (i) to a purchaser that the holder reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of another QIB, in a transaction meeting the requirements of Rule 144A; (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; or (ii) pursuant to an exemption under the Securities Act provided by Rule 144A thereunder (if available) and, in each case, in accordance with the applicable securities laws of any State of the United States. **No representation can be made as to the availability of the exemption provided by Rule 144 for resales of Notes.**

(3) It understands that the Notes will bear the legends as described below, unless the Issuer determines otherwise in compliance with applicable law.

The Rule 144A Global Certificate will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law.

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION OF NOTES OFFERED HEREBY OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(A) REPRESENTS THAT (I) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") OR (II) IT IS NOT A U.S. PERSON AND HAS ACQUIRED THE NOTES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND

(B) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) UNDER THE SECURITIES ACT, RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (IV) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITES STATES OR AN APPLICABLE JURISDICTION.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

THE ACQUISITION OF THE NOTES BY, OR ON BEHALF OF, OR WITH THE ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR ANY "PLAN" TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, OR ANY ENTITY PART OR ALL OF THE ASSETS OF WHICH CONSTITUTE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF DEPARTMENT OF LABOR REGULATION SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) OR OTHERWISE, OR ANY GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO NON-U.S., FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE IS PROHIBITED UNLESS SUCH PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES WOULD NOT RESULT IN ANY PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR UNDER SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW)."

The Notes sold outside the United States pursuant to Regulation S will bear a legend to the following effect:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). PRIOR TO THE EXPIRATION OF A DISTRIBUTION COMPLIANCE PERIOD (DEFINED AS 40 DAYS AFTER THE EARLIER OF THE COMMENCEMENT OF THE OFFERING AND THE DATE OF ISSUE OF THE NOTES), SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION OF THE NOTES OFFERED HEREBY OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(A) REPRESENTS THAT IT IS NOT A U.S. PERSON AND HAS ACQUIRED THE NOTES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND

(B) AGREES THAT IT WILL NOT, WITHIN THE DISTRIBUTION COMPLIANCE PERIOD, RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (IV) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

THE ACQUISITION OF THE NOTES BY, OR ON BEHALF OF, OR WITH THE ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR ANY "PLAN" TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, OR ANY ENTITY PART OR ALL OF THE ASSETS OF WHICH CONSTITUTE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF DEPARTMENT OF LABOR REGULATION SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) OR OTHERWISE, OR ANY GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO NON-U.S., FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE IS PROHIBITED UNLESS SUCH PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES WOULD NOT RESULT IN ANY PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR UNDER SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW)."

(4) On each day from the date on which it acquires a Note through and including the date on which it disposes of its interests in such Note, either that (a) it is not an "employee benefit plan" as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Title I of ERISA, a "plan" as defined in section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), to which section 4975 of the Code (including individual retirement accounts) applies, an

entity whose underlying assets include the assets of any such plans, or a governmental, church or non-U.S. plan which is subject to any non-U.S., federal, state or local law that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code or (b) its purchase, holding and disposition of such Note, will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, any substantially similar federal, state or local law) unless an exemption is available with respect to such transactions and all the conditions of such exemption have been satisfied.

(5) It agrees that it will deliver to each person to whom it transfers any of the Notes notice of any restrictions on transfers of such Notes.

(6) If it is a foreign purchaser outside the United States, it

(a) understands that the Notes will be represented by the Regulation S Global Note and that transfers thereof are restricted as described under "Book-Entry Procedures and Settlement" and

(b) represents and agrees that it will not, as part of the initial distribution of the Notes, sell short or otherwise sell, transfer or dispose of the economic risk of the Notes into the United States or to a U.S. person.

(7) If it is a QIB, it understands that the Notes offered in reliance on Rule 144A will be represented by a restricted Rule 144A Global Note.

(8) It acknowledges that the Issuer, the Managers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Cleary Gottlieb Steen & Hamilton LLP, New York, New York, and Paris, France, is acting as U.S. and French legal counsel to the Managers.

INDEPENDENT STATUTORY AUDITORS

The Group's financial statements as of December 31, 2006 and for the years ended December 31, 2006 and 2005 included herein, have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their report appearing herein.

The Group's financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein, have been audited by Barbier Frinault & Autres, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their report appearing herein.

At the shareholders' meeting of BNP Paribas of May 23, 2006, Deloitte & Associés (represented by Pascal Colin) were appointed to replace Barbier Frinault & Autres as independent statutory auditors.

PricewaterhouseCoopers Audit, Deloitte & Associés and Mazars & Guérard are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*) and regulated by the *Haut Conseil du Commissariat aux Comptes*.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through DTC and its participants, including Euroclear and Clearstream, Luxembourg. For the Rule 144A Notes, the CUSIP number is 055 65A AB9 and the International Securities Identification Number ("**ISIN**") is US05565AAB98. For the Regulation S Notes, the CUSIP number is F10 58Y HX9 and the ISIN number is USF1058YHX97.

2. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

3. The issuance of the Notes was authorized pursuant to a decision of the Chief Executive Officer *(Directeur Général*) of the Issuer dated June 18, 2007 and acting pursuant to a resolution of the board of directors (*conseil d'administration*) of the Issuer dated May 23, 2006.

4. Except as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of the Group which has occurred since December 31, 2006.

5. Except as disclosed in the Offering Circular, there has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or Group's financial position or profitability.

6. The Issuer publishes (i) audited annual consolidated and non-consolidated financial statements and (ii) unaudited semi-annual consolidated and non-consolidated financial statements. Copies of the latest and future published financial reports of the Issuer, including its audited consolidated and non-consolidated financial statements, and the latest and future published unaudited semi-annual consolidated and non-consolidated financial statements of the Issuer, and copies of the constitutive documents (*statuts*) of the Issuer, may be obtained from, and copies of the Fiscal Agency Agreement will be available for inspection at, the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

7. There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

8. The Issuer has not entered into contracts outside the ordinary course of the Issuer's business, which could result in the Issuer or any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of the Notes.

9. Information contained in this Prospectus which is sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been

omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information.

10. Save as disclosed in "Plan of Distribution" above, no person involved in the offer of the Notes has an interest material to the offer.

11. The Issuer does not intend to provide any post-issuance information, except if required by any applicable laws and regulations.

12. The yield for the Notes will be 7.195%, calculated on a semi-annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN IFRS AND U.S. GAAP

The consolidated financial statements of BNP Paribas have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Commission for the financial years starting on or after January 1, 2005 (including the so-called "carve-out" version of International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement") ("IFRS"). Certain differences exist between IFRS and accounting principles generally accepted in the United States ("U.S. GAAP"), which might be material to the BNP Paribas' Consolidated Financial Statements. The matters described below summarize certain differences between IFRS and U.S. GAAP that may be material. BNP Paribas is responsible for preparing the summary set out below.

BNP Paribas has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between IFRS and U.S. GAAP and has made no attempt to quantify the impact of such differences. Accordingly, no assurance is provided that the following summary of differences between IFRS and U.S. GAAP is complete. In making an investment decision, investors must rely upon their own examination of BNP Paribas, the terms of the offering and available financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the available financial information.

Presentation of Financial Statements

Income Statement

IFRS requires entities to amend the opening balance of retained earnings for the effect of changes in accounting principles rather than presenting the cumulative effect of such changes in the income statement as required by U.S. GAAP prior to issuance of SFAS 154, "Accounting Changes and Error Corrections". SFAS 154 requires voluntary changes in accounting principles to be retrospectively applied to prior years' financial statements and is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. However, when a new accounting pronouncement includes specific transitional provisions, those provisions should be followed.

IFRS prohibits any amounts from being classified as extraordinary in the income statement. U.S. GAAP requires material amounts that are unusual and infrequent to be classified as extraordinary, but this line item is rarely presented in practice (a major exception relates to negative goodwill, which must be presented as an extraordinary gain, along with gains and losses from the extinguishment of debt if they meet the criteria in APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions").

Under IFRS, gains and losses recognized directly in equity can be presented either in the notes or separately highlighted within the primary statement of changes in shareholders' equity. U.S. GAAP permits one of three possible formats: a single primary statement of income and comprehensive income containing both net income and other comprehensive income; a two-statement approach (as under IFRS); or a separate category highlighted within the primary statement of changes in equity (as under IFRS).

Business Combinations, Goodwill and Other Intangible Assets

Merger of BNP and Paribas

The acquisition of Paribas by BNP was accounted for as a "pooling of interests" under French GAAP. Both IFRS and U.S. GAAP require the purchase method of accounting to be used for all business combinations to portray the financial effect of an acquisition. However, the IFRS 1 "First-time Adoption of International Financial Reporting Standards" introduces the difference between the two standards by providing the entities with an exemption which allows BNP Paribas not to apply IFRS 3 "Business combinations" retrospectively to past business combinations. U.S. GAAP does not provide such an exemption.

Negative goodwill

Under IFRS, when the purchase price allocation results in negative goodwill, the acquirer must reassess the identification and measurement of the acquired assets, liabilities and contingent liabilities. Any excess that remains is recognized immediately in the income statement.

Under U.S. GAAP, SFAS 141 "Business Combinations" requires any negative goodwill to be allocated on a pro-rata basis to all acquired assets other than all current assets, all financial assets (other than equity method investments), assets to be disposed of by sale, prepaid assets relating to pensions, and deferred taxes. Any remaining negative goodwill is recognized as an extraordinary gain in the income statement.

Impairment test

IFRS requires an impairment review of goodwill annually or whenever an indication of impairment exists. If some of the goodwill allocated to a Cash Generating Unit ("CGU") was acquired in a business combination during the current annual period, the CGU is required to be tested for impairment before the end of the current period.

Under U.S. GAAP, goodwill is reviewed for impairment at the reporting unit level, at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed. However, the U.S. GAAP impairment model is different from IFRS, as highlighted below.

Under IFRS, a one-step impairment test is performed. The recoverable amount of the CGU (i.e., the higher of its fair value less costs to sell and its value in use) is compared to its carrying amount. The impairment loss is recognized as the excess of the carrying amount over the recoverable amount. If the impairment loss exceeds the book value of goodwill, the allocation must be made on a pro-rata basis to non-monetary assets.

SFAS 142 "Goodwill and other Intangible Assets" requires a two-step impairment test:

- the fair value and the carrying amount of the reporting unit including goodwill should be compared. If the fair value of the reporting unit is less than the book value, goodwill is considered to be impaired; then
- the goodwill impairment, if any, should be measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined by allocating fair value to the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination.

Contingent consideration

If part of the purchase consideration is contingent on a future event, such as achieving certain profit levels, IFRS 3 requires an estimate of the amount to be included as part of the cost at the date of the acquisition where it is probable that it will be paid and it can be reliably measured. Any revision to the estimate is subsequently adjusted against goodwill.

Under SFAS 141, contingent consideration is excluded from the initial purchase price unless the outcome of the contingency is determinable beyond a reasonable doubt. The additional cost is not recognized until the contingency is resolved or the amount is determinable. Any additional revision to the estimate is recognized as an adjustment to goodwill.

Minority interests

Under IFRS 3, minority interest is measured as the minority's proportion of the net fair value of the identifiable net assets acquired. This means that the acquired identifiable net assets will always be recorded based on their fair value at the acquisition date regardless of whether a minority interest exists. Under U.S. GAAP, minority interest can be measured in the same way as IFRS or as the minority's proportion of the pre-acquisition historical book value of the identifiable net assets acquired (the latter method being more prevalent in practice).

Step acquisitions

Step acquisitions under IFRS 3 "Business Combinations" require the revaluation of previous interests at fair value at each acquisition date. The treatment of step acquisitions under U.S. GAAP is similar to IFRS, except that the revaluation of previous interests in the acquirer's net assets is not allowed.

Restructuring provisions

Under IFRS, the acquirer may only recognize restructuring provisions as part of the acquired liabilities only when the acquiree has at the acquisition date an existing liability for restructuring recognized in accordance with IAS 37.

Under U.S. GAAP, as of the acquisition date, management, having the appropriate level of authority, must begin to assess and formulate a plan to exit an activity of the acquired entity. The plan must be completed in detail as soon as possible, but no more than one year after the consummation date and management must communicate the termination or relocation arrangements to the employees of the acquired company. The restructuring provision must meet the definition of a liability in order to be recorded.

Subsequent adjustments

IFRS permits adjustments against goodwill to the provisional fair values recognized at acquisition, provided those adjustments are made within 12 months of the acquisition date. Adjustments after the 12 months must be recognized in the income statement.

Under U.S. GAAP, if favorable adjustments to restructuring provisions are made, they are always recognized as changes to goodwill. Unfavorable adjustments are recognized as changes to goodwill if they are made during the allocation period, or charged to expense if made after the allocation period. The allocation period, which cannot extend beyond one year following the date of the acquisition, is for adjustments relating to information that management has been waiting for to complete its purchase price allocation. Adjustments related to pre-acquisition contingencies that are finalized after the allocation period or events occurring after the acquisition date should be recognized in the income statement.

Deferred tax assets

Under IFRS, the recognition of a deferred tax asset of the acquirer not previously recognized that becomes recognizable because of a business combination is reported in income as a tax benefit. Under U.S. GAAP, the recognition of a deferred tax asset of either the acquirer or the acquiree not previously recognized that becomes recognizable because of a business combination results in an adjustment to goodwill.

The IASB and the FASB are currently conducting joint projects to address accounting for business combinations. The outcome of these projects could eliminate some of the differences in the application of the purchase method outlined above.

Consolidation

Subsidiaries

Under the Group's IFRS accounting policies and as described in note 1 "Summary of significant accounting policies" of the BNP Paribas Group's Consolidated Financial Statements as of and for the year ended December 31, 2006, subsidiaries over which the BNP Paribas Group exercises exclusive or joint control are fully consolidated. Exclusive or joint control is considered as being exercised in cases where the BNP Paribas Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business.

Under U.S. GAAP, a dual consolidation decision model exists. Under this model, consolidation decisions are evaluated based on variable interest models and traditional consolidation models. Under traditional consolidation models, the usual condition for a controlling financial interest is ownership of a majority voting interest and as a general rule, ownership either directly or indirectly of over 50% of the outstanding voting shares. There are exceptions to this general rule in cases where control is likely to be temporary or if it does not rest with the majority owner such as bankruptcy and foreign exchange restrictions. The application of the variable interest model is discussed below under "Special purpose entities".

Joint ventures

Although the definitions of the enterprises under joint control are similar under IFRS and U.S. GAAP, they are accounted for using the proportionate consolidation method or equity method in accordance with IFRS, but would be accounted for using only the equity method under U.S. GAAP.

Special purpose entities

The BNP Paribas Group carries out securitization transactions both on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf. Securitization transactions carried out on the Group's own behalf concern the management of counter-party risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group may retain part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche of the asset-backed securities issue.

IFRS requires the consolidation of special purpose entities (SPEs) where the substance of the relationship indicates that an entity controls the SPE. Indicators of control arise where:

- the SPE conducts its activities on behalf of the entity; or
- the entity has the decision-making power; or
- the entity has other rights to obtain the majority of the benefits of the SPE; or
- the entity has the majority of the residual or ownership risks of the SPE, or of its assets.

The FASB Interpretation No. 46, "Consolidation of Variable Interest Entities an interpretation of ARB No. 51" ("FIN 46R") requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (hereafter referred to as FIN 46R) clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46.

Specific criteria permit the transfer of financial assets to an SPE that is not consolidated:

- The SPE must be a qualifying SPE (as defined) and the assets must be financial assets (as defined).
- The assets must not arise from a structured transaction.

Due to differences in criteria applied under IFRS and U.S. GAAP to determine whether an SPE should be consolidated, the scope of consolidation under IFRS and U.S. GAAP might be different.

Pensions and other employee benefits

BNP Paribas operates a number of defined benefit and defined contribution plans. For defined contribution plans, there is no difference between IFRS and U.S. GAAP, except that under IFRS, corresponding mathematical reserves for internal insured plan should be recognized as employee benefit liability rather than as an insurance mathematical reserve.

For defined benefit plans, the pension costs and related pension asset or liability are estimated in accordance with IAS 19 "Employee Benefits" and S FAS 87 "Employers' Accounting for Pensions" using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating the terms of the related liability. Under both IAS19 and FAS87, net cumulative unrecognized actuarial gains and losses for defined benefit plans exceeding the corridor (greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognized in income over the average remaining service lives of the employees.

Under IAS19, the assets, which support the pension liabilities of an entity, must meet certain criteria in order to be classified as "qualifying pension plan assets". These criteria relate to the fact that the assets should be legally separate from BNP Paribas or its creditors. If these criteria are not met, then the assets will be included in the relevant caption on the balance sheet (such as investments, property, plant and equipment, etc.). If the assets meet the criteria, they are netted against the pension liability. The netting also applies to the income statement. If the pension assets qualify, BNP Paribas shows reduced income from assets (such as interests, dividends, etc.) and reduced employee pension costs. Because the conditions to be met by plan assets are somewhat less strict under FAS87, the liability recognized in the balance sheet under IFRS will be different than the one recognized under U.S. GAAP. This is because the internal insured plans cannot be recognized as "plan assets" under IAS19, but can be under FAS87

Employee benefit plans that provide long-term service benefits such as jubilee premiums (benefits provided during the career of the employees), but are not pension plans, are measured at present value using the projected unit credit method. For these types of benefits, gains and losses and past service cost should be amortized immediately.

Under IFRS, assumptions should be unbiased and mutually compatible. They represent the best estimates for the company. Financial assumptions should be based on market expectations at the balance sheet date. Discount rate should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. The currency and the term of the corporate bonds should be consistent with the currency and the term of the employee benefits obligations.

Under U.S. GAAP, SFAS No. 87 "Employers' Accounting for Pensions," SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," accounting for pension costs and similar benefits is prescriptive as to the use of actuarial assumptions, frequency of actuarial valuations and methods, recognition of gains and losses in the actuarial gains and losses. SFAS 87 requires assets to be assessed at fair value and the assessment of liabilities to be based on current settlement rates.

Past service cost arises when an enterprise initiates a plan that grants benefits for prior service or amends a plan. IFRS requires that all past service cost related to retirees and vested active employees be expensed immediately. U.S. GAAP, on the other hand, requires that prior service cost related to retirees be amortized over the average remaining service period of active plan participants (if the plan participants are mainly active employees) or over the average remaining life expectancy of retirees (if the plan participants are mainly retirees).

Under IFRS, gains and losses on curtailments are recognized when curtailments/settlements occur. Gains and losses on curtailments/ settlements include changes in the present value of the defined benefit obligation, any resulting changes in the fair value of the plan assets and any related actuarial gains and losses and past-service cost that had not previously been recognized.

Curtailment losses are recognized under U.S. GAAP when it is probable that a curtailment will occur and the effect of the curtailment is reasonably estimable. Curtailment gains are deferred until realised and are recognized in earnings, either when the related employees terminate, or the plan suspension or amendment is adopted. Settlement gains or losses are recognized when the event of settlement occurs. Gains and losses on curtailments include unrecognized prior-service cost for which services are no longer expected to be rendered, and changes in the projected benefit obligation (net of any unrecognized gains or losses and remaining transition asset). The maximum gain or loss on settlements to be recognized in profit or loss is equal to unrecognized net gain or loss plus any unrecognized transitional asset.

Equity Compensation Benefits

IFRS 2 "Share-Based Payments" requires costs relating to share-based payments to be measured and recognized in the income statement. The fair value of the services received is determined by reference to the fair value of the share options granted. Compensation expense is measured on the grant date based on the value of the options and is recognized over the vesting period of the options. Fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the expected volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option.

In December 2004, the FASB published FASB Statement 123 (revised 2004) "Share-Based Payments" (SFAS 123R) to replace SFAS 123 and supersede APB 25. SFAS 123R requires companies to recognize a compensation cost for the value of options granted in exchange for employee services, based on the grant date fair value of those instruments. SFAS 123R is effective for public entities for the year ended 31 December 2006.

A fair value methodology is the preferred approach. If the intrinsic value method is used, certain disclosures of the pro forma effect of using the fair value method are required. Under the fair value based method, compensation expense is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The fair value is determined using an option-pricing model. Under the intrinsic value method, compensation is the excess, if any, of the fair value of the stock at the measurement date over the amount an employee must pay to acquire the stock. Most fixed stock option plans have no intrinsic value at measurement date, which is usually the grant date, and no compensation expense is recognized for them. For variable stock option plans, the measurement date does not occur at the grant date and accrued compensation expense is adjusted at each balance sheet date for changes in the stock price until the measurement date is known.

Financial Instruments

Classification and measurement

Because IAS 39 and IAS 32 are not applied to periods ending prior to January 1, 2005, the following accounting for financial instruments will be applied as from January 1, 2005 prospectively.

Under IAS 39, "Financial Instruments: Recognition and Measurement", measurement of financial assets depends on their classification in one of the following categories: held-to-maturity investments; loans and receivables; financial assets at fair value through profit or loss and available-for-sale financial assets. This classification determines the measurement and recognition as follows:

- Loans and receivables are initially measured at fair value (including transaction costs), and subsequently measured at amortized cost using the effective interest method;

- Held-to-maturity investments consist of instruments with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs), and subsequently measured at amortized cost using the effective interest method;

- Financial assets at fair value through profit or loss include (i) financial assets held for trading, including derivative instruments that do not qualify for hedge accounting, and (ii) financial assets that BNP Paribas has irrevocably designated at acquisition or first-time adoption of IFRS as held at fair value through profit or loss. These assets are initially and subsequently measured at fair value with changes in fair values recognised in the income statement as they arise; and

- Available-for-sale financial assets are those that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. These assets are initially measured at fair value, and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in shareholders' equity except for impairment losses and foreign exchange gains and losses, until

the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in equity are recognized in profit or loss. Impairment losses and foreign exchange gains and losses are recognised in the income statement.

IAS 39 allows, under certain circumstances, an entity to designate financial assets or financial liabilities to be measured at fair value with changes in value recognized in profit or loss.

BNP Paribas has applied the fair value option to designate certain debt securities, subordinated debt and structured debt issues as "Financial liabilities at fair value through profit and loss".

The U.S. GAAP provisions on classification and measurement of the financial instruments are similar, except for that there is no option to designate any financial asset on initial recognition as at fair value through profit or loss. SFAS 155 "Accounting for Hybrid Financial Instruments" amended SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" to allow the option to designate the hybrid instruments as being accounted for at fair value through the profit and loss account. SFAS 155 is effective for fiscal years beginning after 15 September 2006. Under U.S. GAAP, SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities," debt securities must be classified according to management's intent to hold the security in one of the following categories: trading, held-to-maturity, or available-for-sale. Equity securities are classified as either trading or available for sale.

Differences exist between financial statements based on IFRS and those based on U.S. GAAP in the treatment of gains and losses on foreign-currency-denominated debt securities. Differences arise for debt securities that are not denominated in the investor's functional currency that are classified as available-for-sale. Under IAS 39 (and IAS 21, "The Effects of Changes in Foreign Exchange Rates"), foreign exchange gains and losses on those securities (as well as other monetary items) are reported in net profit or loss (unless the security or other monetary item is designated as a hedging instrument). The portion of a change in fair value that is not due to a foreign exchange gain or loss is reported in equity. Under U.S. GAAP, SFAS No. 115 requires the total change in fair value of the available-for-sale security to be reported in equity.

Impairment

IAS 39 provides a list of observable data that constitutes objective evidence that a financial asset may be impaired such as: the deterioration in the creditworthiness of a counterparty; an actual breach of contract; a high probability of bankruptcy; the disappearance of an active market for an asset, or in the case of an investment in an equity instrument, whether there has been a significant or prolonged decline in the fair value of that investment below its cost.

A significant or prolonged decline in the fair value of an equity instrument below its cost is also objective evidence of impairment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale cannot be reversed through the income statement. Reversal of impairment loss recognized on a debt instrument classified as available-for-sale is permitted the income statement under IFRS if, in a subsequent period, the fair value of that debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized.

Under U.S. GAAP, when fair value declines below amortized cost, for individual securities classified as either available for sale or held to maturity, an enterprise should determine whether the decline in value is "other than temporary". If the decline in fair value is "other than temporary", the following applies:

- the cost basis of the individual security is written down to fair value as a new cost basis,
- the amount of the write-down is included in current earnings (i.e., accounted for as a realized loss), and
- the new cost basis is not changed for subsequent recoveries in fair value.

Reversal of an impairment loss is expressly prohibited under U.S. GAAP.

Interest Income after impairment recognition

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, IFRS requires interest income thereafter to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

As amended by FAS 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures", FAS 114, "Accounting by Creditors for Impairment of a Loan" does not address how a creditor should recognize, measure or display interest income on an impaired loan. FAS 118 allows a creditor to use existing methods for recognising interest income on impaired loans, including a cash basis method or a cost recovery method.

Derecognition of Financial Assets

Both IFRS and U.S. GAAP require an evaluation of whether a transferor has surrendered control of transferred assets to determine whether a transfer is accounted for as a sale or as a secured borrowing. Differences between IFRS and U.S. GAAP in the criteria for determining whether there has been a surrender of control and in the criteria for sale treatment may lead to significant differences.

Under IAS 39, a financial asset (or part of a financial asset) is derecognized only when the contractual rights to the asset's cash flows expire; or the rights to the asset's cash flows and substantially all risks and rewards of ownership are transferred; or an obligation to transfer the asset's cash flows is assumed; or the control of the asset is transferred.

Under U.S. GAAP, SFAS 140, an entity de-recognizes financial assets when control has been surrendered. Transfers of financial assets (all or a portion), in which the transferor surrenders control over those assets, shall be accounted for as a sale to the extent that consideration other than beneficial interest in the transferred assets is received in exchange. Specific conditions have to be met for a transferor to surrender control of the financial assets, including when a transfer is made to a qualifying special purpose entity (QSPE).

A QSPE is a trust or other legal vehicle that is demonstrably distinct from the transferor, its permitted activities: are significantly limited; were entirely specified in the legal documents; and may be significantly changed only with the approval of the holders of at least a majority of the beneficial interest held by entities other than any transferor or agents. SFAS 140 outlines the specific assets that can be held by a QSPE and the conditions for sale of non-cash financial assets. If the transfer does not meet criteria for a sale, it must be accounted for as a secured borrowing with pledge of collateral. Under U.S. GAAP, a debtor may de-recognize a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligations for the liability, or (b) the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor. If the SPE does not meet the definition of a QSPE then the SPV needs to be considered for consolidation under FIN 46(R).

Provisions

Restructuring provisions

Under IFRS, a present obligation exists only when the entity is 'demonstrably committed' to the restructuring. An entity is usually demonstrably committed when there is a binding sale agreement (legal obligation), or when the entity has a detailed formal plan for the restructuring and is unable to withdraw because it has started to implement the plan or announced its main features to those affected (constructive obligation). However, a current provision is unlikely to be justified if there will be a delay before the restructuring begins, or the restructuring will take an unreasonably long time to complete.

However, recognition of a liability based solely on commitment to a plan is prohibited under U.S. GAAP. Restructuring provision must meet the definition of a liability, including certain criteria regarding the likelihood that no changes will be made to the plan or that the plan will be withdrawn. Under U.S. GAAP, provisions could also be made under SFAS 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS 112 "Employers' Accounting for Post employment Benefits" for employee termination costs which do not meet the criteria specified in SFAS No. 146. Recognition of a provision for one-time termination benefits requires communication of the details of the plan to the affected employees. Initial liabilities for restructurings that meet the definition of a liability are measured at fair value and are evaluated each reporting period, with subsequent changes in fair value measured using an interest allocation approach.

Deferred Tax

Under IFRS, deferred tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted. U.S. GAAP prohibits the use of substantively enacted tax rates.

Deferred tax assets are only recognized under IFRS if it is probable that sufficient taxable profit will be available against which the temporary difference can be utilized. Under U.S. GAAP, the entire deferred tax asset is recorded net of a valuation allowance. If a deferred tax asset cannot be realized in its entirety, the valuation allowance is adjusted.

Hybrid Financing

Under IFRS, an instrument is classified as equity when it does not contain an obligation to transfer economic resources. An entity recognizes separately the components of a financial instrument that (a) creates a financial liability of the entity and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. For example, a bond or similar instrument convertible by the holder into a fixed number of ordinary shares of the entity is a compound financial instrument. From the perspective of the entity, such an instrument comprises two components: a financial liability (a contractual

arrangement to deliver cash or another financial asset) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of the entity).

SFAS 150 requires an issuer to classify a financial instrument that is within its scope as a liability (or asset in some circumstances) when the financial instrument embodies an obligation of the issuer. For instance, conventional convertible debt is treated as a unit and recorded as a liability (and either presented in aggregate or in two parts – split between the bond and option portion, but both under liabilities).

SFAS 150 specifically requires an issuer to classify the following instruments as liabilities (or assets in some circumstances):

- mandatory redeemable shares, which the issuing company is obligated to buyback in exchange for cash or other assets;
- financial instruments, other than outstanding shares that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts; and
- unconditional obligations that can be settled with equity shares, the monetary value of which are fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's equity shares.

Derivatives and Hedging

IFRS and U.S. GAAP guidelines for derivatives and hedging activities are generally similar. All derivatives are initially recorded at fair value on the balance sheet as either financial assets or liabilities under IFRS and US GAAP.

Both require that derivatives be initially recorded at fair value on the balance sheet as either financial assets or liabilities. Both frameworks also require that derivatives be subsequently measured at fair value regardless of any hedging relationship that might exist. Both IFRS and U.S. GAAP permit special accounting treatment for financial and derivative instruments that are designated as hedged items or as hedging instruments if certain criteria are met (hedge accounting). However, there are differences between the standards in what transactions will qualify for hedge accounting and in how some of the hedge accounting provisions are applied, as discussed in the following paragraphs.

U.S. GAAP and IAS 39 prohibit non-interest bearing immediately callable deposits to be hedged items in fair value hedges. However, the EU carve out of IAS 39 deleted the relevant part of IAS 39 that contained this prohibition, so under the EU carve out non-interest bearing demand deposits may be included within the hedged item in fair value hedges.

IFRS permits the designation of any risk where effectiveness can be measured as a hedged risk, including any portion of interest rate risk exposure. Under U.S. GAAP, the hedged risk should be the risk of changes in the overall fair value or cash flow, benchmark interest rate, foreign currency exchange rates, or the credit risk of the obligor.

IFRS permits an entity to designate an amount of assets or liabilities in a given time bucket, scheduled based on expected repricing dates of a portfolio (fair value hedge accounting for a portfolio hedge of interest rate risk). Using the expected maturities rather than the contractual prepayment terms of the instruments results in better measurement of the hedged risk and helps achieve hedge effectiveness. The changes in the fair value of this hedged item are reflected in a single separate line item within assets or liabilities. The carrying amounts of the individual assets or liabilities in the portfolio are not adjusted. Under U.S. GAAP, this practice is not allowed.

Under IFRS, where the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity may be transferred from equity and included in the initial measurement of that non-financial asset or liability (basis adjustment). U.S. GAAP does not permit such basis adjustments. SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" requires entities to reclassify the gains and losses in accumulated other comprehensive income into earnings in the same period or periods during which the asset acquired or liability incurred affects earnings (such as in the periods that depreciation expense, interest expense, or cost of sales is recognized).

Only instruments that involve a party external to the reporting entity may qualify as hedging instruments under IFRS. However, the foreign currency risk of an intragroup monetary item (e.g. a payable/receivable between two subsidiaries) may qualify as a hedged item in the consolidated financial statements if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" allows a foreign currency derivative contract that has been

entered into with another member of a consolidated group (internal derivative) to be a hedging instrument in a foreign currency cash flow hedge of a forecasted borrowing, purchase, or sale or an unrecognized firm commitment in the consolidated financial statements if certain conditions are satisfied.

- from the perspective of the member of the consolidated group using the derivative as a hedging instrument (hedging affiliate), the criteria for foreign currency cash flow hedge accounting are satisfied; and
- the member of the consolidated group not using the derivative as a hedging instrument (issuing affiliate) must either (1) enter into a derivative contract with an unrelated third party to offset the exposure that results from that internal derivative or (2) if certain conditions are met, enter into derivative contracts with unrelated third parties that would offset, on a net basis for each foreign currency, the foreign exchange risk arising from multiple internal derivative contracts.

IFRS allows designation of a non-derivative (such as a foreign currency borrowing) as a hedging instrument for foreign currency risk. SFAS 133 precludes designating a non-derivative financial instrument as a hedge of an asset, liability, unrecognized firm commitment, or forecasted transaction except that a non-derivative instrument denominated in a foreign currency may be designated as a hedge of the foreign currency exposure of an unrecognized firm commitment denominated in a foreign currency or a net investment in a foreign operation.

U.S. GAAP allows, assuming stringent conditions are met, a short-cut method that assumes perfect effectiveness for certain hedging relationships involving interest rate swaps. This exemption from performing quantitative retrospective effectiveness tests is not allowed under IFRS.

Embedded derivatives

US GAAP contains a requirement for net settlement as part of its definition of a derivative which is not part of the definition of a derivative under IFRS. Under US GAAP a derivative contract is net settled if its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement. Under IFRS the definition of a derivative only requires settlement at a future date.

IFRS excludes from the scope of derivative accounting those loan commitments a) which cannot be settled net in cash or another financial instrument, b) which are not designated as at fair value through profit or loss, c) where the entity has no past practice of selling assets resulting from its loan commitments and d) which are not commitments to provide a below-market interest rate. US GAAP excludes, for borrowers, all loan commitments held, and, for lenders, commitments to originate mortgage loans that will be held for investment purposes and loan commitments issued by lenders to originate loans other than mortgages.

Both IFRS and US GAAP provide a fair value option for certain hybrid instruments if they meet specific criteria, but under US GAAP, the fair value option is applicable only to financial hybrid instruments. Under IFRS, the fair value option can be applied to certain non-financial contracts that contain an embedded derivative.

IFRS generally precludes reassessment of a contract for embedded derivatives after inception of the contract (i.e., when the entity first becomes party to the contract). A reassessment under IFRS is only required when there is a change in the terms of the hybrid contract that significantly modify the cash flows that would otherwise be required under the contract. Under US GAAP, an embedded derivative that is not clearly and closely related at inception, (but not bifurcated) is reassessed to determine whether bifurcation is required at a later date (even if there is no modification of the hybrid contract).

US GAAP does not require bifurcation of a foreign currency embedded derivative if payments are denominated in the local currency of a substantial party to a non- financial contract. Under IFRS, bifurcation is not required if payments are denominated in a currency that is commonly used to purchase or sell such items in the economic environment in which the transaction takes place. In practice, other exceptions to the bifurcation of foreign currency derivatives are similar between IFRS and US GAAP.

Insurance

Insurance and Reinsurance Contracts

Classification

IFRS introduces a definition of an insurance contract based on the concept of insured event and significant insurance risk transfer. This definition applies to both insurance (and reinsurance) contracts issued and reinsurance contracts held.

BNP Paribas issues (and purchases) contracts that transfer insurance risk or financial risk or both. Contracts that transfer significant insurance risk are classified as insurance contracts or reinsurance contracts. These contracts can also transfer financial risk. Contracts that transfer financial risk without transferring enough insurance risk to be classified as insurance contracts under IFRS are classified as investment contracts.

The classification of contracts as insurance, reinsurance contracts or investment contracts determines subsequent valuation and income recognition.

U.S. GAAP does not provide a single accounting model for insurance contracts. The classification, subsequent valuation and income recognition rules of contracts is performed by reference to numerous accounting pronouncements, including most notably SFAS 60, SFAS 97 and SFAS 120. SFAS 60 distinguishes between short-duration contracts (coverage generally one year or less) and long-duration (coverage generally greater than one year). Non-life contracts are generally considered short-duration contracts and accounted for under SFAS 60. Life insurance contracts that are more "traditional" in nature, e.g. whole life contracts, are usually accounted for as long-duration contracts under SFAS 60. Life insurance contracts that are characterized by the flexibility and discretion granted to one or both parties to the contract are generally accounted for under SFAS 97. SFAS 97 also covers certain types of contracts that may be classified as investment contracts under IAS 39 for IFRS purposes. SFAS 120 addresses the accounting for participating life insurance contracts. Reinsurance contracts are principally subject to the requirements of SFAS 113.

Discretionary participation feature

The concept of a discretionary participation feature ("DPF") is unique to IFRS accounting. Most insurance or investment contracts contain a guaranteed benefit, in that the benefits are either fixed in amount or are not subject to the discretion of BNP Paribas. Some of them may also contain a DPF which is a feature that entitles the holder of the contract to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of BNP Paribas; and
- that are contractually based on: the performance of a specified pool of contracts or a specified type of contract; realised and/or unrealized investment returns on a specified pool of assets held by BNP Paribas; or the profit or loss of BNP Paribas, fund or other entity that issues the contract.

For life insurance and investment contracts with discretionary participating features, under IFRS, BNP Paribas may elect to recognize the guaranteed element separately from the DPF. If it does not do so it has to classify the whole contract as a liability. If it classifies them separately it has to classify the guaranteed element as a liability, but is permitted to classify the DPF either as a liability or as a separate component of equity.

This type of participation is described under U.S. GAAP as policyholder dividends, and guidance is provided on accounting for dividends paid out of insurance contracts.

Entities must recognize a liability for the expected dividend payout based on an estimate of the amount to be paid. There are no requirements to disclose the portion of equity that arises from contracts that pay dividends. However, any dividend payments or declarations in excess of the liability are charged to profit or loss when paid or declared.

The possibility of such dividends being paid on financial instruments (investment contracts) is not contemplated in U.S. GAAP. Current U.S. GAAP reporters have adopted the insurance accounting guidelines for measuring the obligations under such contracts.

Measurement

Under current IFRS requirements, insurance and investment contracts with DPF are essentially measured using accounting policies consistent with those adopted previously under existing accounting policies. IFRS does, however, set out the following requirements:

- Provisions for possible claims under contracts that are not in existence at the reporting date (such as catastrophe and equalization provisions) are prohibited;
- Insurance liabilities must be tested for adequacy;
- Reinsurance assets must be tested for impairment;

- Insurance liabilities can be de-recognized only when they are discharged or cancelled or expire; and
- Insurance liabilities and income should not be offset against related reinsurance assets and expenses.

Thus, while U.S. GAAP has specific measurement guidance for the insurance assets and liabilities associated with insurance contracts and reinsurance contracts, IFRS allows entities to essentially continue with their accounting policies developed under another GAAP. The differences between U.S. GAAP and IFRS for BNP Paribas is therefore substantially the same as the difference between U.S. GAAP and BNP Paribas' existing insurance and reinsurance accounting policies that have been developed in line with BNP Paribas Accounting Principles.

Unbundling of deposit components and deposit accounting

IFRS allows the unbundling of the deposit component from an insurance contract on a voluntary basis if the deposit component can be reliably measured without considering the insurance component. The deposit component is then treated as an investment contract (without discretionary participation feature) and the insurance component as insurance product.

This right enables an insurer to use deposit accounting approach for unit-linked and universal life-type contracts that qualify as insurance contracts under IFRS. For these contracts, U.S. GAAP requires the measurement of the liability as the policyholder's account balance with the insurer. Under IFRS the measurement of the unbundled deposit component liability is also the policyholder's account balance.

IFRS requires the unbundling of deposit and insurance components where the deposit component can be reliably measured without considering the insurance component and the existing accounting policies do not otherwise require recognition of all obligations and rights arising from the deposit component.

Segment Reporting

IAS 14, "Segment Reporting", and SFAS 131, "Disclosures about Segments of an Enterprise and Related Information", establish standards for reporting disaggregated financial information in annual financial statements.

IAS 14 requires that an enterprise report both business segments and geographical segments and identify one as primary, and the other as secondary., and provide more comprehensive disclosure for the primary segmentation. Although the starting point for the definition of segments is management reporting, the source and nature of an enterprise's risks and returns governs the determination of segments. In contrast, SFAS 131 adopts a management approach that relies on the form and content of information provided by an enterprise's internal reporting system for identifying reportable operating segments. The management approach requires an enterprise to report those segments whose operating results are regularly reviewed by the enterprise's chief operating decision maker.

IAS 14 encourages disclosure of vertically integrated segments as separate segments. SFAS 131 requires that they be disclosed separately if that is how the company is managed. This can result in differences in the information provided by enterprises with significant intersegment transactions.

The third significant area of difference relates to the basis of accounting used for reporting segment information. IAS 14 requires that segment information be prepared in conformity with the same accounting policies used for preparing the consolidated financial statements of the enterprise. SFAS 131 does not prescribe the accounting policies to be used and, thus, permits alternative bases of accounting for segments, as long as the basis used for reporting segment information is the same basis management uses for internal reporting purposes. Thus, reported segment results could differ significantly between the two standards.

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2006

Deloitte & Associés	**PricewaterhouseCoopers Audit**	**Mazars & Guérard**
185, avenue Charles de Gaulle	63, rue de Villiers	61, rue Henri Regnault
95524 Neuilly-sur-Seine Cedex	92208 Neuilly-sur-Seine Cedex	92400 Courbevoie

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. The Group management's report referred to in the final paragraph of the Statutory Auditors' report is not included in this offering circular.

BNP Paribas
16, boulevard des Italiens
75009 Paris

Following our appointment as Statutory Auditors by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas for the year ended 31 December 2006.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2006, and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments:

- BNP Paribas records provisions to cover the credit risks inherent to its business (notes 1 and 4.a to the consolidated financial statements). We examined the control procedures applicable for monitoring and provisioning credit risks, assessing irrecoverability risks and determining the related individual and portfolio-based provisions;

- BNP Paribas uses internal models and methodologies to value its positions on financial instruments which are not traded on an active market, as well as to determine certain provisions and assess whether the hedging designation is appropriate. We examined the control procedures applicable to the verification of these models and the determination of the parameters used.

During the year, BNP Paribas acquired Banca Nazionale del Lavoro (BNL, note 8.c to the consolidated financial statements) and provisionally allocated the purchase price by applying the purchase method prescribed by IFRS 3 (note 1.b to the consolidated financial statements). In the context of the BNL acquisition, we reviewed the methods used to identify and value the assets, liabilities and contingent liabilities recognised at the acquisition date, and to measure goodwill at that date.

BNP Paribas raises provisions to cover its employee benefit obligations (notes 1 and 7.b to the consolidated financial statements). We examined the method adopted to measure these obligations, as well as the assumptions and parameters used.

We assessed whether these estimates were reasonable.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 1 March 2007

The Statutory Auditors

Deloitte & Associés	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Radwan Hoteit	Etienne Boris	Hervé Hélias

BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2006

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CONSOLIDATED FINANCIAL STATEMENTS

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

In millions of euros	Note	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Interest income	2.a	44,582	32,087
Interest expense	2.a	(35,458)	(24,354)
Commission income		10,395	8,701
Commission expense		(4,291)	(4,154)
Net gain/loss on financial instruments at fair value through profit or loss	2.b	7,573	5,212
Net gain/loss on available-for-sale financial assets	2.c	1,367	1,353
Income from other activities	2.d	23,130	21,607
Expense on other activities	2.d	(19,355)	(18,598)
NET BANKING INCOME		**27,943**	**21,854**
Operating expense		(16,137)	(12,627)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.k	(928)	(742)
GROSS OPERATING INCOME		**10,878**	**8,485**
Cost of risk	2.e	(783)	(610)
OPERATING INCOME		**10,095**	**7,875**
Share of earnings of associates		293	352
Net gain on non-current assets		195	211
Change in value of goodwill		(13)	(14)
PRE-TAX NET INCOME		**10,570**	**8,424**
Corporate income tax	2.f	(2,762)	(2,138)
NET INCOME		**7,808**	**6,286**
Net income attributable to minority interests		500	434
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**7,308**	**5,852**
Basic earnings per share	8.a	8.03	6.96
Diluted earnings per share	8.a	7.95	6.90

BALANCE SHEET AT 31 DECEMBER 2006

In millions of euros	Note	31 December 2006	31 December 2005
ASSETS			
Cash and amounts due from central banks and post office banks		9,642	7,115
Financial assets at fair value through profit or loss	5.b	744,858	700,525
Derivatives used for hedging purposes	5.c	2,803	3,087
Available-for-sale financial assets	5.d	96,739	92,706
Loans and receivables due from credit institutions	5.a	75,170	45,009
Loans and receivables due from customers	5.e	393,133	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios		(295)	(61)
Held-to-maturity financial assets	5.g	15,149	15,445
Current and deferred tax assets	5.h	3,443	2,135
Accrued income and other assets	5.i	66,915	65,327
Investments in associates	5.j	2,772	1,823
Investment property	5.k	5,813	5,255
Property, plant and equipment	5.k	12,470	9,213
Intangible assets	5.k	1,569	1,225
Goodwill	5.l	10,162	8,079
TOTAL ASSETS		**1,440,343**	**1,258,079**

LIABILITIES

Due to central banks and post office banks		939	742
Financial liabilities at fair value through profit or loss	5.b	653,328	610,681
Derivatives used for hedging purposes	5.c	1,335	1,015
Due to credit institutions	5.a	143,650	118,893
Due to customers	5.e	298,652	247,494
Debt securities	5.f	121,559	84,629
Remeasurement adjustment on interest-rate risk hedged portfolios		367	901
Current and deferred tax liabilities	5.h	2,306	2,206
Accrued expenses and other liabilities	5.i	53,661	48,446
Technical reserves of insurance companies	5.m	87,044	76,523
Provisions for contingencies and charges	5.n	4,718	3,850
Subordinated debt	5.f	17,960	16,706
TOTAL LIABILITIES		**1,385,519**	**1,212,086**

CONSOLIDATED EQUITY

Share capital and additional paid-in capital		*15,589*	*9,701*
Retained earnings		*21,590*	*19,694*
Net income for the period attributable to shareholders		*7,308*	*5,852*
Total capital and retained earnings attributable to shareholders		44,487	35,247
Unrealised or deferred gains and losses attributable to shareholders		5,025	5,471
Shareholders' equity		**49,512**	**40,718**
Minority interests		5,312	5,275
Total consolidated equity		**54,824**	**45,993**
TOTAL LIABILITIES AND EQUITY		**1,440,343**	**1,258,079**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 1 JANUARY 2005 AND 31 DECEMBER 2006

	Shareholders' equity				
In millions of euros	Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 1 January 2005 before appropriation of net income	**12,109**	**-**	**(2,661)**	**19,270**	**28,718**
Appropriation of net income for 2004				**(1,659)**	**(1,659)**
Consolidated equity at 1 January 2005 after appropriation of net income	**12,109**	**-**	**(2,661)**	**17,611**	**27,059**
Movements arising from relations with shareholders					
Increase in share capital	286				286
Reduction in share capital	(2,694)		2,694		-
Issue of preferred shares		2,424			2,424
Movements in own equity instruments			(235)	(63)	(298)
Share-based payment plans			37	35	72
Dividends on preferred shares				(19)	(19)
Interim dividends paid out of net income for the period					-
Transaction carried out with minority interests				(92)	(92)
	(2,408)	**2,424**	**2,496**	**(139)**	**2,373**
Other movements				**(37)**	**(37)**
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial intruments through shareholders' equity					-
Changes in fair value of financial intruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2005				**5,852**	**5,852**
Consolidated equity at 31 December 2005 before appropriation of net income	**9,701**	**2,424**	**(165)**	**23,287**	**35,247**
Appropriation of net income for 2005				**(2,163)**	**(2,163)**
Consolidated equity at 31 December 2005 after appropriation of net income	**9,701**	**2,424**	**(165)**	**21,124**	**33,084**
Movements arising from relations with shareholders					
Increase in share capital	5,905				5,905
Issue and redemption of preferred shares		2,023			2,023
Movements in own equity instruments			(1,706)	(70)	(1,776)
Share-based payment plans			85	30	115
Dividends on preferred shares				(80)	(80)
Interim dividends paid out of net income for the period					-
Impact of the acquisition of a controlling interest in BNL					-
Impact of acquisitions carried out subsequently to the acquisition of a controlling interest in BNL				(2,090)	(2,090)
Other transactions carried out with minority interests				16	16
	5,905	**2,023**	**(1,621)**	**(2,194)**	**4,113**
Other movements	**(17)**			**(1)**	**(18)**
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial instruments through shareholders' equity					-
Changes in fair value of financial instruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2006				**7,308**	**7,308**
Consolidated equity at 31 December 2006	**15,589**	**4,447**	**(1,786)**	**26,237**	**44,487**

(1) The portion of net income for the period attributable to minority shareholders in respect of whose shares the Group has granted a put option has been transferred to retained earnings attributable to BNP Paribas shareholders, on the "Other movements" line. The corresponding amount for the year ended 31 December 2006 was EUR 10 million, compared with EUR 3 million in the year ended 31 December 2005.

Shareholders' equity (cont'd)					Minority interests			
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	**Total unrealised or deferred gains & losses**	**Total shareholders' equity**	Retained earnings and net income for the period	Unrealised or deferred gains and losses	**Total minority Interests**	**Total consolidated equity**
(172)	3,329	436	3,593	32,311	4,925	(111)	4,814	37,125
			-	**(1,659)**	**(106)**		**(106)**	**(1,765)**
(172)	3,329	436	3,593	30,652	4,819	(111)	4,708	35,360
			-	286			-	286
			-	-			-	-
			-	2,424	163		163	2,587
			-	(298)			-	(298)
			-	72			-	72
			-	(19)	(259)		(259)	(278)
			-	-			-	-
			-	(92)	22		22	(70)
-	**-**	**-**	**-**	**2,373**	**(74)**	**-**	**(74)**	**2,299**
			-	**(37)**	**6**		**6**	**(31)**
	2,018	(190)	1,828	1,828		1	1	1,829
	(702)		(702)	(702)			-	(702)
545			545	545		203	203	748
(7)	212	2	207	207			-	207
538	**1,528**	**(188)**	**1,878**	**1,878**	**-**	**204**	**204**	**2,082**
			-	**5,852**	**431** (1)		**431**	**6,283**
366	4,857	248	5,471	40,718	5,182	93	5,275	45,993
				(2,163)	**(125)**		**(125)**	**(2,288)**
366	4,857	248	5,471	38,555	5,057	93	5,150	43,705
			-	5,905			-	5,905
			-	2,023	(369)		(369)	1,654
			-	(1,776)			-	(1,776)
			-	115			-	115
			-	(80)	(225)		(225)	(305)
			-	-	(13)		(13)	(13)
			-	-	2,368		2,368	2,368
			-	(2,090)	(2,360)		(2,360)	(4,450)
			-	16	390		390	406
-	**-**	**-**	**-**	**4,113**	**(209)**	**-**	**(209)**	**3,904**
			-	**(18)**	**13**		**13**	**(5)**
	1,103	(262)	841	841		26	26	867
	(553)	(99)	(652)	(652)			-	(652)
(663)			(663)	(663)		(158)	(158)	(821)
(1)	24	5	28	28			-	28
(664)	**574**	**(356)**	**(446)**	**(446)**	**-**	**(132)**	**(132)**	**(578)**
				7,308	**490** (1)		**490**	**7,798**
(298)	5,431	(108)	5,025	49,512	5,351	(39)	5,312	54,824

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

In millions of euros	Note	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Pre-tax net income		**10,570**	**8,424**
Non-monetary items included in pre-tax net income and other adjustments		**12,949**	**(2,723)**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,542	2,240
Impairment of goodwill and other non-current assets		20	(25)
Net addition to provisions		8,336	4,947
Share of earnings of associates		(293)	(352)
Net (income) from investing activities		(194)	(205)
Net loss (income) from financing activities		(249)	25
Other movements		2,787	(9,353)
Net decrease in cash related to assets and liabilities generated by operating activities		**(8,153)**	**(8,439)**
Net increase in cash related to transactions with credit institutions		4,308	15,493
Net increase (decrease) in cash related to transactions with customers		11,485	(13,991)
Net decrease in cash related to transactions involving other financial assets and liabilities		(19,576)	(6,044)
Net decrease in cash related to transactions involving non-financial assets and liabilities		(2,424)	(2,406)
Taxes paid		(1,946)	(1,491)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**15,366**	**(2,738)**
Net decrease in cash related to acquisitions and disposals of consolidated entities	8.c	(11,661)	(733)
Net decrease related to property, plant and equipment and intangible assets		(1,348)	(981)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		**(13,009)**	**(1,714)**
Increase (decrease) in cash and equivalents related to transactions with shareholders		1,750	(2,050)
Increases in cash and equivalents generated by other financing activities		3,875	7,320
NET INCREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**5,625**	**5,270**
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**(473)**	**401**
NET INCREASE IN CASH AND EQUIVALENTS		**7,509**	**1,219**
Balance of cash and equivalent accounts at the start of the period		**8,565**	**7,346**
Net balance of cash accounts and accounts with central banks and post office banks		6,642	6,634
Net balance of demand loans and deposits - credit institutions		1,923	712
Balance of cash and equivalent accounts at the end of the period		**16,074**	**8,565**
Net balance of cash accounts and accounts with central banks and post office banks		8,712	6,642
Net balance of demand loans and deposits - credit institutions		7,362	1,923
NET INCREASE IN CASH AND EQUIVALENTS		**7,509**	**1,219**

NOTES TO THE FINANCIAL STATEMENTS
Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP Paribas Group

1.a APPLICABLE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS) were applied to the consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards adopted within the European Union.

Upon first-time adoption of international financial reporting standards at 1 January 2005, the BNP Paribas Group continued classifying undated subordinated debt and other undated subordinated notes as a component of debt (see note 5f). Since the date of first-time adoption, the International Financial Reporting Interpretations Committee (IFRIC) has been asked to consider the classification of such instruments under IAS 32 "Financial Instruments: Disclosure and Presentation". The IFRIC rejected the request for an interpretation in November 2006, but comments received regarding this issue will be examined by the International Accounting Standard Board (IASB). Pending a formal opinion from the IASB, BNP Paribas continues to classify these instruments as debt rather than equity. The impacts of reclassifying the instruments as equity would not be material.

The Group has applied those standards, amendments and interpretations endorsed by the European Union and applicable as of 1 January 2006. It has not early-adopted standards, amendments and interpretations whose application in 2006 is optional, in particular IFRS 7 – Financial Instruments: Disclosures, which has no impact on the measurement and recognition of transactions.

1.b CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to the Group. The consolidation of an entity is regarded as immaterial if it fails to meet any of the following thresholds: a contribution of more than EUR 8 million to consolidated net banking income, more than EUR 1 million to consolidated gross operating income or net income before tax (versus EUR 4 million in 2005), or more than EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

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

- the activities of the SPE are being conducted exclusively on behalf of the Group, such that the Group obtains benefits from those activities;
- the Group has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);
- the Group has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings, to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation;
- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the risk exposure of outside investors is significantly reduced as a result of a guarantee from a Group company.

CONSOLIDATION METHODS

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

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

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

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

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

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

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

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain on non-current assets".

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of BNP Paribas are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

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

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

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders' equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell. The Group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

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

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

The BNP Paribas Group tests goodwill for impairment on a regular basis.

As permitted under IFRS 1, business combinations that took place before 1 January 2004 and were recorded in accordance with the previously applicable accounting standards (French GAAP), have not been restated in accordance with the principles set out above.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units[2], representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is

[2] As defined by IAS 36.

recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

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

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

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

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

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

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

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

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

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*Comptes Épargne-Logement* – "CEL") and home savings plans (*Plans d'Épargne Logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;
- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

– Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss comprise:

  – financial assets held for trading purposes;
  – financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39.

  Securities in this category are measured at fair value at the balance sheet date. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

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

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

– Held-to-maturity financial assets

  Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

  Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

– Available-for-sale financial assets

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

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

  Gains and losses realised on disposal of available-for-sale financial assets are taken to the profit and loss account under "Net gain/loss on available-for-sale financial assets". Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised in "Net gain/loss on available-for-sale financial assets" when the Group's right to receive payment is established.

• Repurchase agreements and securities lending/borrowing

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

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in "Financial assets at fair value through profit or loss".

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity is recognised in the balance sheet under "Financial liabilities at fair value through profit or loss".

- Date of recognition for securities transactions

Accounting classification	*Date of recognition*
- At fair value through profit or loss	Trade date
- Held-to-maturity financial assets	Trade date
- Available-for-sale financial assets	Trade date
- Repurchase agreements at fair value through profit or loss	Settlement date
- Repurchase agreements in loans & receivables and debt	Settlement date
- Sale of borrowed securities	Settlement date

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

FOREIGN CURRENCY TRANSACTIONS

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

Monetary assets and liabilities3 expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

[3] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are taken to the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under "Cost of risk".

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition. In the case of variable-income securities quoted in an active market, a prolonged or

significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Impairment losses taken against fixed-income securities are recognised in “Cost of risk”, and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line “Net gain/loss on available-for-sale financial assets”, and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

ISSUES OF DEBT SECURITIES

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

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

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

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

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

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

When the Group acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders.

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

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued ;
- as debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares;
- as derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

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

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

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

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

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

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);
- the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings;
- the hedging instruments used consist exclusively of "plain vanilla" swaps;
- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge

will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

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

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, "Unrealised or deferred gains or losses". The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

Cash flow hedges contracted to protect the Group against foreign currency risk qualified for cash flow hedge accounting up to 31 December 2005, whenever the currency hedged was a currency other than the euro. In an amendment to IAS 39 effective 1 January 2006, transactions carried out in the functional currency of the entity initiating the transaction may no longer be designated as the hedged item in a foreign currency cash flow hedge. Any such hedges existing at that date were therefore disqualified from hedge accounting.

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

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

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

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders' equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part.

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset

or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

DETERMINATION OF FAIR VALUE

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

Method of determining fair value

Fair value is determined:

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

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market, bids and offers are matched, or instruments are traded that are very similar to the instrument being valued.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is applied to the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

- Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

  Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

  These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity risk and credit risk.

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

- Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

  Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques or techniques that are based on data only partially observable on active markets.

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

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

- Unlisted equity securities

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

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

– hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;

- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
- where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

NETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.d INSURANCE

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

All other insurance company assets and liabilities are accounted for using the policies applied to the Group's assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

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

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

LIABILITIES

The Group's obligations to policyholders and beneficiaries are shown in "Technical reserves of insurance companies", and comprise:

- liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive, as a supplement to guaranteed benefits, a share of actual profits;
- liabilities relating to other financial contracts, which are covered by IAS 39, are shown in "Due to customers".

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

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

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

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

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in

individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to “Policyholders’ surplus” on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

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

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under “Income from other activities” and “Expenses on other activities”.

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

1.e PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

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

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

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

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

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

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

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

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

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Net gain on non-current assets”.

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

1.f LEASES

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

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

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

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under “Interest income”. The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest such that the net income reflects a constant

rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

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

- Operating leases:

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

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

LESSEE ACCOUNTING:

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

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

- Operating leases:

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

1.g NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets

held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

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

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.
All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

1.h EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

– short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
– long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
– termination benefits;
– post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no "corridor" is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

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

- Post-employment benefits

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

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

Only defined-benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

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

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

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

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

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

At the date of first-time adoption, BNP Paribas elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

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

The annual expense recognised in the profit and loss account under "Salaries and employee benefits" in respect of defined-benefit plans comprises the current service cost (the rights vested in each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the

expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

1.i SHARE-BASED PAYMENT

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

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

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment. This expense, the credit entry for which is posted to shareholders' equity, is calculated on the basis of the overall plan value, determined at the grant date by the Board of Directors.

In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

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

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions offered to employees under the company savings plan

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

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

an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

1.j PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

1.k CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

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

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

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

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

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

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

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under "Corporate income tax".

1.l STATEMENT OF CASH FLOWS

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks and post office banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

1.m USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the financial statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the financial statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

2 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

2.a NET INTEREST INCOME

The BNP Paribas Group includes in “Interest income” and “Interest expense” all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of derivative instruments. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised in “Net gain/loss on financial instruments at fair value through profit or loss”.

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item.

Interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions. Applied for the first time in 2006, this allocation provides a better economic representation of transactions designated as at fair value through profit or loss by adopting a symmetrical treatment for interest relating to the hedged item and interest relating to the hedge, and is consistent with the classification selected for the hedged financial instruments concerned. If this treatment had been applied in 2005 it would have led to the reclassification of EUR 411 million in income from the caption "Net gain/loss on financial instruments at fair value through profit or loss" to “Trading book – debt securities” included in net interest income.

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005		
	Income	Expense	Net	Income	Expense	Net
Customer items	**20,255**	**(8,481)**	**11,774**	**14,269**	**(5,916)**	**8,353**
Deposits, loans and borrowings	18,984	(8,339)	10,645	13,279	(5,794)	7,485
Repurchase agreements	12	(90)	(78)	7	(83)	(76)
Finance leases	1,259	(52)	1,207	983	(39)	944
Interbank items	**4,412**	**(6,329)**	**(1,917)**	**3,548**	**(5,389)**	**(1,841)**
Deposits, loans and borrowings	4,202	(5,924)	(1,722)	3,378	(5,210)	(1,832)
Repurchase agreements	210	(405)	(195)	170	(179)	(9)
Debt securities issued	**-**	**(5,634)**	**(5,634)**	**-**	**(3,535)**	**(3,535)**
Cash flow hedge instruments	**2,805**	**(1,455)**	**1,350**	**1,801**	**(891)**	**910**
Interest rate portfolio hedge instruments	**452**	**(92)**	**360**	**424**	**(310)**	**114**
Trading book	**12,724**	**(13,467)**	**(743)**	**8,051**	**(8,313)**	**(262)**
Fixed-income securities	2,686	-	2,686	1,994	-	1,994
Repurchase agreements	9,946	(11,234)	(1,288)	6,022	(6,649)	(627)
Loans / Borrowings	92	(124)	(32)	35	(99)	(64)
Debt securities	-	(2,109)	(2,109)	-	(1,565)	(1,565)
Available-for-sale financial assets	**3,184**	**-**	**3,184**	**3,213**	**-**	**3,213**
Held-to-maturity financial assets	**750**	**-**	**750**	**781**	**-**	**781**
Total interest income/(expense)	**44,582**	**(35,458)**	**9,124**	**32,087**	**(24,354)**	**7,733**

Interest income on individually impaired loans amounted to EUR 309 million at 31 December 2006, compared with EUR 201 million at 31 December 2005.

2.b NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005
	Trading book	Assets designated at fair value through profit or loss	Total	Total
Fixed-income securities	266	273	539	145
Variable-income securities	9,888	276	10,164	10,398
of which dividends	*2,008*	*52*	*2,060*	*1,722*
Derivative instruments	(3,935)	-	(3,935)	(5,962)
Repurchase agreements	(20)	12	(8)	27
Loans	(3)	(133)	(136)	42
Borrowings	29	32	61	(13)
Remeasurement of interest-rate risk hedged portfolios	185	-	185	59
Remeasurement of currency positions	703	-	703	516
Total	**7,113**	**460**	**7,573**	**5,212**

2.c NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

"Net gain/loss on available-for-sale financial assets" includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments.

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Fixed-income securities (1)	**38**	**93**
Disposal gains and losses	38	93
Equities and other variable-income securities	**1,329**	**1,260**
Dividend income	452	293
Additions to impairment provisions	(77)	(71)
Net disposal gains	954	1,038
Total	**1,367**	**1,353**

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

Unrealised gains and losses – previously recorded under "Unrealised or deferred gains and losses" – and taken to the profit and loss account amounted to EUR 725 million during the year ended 31 December 2006, compared with EUR 861 million for the year ended 31 December 2005.

2.d NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	18,066	(15,767)	2,299	16,875	(15,117)	1,758
Net income from investment property	735	(225)	510	695	(229)	466
Net income from assets held under operating leases	3,586	(3,018)	568	3,433	(2,919)	514
Net income from property development activities	136	(34)	102	121	(35)	86
Other	607	(311)	296	483	(298)	185
Total net income from other activities	**23,130**	**(19,355)**	**3,775**	**21,607**	**(18,598)**	**3,009**

Net income from insurance activities

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Gross premiums written	14,701	11,527
Movement in technical reserves	(8,470)	(7,329)
Claims and benefits expense	(6,462)	(5,442)
Reinsurance ceded, net	(22)	(7)
Change in value of admissible investments related to unit-linked business	2,509	2,953
Other income and expense	43	56
Total net income from insurance activities	**2,299**	**1,758**

“Claims and benefits expense” includes expenses arising from surrenders, maturities and claims relating to insurance contracts. "Movement in technical reserves" reflects changes in the value of financial contracts, in particular unit-linked contracts. Interest paid on such contracts is recognised in “Interest expense”.

Operating leases

In millions of euros	31 December 2006	31 December 2005
Future minimum lease payments receivable under non-cancellable leases	**3,404**	**2,972**
Payments receivable within 1 year	1,584	1,229
Payments receivable after 1 year but within 5 years	1,781	1,654
Payments receivable beyond 5 years	39	89

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

2.e COST OF RISK AND IMPAIRMENT LOSSES RECOGNISED FOR CREDIT AND COUNTERPARTY RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Additions to impairment provisions	(3,085)	(2,166)
Reversals of impairment provisions	2,310	1,651
Recoveries on loans and receivables previously written off	247	129
Irrecoverable loans and receivables not covered by impairment provisions	(255)	(224)
Total cost of risk for the period	**(783)**	**(610)**

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Loans and receivables due from credit institutions	2	10
Loans and receivables due from customers	(810)	(540)
Available-for-sale financial assets	6	9
Other assets	(7)	(2)
Off-balance sheet commitments and other items	26	(87)
Total cost of risk for the period	**(783)**	**(610)**

- Provisions for impairment: credit and counterparty risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Total impairment provisions at start of period	**11,094**	**11,328**
Additions to impairment provisions	3,085	2,166
Reversals of impairment provisions	(2,310)	(1,651)
Utilisation of impairment provisions	(1,429)	(1,468)
Impact of the consolidation of Banca Nazionale del Lavoro	4,143	-
Effect of exchange rate movements and other items	(128)	719
Total impairment provisions at end of period	**14,455**	**11,094**

Impairment provisions by asset type, in millions of euros	31 December 2006	31 December 2005
Impairment of assets		
Loans and receivables due from credit institutions	92	163
Loans and receivables due from customers	13,525	10,459
Available-for-sale financial assets	133	152
Other assets	27	20
Total impairment provisions against financial assets	**13,777**	**10,794**
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions (Note 4.b)	3	2
- to customers (Note 4.b)	235	242
Other items subject to provisions	440	56
Total provisions recognised as liabilities	**678**	**300**
Total impairment provisions	**14,455**	**11,094**

2.f CORPORATE INCOME TAX

- Net corporate income tax expense

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Current tax expense for the period	(2,304)	(1,773)
Net deferred tax expense for the period (Note 5.h)	(458)	(365)
Net corporate income tax expense	**(2,762)**	**(2,138)**

The tax saving arising from the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 71 million for the year ended 31 December 2006, compared with EUR 45 million for the year ended 31 December 2005.

- Analysis of effective tax rate

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net income	7,808	6,286
Corporate income tax expense	(2,762)	(2,138)
Average effective tax rate	**26.1%**	**25.4%**
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-3.4%	-3.7%
Items taxed at reduced rate in France	-2.0%	-3.6%
Permanent differences	0.1%	0.1%
Other items	-1.9%	-0.7%
Average effective tax rate	**26.1%**	**25.4%**

3 SEGMENT INFORMATION

The Group is composed of four core businesses:

- French Retail Banking;
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets;
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services;
- Corporate and Investment Banking (CIB), comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing).

In addition to these four core businesses are the operations conducted by Banca Nazionale del Lavoro (BNL), which was acquired by the Group in the second quarter of 2006 (see Note 8.c). BNL's contribution to income since the acquisition date is set out below.

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented comprises agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance sheet. Segment assets are determined by extracting accounting data allocated for each segment. Segment liabilities are determined on the basis of normalised equity by core business used for capital allocation purposes.

This capital allocation is carried out on the basis of risk exposure, taking into account various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

The geographical split of assets and income is based on the country/region in which the relevant activity is recognised for accounting purposes.

- Information by business segment

- Income by business segment

In millions of euros	French Retail Banking		BNL		IRBFS		AMS	
	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec 2005	Year to 31 Dec. 2006	Year to 31 Dec 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net banking income	**5,633**	**5,270**	**2,294**	**-**	**7,296**	**5,968**	**4,350**	**3,552**
Operating expense	(3,711)	(3,605)	(1,476)	-	(4,173)	(3,385)	(2,763)	(2,331)
Cost of risk	(153)	(195)	(240)	-	(708)	(559)	(2)	(8)
Operating income	**1,769**	**1,470**	**578**	**-**	**2,415**	**2,024**	**1,585**	**1,213**
Share of earnings of associates	1	-	19	-	54	112	15	1
Other non-operating items	-	-	(9)	-	45	39	(4)	52
Pre-tax net income	**1,770**	**1,470**	**588**	**-**	**2,514**	**2,175**	**1,596**	**1,266**

- Assets and liabilities by business segment

In millions of euros	French Retail Banking		BNL		IRBFS		AMS	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 december 2005	31 December 2006	31 December 2005
Total segment assets	**123,495**	**106,717**	**81,955**	**-**	**154,945**	**145,585**	**142,520**	**134,486**
- of which goodwill on acquisitions during the period	-	25	*2,165*	-	*341*	*994*	*73*	*175*
- of which investments in associates	5	-	*229*	-	*750*	*534*	*249*	*46*
Total segment liabilities	**117,908**	**101,376**	**75,623**	**-**	**141,090**	**132,511**	**136,391**	**128,913**

- Information by geographic area

- Net banking income by geographic area

In millions of euros	France		Other European countries		Americas	
	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net banking income	13,658	12,154	8,281	4,776	3,975	3,365

- Assets and liabilities by geographic area

In millions of euros	France		Other European countries		Americas	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Total segment assets	834,373	738,366	291,870	226,454	199,799	153,439
Goodwill on acquisitions during the period	69	173	2,508	67	3	835

(1) As a result of the organisational changes implemented within the CIB and the IRBFS divisions during the first half of 2006, a number of activities were transferred between the Advisory & Capital Markets and Financing businesses, and between IRBFS and Other Activities. In order to facilitate year-on-year comparisons of cost accounting figures, the data for 2005 have been restated to reflect the new organisational structure. The resulting adjustments had the following impacts:

- no effect on total earnings reported by the CIB division. The adjustments amounted to EUR 168 million in respect of net banking income for the two CIB sub-groups, EUR 106 million in respect of operating expense, EUR 19 million for other non-operating items and EUR 81 million for pre-tax net income;
- a EUR 12 million decrease in net banking income, operating income and pre-tax net income for the IRBFS division, with a corresponding increase relating to net banking income, operating income and pre-tax net income of “Other Activities”.

(2) “Other Activities” includes operations conducted by BNP Paribas Capital.

(3) In 2006, restructuring costs incurred in connection with the acquisition of BNL were included in operating expense of “Other Activities” in an amount of EUR 151 million.

Corporate & Investment Banking				Other Activities [2]		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec. 2006	Year to 31 Dec 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec 2005 [1]	Year to 31 Dec 2006 [3]	Year to 31 Dec 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec. 2005
5,274	**3,890**	**2,585**	**2,532**	**511**	**642**	**27,943**	**21,854**
(3,284)	(2,683)	(1,113)	(1,028)	(545)	(337)	(17,065)	(13,369)
(16)	(1)	269	131	67	22	(783)	(610)
1,974	**1,206**	**1,741**	**1,635**	**33**	**327**	**10,095**	**7,875**
10	3	-	-	194	236	293	352
44	42	(12)	4	118	60	182	197
2,028	**1,251**	**1,729**	**1,639**	**345**	**623**	**10,570**	**8,424**

Corporate & Investment Banking		Other Activities [2]		Total	
31 December 2006	31 December 2005	31 December 2006	31 december 2005	31 December 2006	31 December 2005
900,445	**827,919**	**36,983**	**43,372**	**1,440,343**	**1,258,079**
-	*7*	*1*	*3*	*2,580*	*1,204*
29	*11*	*1,510*	*1,232*	*2,772*	*1,823*
890,818	**818,607**	**31,484**	**39,307**	**1,393,314**	**1,220,714**

Asia - Oceania		Other countries		Total	
Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005
1,291	**927**	**738**	**632**	**27,943**	**21,854**

Asia - Oceania		Other countries		Total	
31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
99,286	**127,450**	**15,015**	**12,370**	**1,440,343**	**1,258,079**
-	**8**	**-**	**121**	**2,580**	**1,204**

4 RISK EXPOSURE AND HEDGING STRATEGIES

ORGANISATION OF RISK MANAGEMENT

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring, approving and controlling risks at Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM has a vocation to cover all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures, defining and/or validating risk-measurement methods, and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

The GRM function is organised based on a differentiated approach by risk-type: Credit and Counterparty Risk, split into three sections (France, International, and Banks and Financial Institutions); Market and Liquidity Risk; and Operational Risk. The GRM function also has specialist units involved in the analysis, summarising and reporting of data.

4.a CREDIT RISK

Credit risk is the risk of incurring a financial loss on loans and receivables (existing or potential due to commitments given) as a result of credit quality migration of the Bank's debtors, which can result in default. Credit quality is primarily measured based on the probability of default, combined with expected recovery of the loan or receivable in the event of default. Credit risk is measured at portfolio level based on groups of loans and/or receivables with similar credit risk characteristics, taking into account correlations between the values of the loans and receivables making up the portfolio concerned.

Credit risk arises in relation to lending operations as well as market, investing and/or payment transactions that potentially expose the Bank to the risk of counterparty default.

Counterparty risk is the bilateral credit risk relating to the third party with which a transaction is entered into. The amount of this risk varies over time in line with market parameters that impact the value of the transaction.

MANAGEMENT OF CREDIT RISK

- General credit policy and credit control and provisioning procedures

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The key principles governing the policy include compliance with the Group's ethical standards, clear definition of responsibilities, and strict application of risk analysis procedures. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

- Decision-making procedures

A system of delegated lending limits has been established and all lending decisions must be approved by a formally designated member of GRM. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may require consultation of an industry expert or of designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

- Monitoring procedures

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of delegated lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. This Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- Impairment procedures

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the realisation of collateral.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but where the customers in question have not been identified as in default (in which case, they would be covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the rating system described below.

- Internal rating system

The Bank has a comprehensive rating system that has been updated in order to comply with the future requirements of banking supervisors for determining risk-weighted assets used to compute capital adequacy ratios. The Bank periodically checks that this system is appropriate and is being correctly implemented. In addition, the French Banking Commission is in the process of ensuring that the system complies with the regulatory framework. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are twelve counterparty ratings. Ten cover “sound” clients, which include a range of credit quality levels from “excellent” to “very concerning”, and two relate to clients deemed to be in default, as per the definition by the banking supervisor. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. Adapted quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

- Portfolio policy

In addition to careful selecting and evaluating individual risks, BNP Paribas follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and guidelines. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses related to crisis scenarios. BNP Paribas also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

- Risk reduction techniques

\- Collateral and other security

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to reduce risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

\- Netting agreements

Netting is a technique used by the Bank to attenuate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

\- Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitisations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks. As part of this process, the protected loans remain on the consolidated balance sheet and are hedged by credit derivatives. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applicable to derivatives used for other purposes.

For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches which are generally junior or mezzanine.

CREDIT RISK EXPOSURE

The table below shows the credit risk exposure of all financial assets held by the BNP Paribas Group. Credit risk exposure, determined without taking account of unrecognised netting or collateral, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	31 December 2006	31 December 2005
Financial assets at fair value through profit or loss (excluding variable-income securities) *(Note 5.b)*	607,541	582,201
Derivatives used for hedging purposes	2,803	3,087
Available-for-sale financial assets (excluding variable-income securities) *(Note 5.d)*	78,033	77,608
Loans and receivables due from credit institutions	75,170	45,009
Loans and receivables due from customers	393,133	301,196
Held-to-maturity financial assets	15,149	15,445
Balance sheet commitment exposure, net of impairment provisions	**1,171,829**	**1,024,546**
Financing commitments given *(Note 6.a)*	235,736	209,679
Guarantee commitments given *(Note 6.b)*	80,945	67,154
Provisions for off balance sheet commitments *(Note 2.e)*	(238)	(244)
Off-balance sheet commitment exposure, net of provisions	**316,443**	**276,589**
Total net exposure	**1,488,272**	**1,301,135**

This exposure does not take into account the effect of master netting agreements in force at 31 December 2006 or collateral on over-the-counter forward financial instruments. Based on calculations prepared using the prudential method the impact of these items would reduce the Group's credit risk exposure by EUR 123 billion at 31 December 2006 (approximately EUR 133 billion at 31 December 2005).

In addition, this exposure does not take into account collateral and other security obtained by the Group in connection with its lending activities, nor purchases of credit protection.

Due to its size, the Group may have significant exposure in absolute terms to certain counterparties, geographic areas or industries. However, the concentration of financial assets with credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a geographic area or industry.

4.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- Interest rate risk covers potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- Currency risk is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- Price risk arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares, or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- Credit spread risk on the trading book: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

Market risks arise mainly on the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

RISK ACCEPTANCE PROCESS

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to control certain specific risks not fully captured by GeaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Market Risk Committee. For secondary market trading, they are expressed in terms of GeaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- daily calculation of the risk and value of the Group's trading positions;
- daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database;

- periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria;
- a weekly report aggregating all significant positions by activity;
- the Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

MEASUREMENT OF MARKET RISK ON TRADING ACTIVITIES

Market risk on trading activities is measured and assessed using detailed sensitivity analysis of each type of position, and global analyses, such as GEaR and stress tests that measure aggregate exposures.

- Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

- GEaR

BNP Paribas operates an internal Value at Risk (VaR) system, approved by banking supervisory authorities, to estimate the potential loss arising from an unfavourable change in market conditions – the key element in market risk measurement.

Potential losses are measured using "Gross Earnings at Risk" (GEaR). GEaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. GEaR calculation methods are continually fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day GEaR.

The banking supervisory authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are :

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GeaR in 99% of cases);
- historical data covering one year (260 days) of trading.

For the year to 31 December 2006, total average Value at Risk was EUR 71 million (with a minimum of EUR 48 million and a maximum of EUR 116 million), after taking into account the effect of netting the different types of risk (EUR 104 million). These amounts break down as follows:

	Year to 31 Dec. 2006			31 December 2006	31 December 2005
	Average	Minimum	Maximum		
Interest rate risk	42	27	69	45	48
Credit risk	55	28	87	70	63
Currency risk	7	2	17	8	13
Equity price risk	55	29	135	66	43
Commodity price risk	16	11	34	17	17
Effect of netting	*(104)*			*(142)*	*(94)*
TOTAL	**71**	**48**	**116**	**64**	**90**

4.c MARKET RISKS RELATED TO BANKING INTERMEDIATION ACTIVITIES AND INVESTMENTS

These risks relate mainly to retail banking activities in France and abroad, the specialised financing subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management function, which forms part of the Asset/Liability Management & Treasury (ALM-Treasury) Department.

ALM-Treasury, which is part of Corporate & Investment Banking, is supervised by two committees chaired by the Group Senior Advisor or a Chief Operating Officer:

- the ALM Commercial Banking Committee, responsible for decisions on the mismatch and match funding principles applicable to the balance sheet of the commercial banking business and on the related interest rate risks;
- the ALM-Treasury Investment Banking Committee, responsible for establishing the Group's financing and liquidity management policy, managing solvency ratios and structural currency risk, and monitoring market risks relating to the Treasury function.

INTEREST RATE RISK

- Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialised financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM-Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM-Treasury, in the equity intermediation book.

Transactions initiated by the Bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the net position of the entity.

Positions are measured and transfers to ALM-Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, and the business line ALM managers (who report operationally to ALM-Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

- Measurement of interest rate risk

Banking book interest rate gaps are measured, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For retail banking products, behavioural models are based on historical data and econometric studies. The models deal with early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

In addition, a specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

During the year, the Market Risk Department continued to perform controls over risks arising from the use of behavioural and other models for Asset/Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in a specialist committee.

- Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty on future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialised financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralisation of risks at ALM-Treasury level. The residual risk is controlled by technical interest rate gap limits, monitored by the ALM committee of the relevant business line.

- Sensitivity of the value of banking intermediation books

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately EUR 315,000 at 31 December 2006, compared with approximately EUR 460,000 at 31 December 2005.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 December 2006					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(33)	(362)	(1,146)	(1,681)	4,468	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	**(160)**	**(401)**	**(1,609)**	**(1,898)**	**3,753**	**(315)**

In thousands of euros	31 December 2005					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	98	(1,005)	(1,174)	447	(201)	(1,835)
USD	79	96	(391)	588	1,182	1,554
GBP	(1)	5	(122)	(37)	(20)	(175)
Other currencies	1	(9)	(34)	12	26	(4)
TOTAL	**177**	**(913)**	**(1,721)**	**1,010**	**987**	**(460)**

CURRENCY RISK

- Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management function is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

- Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests expressed in foreign currencies, financed by purchasing the currency in question.

Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

However, for most soft currencies, the investment is financed by purchasing the currency in question.

HEDGING OF INTEREST RATE AND CURRENCY RISKS

The hedging relationships initiated by the Group are mainly intended to hedge interest rate or currency risk, in the form of swaps, options, forwards or futures.

Depending on the objective for the hedge, derivative financial instruments used for hedging purposes are designated as either fair value hedges, cash flow hedges, or net foreign investment hedges.

Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

- Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex post basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

- Cash flow hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of currency risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity band analyses.

The table below shows the amount of hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 December 2006				31 December 2005			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Hedged cash flows	657	1,988	2,720	5,365	668	1,843	1,969	4,480

In the year ended 31 December 2006, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

4.d LIQUIDITY RISK

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

OBJECTIVES OF THE LIQUIDITY RISK MANAGEMENT POLICY

The objectives of the Group's liquidity management policy are to secure a balanced financing mix to support BNP Paribas' development strategy; to ensure the Group is always in a position to discharge its obligations to its customers; to ensure that it does not trigger a systemic crisis solely by its own actions; to comply with the standards set by local banking regulators; to keep the cost of refinancing as low as possible; and to cope with any liquidity crises.

ROLES AND RESPONSIBILITIES IN LIQUIDITY RISK MANAGEMENT

The ALM-CIB Committee, acting on recommendations from ALM-Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programmes. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM-Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM-CIB Committee, ALM-Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The ALM business line committees and local ALM committees implement at local level the strategy approved by the ALM-CIB Committee.

GRM ensures oversight over the models, risk indicators, limits and market parameters that are used.

CORE PRINCIPLE OF THE GROUP'S LIQUIDITY POLICY: CENTRALISATION OF LIQUIDITY MANAGEMENT, IRRESPECTIVE OF MATURITY, WITHIN THE ALM-TREASURY FUNCTION

ALM-Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium or long-term financing. The Treasury function is responsible for refinancing and for short-term issues (certificates of deposit, commercial paper, etc). The ALM function is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds, etc), preferred share issues, and loan securitisation programmes for the retail banking business.

ALM-Treasury is also tasked with providing finance to the Group's core businesses and business lines, and reinvesting their surplus cash.

DAY-TO-DAY LIQUIDITY MANAGEMENT IS BASED ON A FULL RANGE OF INTERNAL STANDARDS AND WARNING FLAGS AT VARIOUS MATURITIES

1. An overnight target is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to the major currencies in which the Group does business.

2. The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- The one-year ratio for outstandings that have contractually matured represents the maturity gap, at one year plus, of outstandings compared with applications of funds of the same type. The gap represents the short fall in outstandings relative to applications of funds with the same maturity.
- The one-year internal liquidity ratio on total outstandings is defined as the total maturity gap, at one year plus, of outstandings with a residual maturity of more than one year. The gap represents the short fall in outstandings relative to applications of funds with the same maturity carried on– and off-balance sheet in the form of contractual commitments with no maturity. The cap, which was set at 25% for up to 2006, has been reduced to 20% for 2007.
- The permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year plus gap on outstandings that have contractually matured, and is set at a minimum of 60%.

These three internal ratios are based on liquidity maturity schedules of balance sheet and off-balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks – 100% weighted, and with customers – 20% or 30% weighted) or theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

REGULATORY RATIOS: THE FINAL PLANK IN THE LIQUIDITY RISK MANAGEMENT SYSTEM

The 1-month regulatory liquidity coefficient and regulatory observation ratios are calculated monthly. These ratios cover the parent company BNP Paribas SA (French operations and branches). Group subsidiaries required to comply with this ratio calculate it independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than 5 years.

Foreign subsidiaries and branches may be subject to local regulatory coefficient requirements.

LIQUIDITY RISK REDUCTION TECHNIQUES

As part of the day-to-day management of liquidity, and in the event of a one-off liquidity crisis, the Group's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling under repurchase agreement financial instruments on the open market or by discounting assets with the central bank.

If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by disposing of assets.

As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets, via the securitisation of loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing. In the last quarter of 2006, BNP Paribas set up a covered bond programme representing EUR 25 billion, of which EUR 2.5 billion worth were issued in December.

5 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2006

5.a INTERBANK AND MONEY-MARKET ITEMS

- Loans and receivables due from credit institutions

In millions of euros	31 December 2006	31 December 2005
Demand accounts	15,230	7,799
Loans	52,394	32,700
Repurchase agreements	7,638	4,673
Total loans and receivables due from credit institutions, before impairment provisions	**75,262**	**45,172**
Provisions for impairment of loans and receivables due from credit institutions	(92)	(163)
Total loans and receivables due from credit institutions, net of impairment provisions	**75,170**	**45,009**

- Amounts due to credit institutions

In millions of euros	31 December 2006	31 December 2005
Demand accounts	7,892	5,879
Borrowings	121,417	100,298
Repurchase agreements	14,341	12,716
Total due to credit institutions	**143,650**	**118,893**

5.b FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as at fair value through profit or loss at the time of acquisition or issue.

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as at fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, whose changes in value are cancelled out by changes in the value of the hedging instrument. The nominal value of financial liabilities at fair value through profit or loss at 31 December 2006 was EUR 61,521 million (EUR 44,523 million at 31 December 2005).

The measurement of financial liabilities at fair value through profit or loss does not take into account any change in fair value attributable to issuer risk relating to the BNP Paribas Group itself, as the related impact is regarded as immaterial.

In millions of euros	31 December 2006			31 December 2005		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposit	**48,633**	**174**	**48,807**	**58,275**	**535**	**58,810**
Treasury bills and other bills eligible for central bank refinancing	34,680	9	34,689	47,041	10	47,051
Other negotiable certificates of deposit	13,953	165	14,118	11,234	525	11,759
Bonds	**131,938**	**6,577**	**138,515**	**125,547**	**6,079**	**131,626**
Government bonds	66,962	206	67,168	72,585	271	72,856
Other bonds	64,976	6,371	71,347	52,962	5,808	58,770
Equities and other variable-income securities	**94,989**	**42,328**	**137,317**	**84,264**	**34,060**	**118,324**
Repurchase agreements	**254,967**	**103**	**255,070**	**200,040**	**69**	**200,109**
Loans	**231**	**3,451**	**3,682**	**86**	**1,042**	**1,128**
to credit institutions	*7*	*3,407*	*3,414*	*7*	*1,042*	*1,049*
to corporate customers	*214*	*44*	*258*	*63*	*-*	*63*
to private individual customers	*10*		*10*	*16*	*-*	*16*
Trading book derivatives	**161,467**	**-**	**161,467**	**190,528**	**-**	**190,528**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**692,225**	**52,633**	**744,858**	**658,740**	**41,785**	**700,525**
of which loaned securities	*28,307*		*28,307*	*29,587*	*422*	*30,009*
excluding equities and other variable-income securities (Note 4.a)			*607,541*			*582,201*
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling	118,987	-	118,987	137,381	-	137,381
Repurchase agreements	289,711	-	289,711	222,292	-	222,292
Borrowings	748	4,392	5,140	240	1,468	1,708
Credit institutions	*547*	*1,436*	*1,983*		*614*	*614*
Corporate customers	*201*	*2,956*	*3,157*	*240*	*854*	*1,094*
Debt securities		55,279	55,279		42,933	42,933
Trading book derivatives	184,211		184,211	206,367	-	206,367
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**593,657**	**59,671**	**653,328**	**566,280**	**44,401**	**610,681**

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions which are primarily contracted to protect the Group's loan book.

The table below shows the positive or negative fair value of derivative instruments classified in the trading book. These values represent the replacement value of the instruments and may fluctuate significantly in response to changes in market parameters, such as interest rates or exchange rates.

In millions of euros	31 December 2006		31 December 2005	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
Currency derivatives	19,242	17,799	34,423	33,963
Interest rate derivatives	79,004	78,707	102,502	102,328
Equity derivatives	71,983	51,661	64,489	49,829
Credit derivatives	9,634	9,487	868	586
Other derivatives	4,348	3,813	4,085	3,822
Total trading book derivatives	**184,211**	**161,467**	**206,367**	**190,528**

The total notional amount of trading derivatives was EUR 24,354,680 million at 31 December 2006, compared with EUR 20,726,170 million at 31 December 2005. The notional amounts of derivative instruments are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

Derivatives traded on organised markets represent approximately half of the Group's derivatives transactions.

5.c DERIVATIVES USED FOR HEDGING PURPOSES

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

In millions of euros	31 December 2006		31 December 2005	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	4	1	-	1
Interest rate derivatives	771	2,134	837	2,527
Other derivatives	7	8	-	10
FAIR VALUE HEDGES	**782**	**2,143**	**837**	**2,538**
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	86	243	82	98
Interest rate derivatives	463	416	96	451
Other derivatives	-	1	-	-
CASH FLOW HEDGES	**549**	**660**	**178**	**549**
DERIVATIVES USED AS NET FOREIGN INVESTMENT HEDGES				
Currency derivatives	4	-	-	-
NET INVESTMENT HEDGES	**4**	**-**	**-**	**-**
DERIVATIVES USED FOR HEDGING PURPOSES	**1,335**	**2,803**	**1,015**	**3,087**

The total notional amount of derivatives used for hedging purposes stood at EUR 328,354 million at 31 December 2006, compared with EUR 278,349 million at 31 December 2005.

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

5.d AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2006	31 December 2005
Negotiable certificates of deposit	**12,456**	**15,210**
Treasury bills and other bills eligible for central bank refinancing	8,653	9,275
Other negotiable certificates of deposit	3,803	5,935
Bonds	**65,710**	**62,550**
Government bonds	45,935	43,960
Other bonds	19,775	18,590
Equities and other variable-income securities	**19,730**	**16,311**
Total available-for-sale financial assets, before impairment provisions	**97,896**	**94,071**
of which unrealised gains and losses	*7,026*	*7,381*
of which fixed-income securities	*78,166*	*77,760*
of which loaned securities	*538*	*584*
Provisions for impairment of available-for-sale financial assets	**(1,157)**	**(1,365)**
Fixed-income securities	(133)	(152)
Variable-income securities	(1,024)	(1,213)
Total available-for-sale financial assets, net of impairment provisions	**96,739**	**92,706**
of which fixed-income securities, net of impairment provisions (Note 4.a)	*78,033*	*77,608*

5.e CUSTOMER ITEMS

- **Loans and receivables due from customers**

In millions of euros	31 December 2006	31 December 2005
Demand accounts	26,271	20,539
Loans to customers	356,564	273,305
Repurchase agreements	1,065	734
Finance leases	22,758	17,077
Total loans and receivables due from customers, before impairment provisions	**406,658**	**311,655**
Impairment of loans and receivables due from customers	(13,525)	(10,459)
Total loans and receivables due from customers, net of impairment provisions	**393,133**	**301,196**

- **Breakdown of finance leases**

In millions of euros	31 December 2006	31 December 2005
Gross investment	**25,486**	**18,637**
Receivable within 1 year	*7,739*	*5,791*
Receivable after 1 year but within 5 years	*13,216*	*10,005*
Receivable beyond 5 years	*4,531*	*2,841*
Unearned interest income	(2,728)	(1,560)
Net investment before impairment provisions	**22,758**	**17,077**
Receivable within 1 year	*6,895*	*5,346*
Receivable after 1 year but within 5 years	*11,833*	*9,117*
Receivable beyond 5 years	*4,030*	*2,614*
Impairment provisions	(437)	(344)
Net investment after impairment provisions	**22,321**	**16,733**

- **Due to customers**

In millions of euros	31 December 2006	31 December 2005
Demand deposits	142,522	102,945
Term accounts	100,988	91,125
Regulated savings accounts	40,469	41,292
Retail certificates of deposit	10,640	9,358
Repurchase agreements	4,033	2,774
Total due to customers	**298,652**	**247,494**

5.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 December 2006	31 December 2005
Debt securities at fair value through profit or loss *(Note 5.b)*	**55,279**	**42,933**
Other debt securities	**121,559**	**84,629**
Negotiable certificates of deposit	85,363	68,476
Bond issues	36,196	16,153
Subordinated debt	**17,960**	**16,706**
Redeemable subordinated debt	16,376	14,811
Undated subordinated debt	1,584	1,895
TOTAL	**194,798**	**144,268**

REDEEMABLE SUBORDINATED DEBT

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

UNDATED SUBORDINATED DEBT

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated subordinated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	31 December 2006	31 December 2005
Undated floating-rate subordinated notes (TSDIs)	808	887
Other undated subordinated notes	406	644
Undated participating subordinated notes	290	304
Issue costs and fees, accrued interest	80	60
TOTAL	**1,584**	**1,895**

- Undated floating-rate subordinated notes and other undated subordinated notes

The TSDIs and other undated subordinated notes issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets.

- Undated floating-rate subordinated notes

The various TSDI issues are as follows:

In millions of euros					31 December 2006	31 December 2005
Issuer	Issue date	Currency	Original amount in issue currency	Rate		
Paribas SA	September 1984	USD	24 million	3-month Libor + 3/8%	18	20
BNP SA	October 1985	EUR	305 million	TMO - 0.25%	290	305
Paribas SA	July 1986	USD	165 million	3-month Libor + 1/8%	121	140
BNP SA	September 1986	USD	500 million	6-month Libor + 0.75%	379	422
TOTAL					**808**	**887**

The TSDIs issued in US dollars contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, after approval of the banking supervisory authorities. They are not subject to any interest step up clause. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders approves a decision not to pay a dividend.

Payment of interest is obligatory on the TSDIs issued in October 1985 (representing a nominal amount of EUR 305 million), but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders notes that there is no income available for distribution.

- Other undated subordinated notes

The other undated subordinated notes issued by the Group between 1996 and 1999 may be redeemed at par prior to maturity on a date specified in the issue particulars, after approval of the banking supervisory authorities, and are entitled to a step up in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the

twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders Meeting approves a decision not to pay a dividend.

In millions of euros								
Issuer	Issue date	Currency	Original amount in issue currency	Redemption option/interest step up date	Interest rate	Interest step up (basis points)	31 December 2006	31 December 2005
BNP SA	July 1996	USD	20 million	July 2006	3-month Libor + 0.65%	+150 bp	-	17
BNP SA	December 1996	USD	200 million	December 2006	3-month Libor + 0.65%	+150 bp	-	169
BNP SA	January 1997	USD	50 million	January 2007	3-month Libor + 0.65%	+150 bp	38	42
BNP SA	January 1997	USD	50 million	December 2006	3-month Libor + 0.65%	+150 bp	-	42
BNP SA	May 1997	EUR	191 million	May 2007	6.50%	+200 bp (2)	189	191
BNP SA	July 1997	USD	50 million	July 2007	3-month Libor + 0.56%	+150 bp	38	42
BNP SA	Nov. 1997	EUR	9 million	November 2007	6.36%	+205 bp (2)	9	9
BNP SA	April 1998	EUR	77 million	April 2008	3-month Libor + 0.70%	+150 bp	77	77
Laser	May 1999	EUR	110 million (1)	May 2009	5.935%	+250 bp (3)	55	55
TOTAL							406	644

(1) Before application of the proportionate consolidation rate
(2) Above the 3-month Euribor
(3) Above the 3-month Eurolibor

- Undated participating subordinated notes

Undated participating subordinated notes issued by the Bank between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 325,560 notes were retired in 2004 and 2006 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Ordinary General Meeting of Shareholders Meeting held to approve the financial statements notes that there is no income available for distribution.

BREAKDOWN OF DEBT SECURITIES AND SUBORDINATED DEBT BY CONTRACTUAL MATURITY

The carrying amount of debt securities (except for negotiable certificates of deposit, recorded within "Other debt securities", regarded mostly as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2007	2008	2009	2010	2011	2012-2016	After 2016	TOTAL at 31 Dec 2006
Total senior and subordinated debt	16,085	11,457	9,390	7,748	11,730	32,181	20,844	109,435

Maturity or call option date, in millions of euros (unless otherwise indicated)	2006	2007	2008	2009	2010	2011-2015	After 2015	TOTAL at 31 Dec 2005
Total senior and subordinated debt	7 368	9 935	7 438	4 360	7 907	23 739	15 045	75 792

5.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2006	31 December 2005
Negotiable certificates of deposit	**2,915**	**3,360**
Treasury bills and other bills eligible for central bank refinancing	2,860	3,276
Other negotiable certificates of deposit	55	84
Bonds	**12,234**	**12,085**
Government bonds	11,868	11,451
Other bonds	366	634
Total held-to-maturity financial assets	**15,149**	**15,445**

5.h CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2006	31 December 2005
Current taxes	1,926	1,147
Deferred taxes	1,517	988
Current and deferred tax assets	**3,443**	**2,135**
Current taxes	1309	647
Deferred taxes	997	1,559
Current and deferred tax liabilities	**2,306**	**2,206**

Deferred taxes on temporary differences relate to the following items:

In millions of euros	1 January 2005	Deferred tax expense/ (income)	Effect of exchange rate movements & other items	31 December 2005	Deferred tax expense/ (income)	Impact of the consolidation of Banca Nazionale del Lavoro	Effect of exchange rate movements & other items	31 December 2006
Provisions for employee benefit obligations	586	(133)	196	649	(282)	139	(9)	497
Other provisions	325	(74)	72	323	(58)	1,058	268	1,591
Unrealised finance lease reserve	(461)	36	(51)	(476)	22	-	(400)	(854)
Available-for-sale financial assets	(554)	(11)	(233)	(798)	85	18	(99)	(794)
Other items	11	(183)	(97)	(269)	(225)	(57)	631	80
Net deferred taxes	**(93)**	**(365)**	**(113)**	**(571)**	**(458)**	**1,158**	**391**	**520**
Including :								
Deferred tax assets	1,088			988				1,517
Deferred tax liabilities	(1,181)			(1,559)				(997)

Carryforwards of tax losses accounted for EUR 67 million of total deferred tax assets at 31 December 2006 (EUR 96 million at 31 December 2005).

Unrecognised deferred tax assets amounted to EUR 626 million at 31 December 2006 (EUR 338 million at 31 December 2005).

5.i ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

In millions of euros	31 December 2006	31 December 2005
Guarantee deposits and bank guarantees paid	25,379	22,221
Settlement accounts related to securities transactions	17,799	16,010
Collection accounts	2,206	2,110
Reinsurers' share of technical reserves	2,414	2,283
Accrued income and prepaid expenses	2,330	1,836
Other debtors and miscellaneous assets	16,787	20,867
Total accrued income and other assets	**66,915**	**65,327**
Guarantee deposits received	12,315	11,183
Settlement accounts related to securities transactions	21,681	15,336
Collection accounts	484	414
Accrued expenses and deferred income	3,668	3,127
Other creditors and miscellaneous liabilities	15,513	18,386
Total accrued expenses and other liabilities	**53,661**	**48,446**

The movement in "Reinsurers' share of technical reserves" breaks down as follows:

In millions of euros	31 December 2006	31 December 2005
Reinsurers' share of technical reserves at start of period	**2,283**	**2,075**
Increase in technical reserves borne by reinsurers	401	294
Amounts received in respect of claims and benefits passed on to reinsurers	(271)	(90)
Effect of changes in exchange rates and scope of consolidation	1	4
Reinsurers' share of technical reserves at end of period	**2,414**	**2,283**

5.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method), which represent amounts in excess of EUR 100 million, are shown below:

In millions of euros	31 December 2006	31 December 2005
Cofidis France	102	76
Erbe	1,164	1,013
Verner Investissement	308	221
Société de Paiement Pass	202	196
BNL Vita	229	-
Other associates	767	317
Investments in associates	**2,772**	**1,823**

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec. 2006	Net banking income or net revenue Year to 31 Dec. 2006	Net income Year to 31 Dec. 2006
Erbe (1)	2,181	-	281
Verner Investissement (1)	3,565	309	40
Société de Paiement Pass	2,907	320	52
BNL Vita	10,909	3,651	51
Cofidis France	4,549	675	114

(1) data as at 31 December 2005 or for the year then ended

5.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 December 2006			31 December 2005		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	**6,704**	**(891)**	**5,813**	**6,119**	**(864)**	**5,255**
Land and buildings	5,015	(866)	4,149	2,871	(840)	2,031
Equipment, furniture and fixtures	3,614	(2,230)	1,384	3,726	(2,457)	1,269
Plant and equipment leased as lessor under operating leases	8,536	(2,838)	5,698	7,931	(2,646)	5,285
Other property, plant and equipment	1,813	(574)	1,239	1,210	(582)	628
PROPERTY, PLANT AND EQUIPMENT	**18,978**	**(6,508)**	**12,470**	**15,738**	**(6,525)**	**9,213**
Purchased software	1,452	(939)	513	1,359	(1,021)	338
Internally-developed software	811	(454)	357	615	(326)	289
Other intangible assets	943	(244)	699	791	(193)	598
INTANGIBLE ASSETS	**3,206**	**(1,637)**	**1,569**	**2,765**	**(1,540)**	**1,225**

The main changes in investment property in the year to 31 December 2006 related to Klépierre's acquisitions of the real estate assets of (i) buildings of a chain of restaurants for EUR 298 million and (ii) shopping centres for EUR 147 million. In addition, the Group's acquisition of Banca Nazionale del Lavoro generated a EUR 2,577 million increase in property, plant and equipment and intangible assets. Also in 2006, the Group purchased a building to be used in the business, representing a value of EUR 213 million.

- Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at cost at 31 December 2006 was EUR 10,157 million, compared with EUR 8,747 million at 31 December 2005.

- Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

- Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2006 was EUR 907 million, compared with EUR 766 million for the year ended 31 December 2005.

The net increase in impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2006 amounted to EUR 21 million, compared with a net reversal of EUR 24 million for the year ended 31 December 2005.

5.1 GOODWILL

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Gross value at start of period	**8,093**	**6,328**
Accumulated impairment at start of period	**(14)**	**-**
Carrying amount at start of period	**8,079**	**6,328**
Acquisitions	2,580	1,204
Divestments	(37)	(30)
Impairment losses recognised during the period	(14)	(14)
Translation adjustments	(448)	589
Other movements	2	2
Gross value at end of period	**10,194**	**8,093**
Accumulated impairment recognised during the period	**(32)**	**(14)**
Carrying amount at end of period	**10,162**	**8,079**

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2006	Carrying amount at 31 December 2005
International Retail Banking and Financial Services	**6,412**	**6,561**
of which BancWest Corp	*3,771*	*4,206*
of which Consumer Credit	*1,509*	*1,396*
of which Contract Hire and Fleet Management	*697*	*744*
Asset Management and Services	**1,298**	**1,221**
of which Cortal Consors	*385*	*385*
Corporate and Investment Banking	**66**	**84**
French Retail Banking	**23**	**23**
BNL	**2,165**	**-**
Other Activities	**198**	**190**
Total	**10,162**	**8,079**

5.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 December 2006	31 December 2005
Liabilities related to insurance contracts	**74,795**	**64,406**
Gross technical reserves		
- Unit-linked contracts	33,027	26,146
- Other insurance contracts	41,768	38,260
Liabilities related to financial contracts	**8,457**	**8,892**
Liabilities related to financial contracts with discretionary participation feature	8,457	8,892
Policyholders' surplus	**3,792**	**3,225**
Total technical reserves of insurance companies	**87,044**	**76,523**
Liabilities related to unit-linked financial contracts (1)	4,347	4,090
Total liabilities related to contracts written by insurance companies	**91,391**	**80,613**

(1) Liabilities related to unit-linked financial contracts are included in “Due to customers” (Note 5.e) .

The policyholders’ surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

The movement in liabilities related to insurance contracts breaks down as follows:

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Liabilities related to contracts at start of period	**80,613**	**70,043**
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	14,533	12,417
Claims and benefits paid	(6,500)	(5,063)
Contracts portfolio disposals	-	176
Effect of changes in scope of consolidation	289	-
Effect of movements in exchange rates	(53)	87
Effect of changes in value of admissible investments related to unit-linked business	2,509	2,953
Liabilities related to contracts at end of period	**91,391**	**80,613**

Please refer to Note 5.i for details of reinsurers’ share of technical reserves.

5.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Total provisions at start of period	**3,850**	**3,983**
Additions to provisions	1,154	1,047
Reversals of provisions	(962)	(585)
Provisions utilised	(890)	(620)
Impact of the consolidation of Banca Nazionale del Lavoro	1,620	-
Effect of movements in exchange rates and other movements	(54)	25
Total provisions at end of period	**4,718**	**3,850**

At 31 December 2005 and 31 December 2006, provisions for contingencies and charges mainly included provisions for post-employment benefits (Note 7.b), for impairment related to credit and counterparty risks (Note 2.e), for risks on regulated savings products and for litigation in connection with banking transactions.

- Provisions for regulated savings product risks

- Deposits, loans and savings – home savings accounts (CEL) and home savings plans (PEL)

In millions of euros	31 December 2006	31 December 2005
Deposits collected under home savings accounts and plans	**17,581**	**19,608**
of which deposits collected under home savings plans	14,417	16,432
Aged more than 10 years	*5,223*	*6,234*
Aged between 4 and 10 years	*7,016*	*8,484*
Aged less than 4 years	*2,178*	*1,714*
Outstanding loans granted under home savings accounts and plans	**643**	**803**
of which loans granted under home savings plans	213	304
Provisions recognised for home savings accounts and plans	**216**	**388**
of which home savings plans	171	350
Aged more than 10 years	*91*	*182*
Aged between 4 and 10 years	*65*	*135*
Aged less than 4 years	*15*	*33*

- Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec. 2006		Year to 31 Dec. 2005	
	Provisions recognised - home savings plans	Provisions recognised - home savings accounts	Provisions recognised - home savings plans	Provisions recognised - home savings accounts
Total provisions at start of period	**350**	**38**	**305**	**70**
Additions to provisions during the period	-	7	78	-
Provision reversals during the period	(179)	-	(33)	(32)
Total provisions at end of period	**171**	**45**	**350**	**38**

6 FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 December 2006	31 December 2005
Financing commitments given:		
- to credit institutions	**36,412**	**18,165**
- to customers:	**199,324**	**191,514**
Confirmed letters of credit	139,200	149,525
Other commitments given to customers	60,124	41,989
Total financing commitments given *(Note 4.b)*	**235,736**	**209,679**
Financing commitments received:		
- from credit institutions	**71,398**	**54,894**
- from customers	**4,622**	**774**
Total financing commitments received	**76,020**	**55,668**

6.b GUARANTEE COMMITMENTS

- Financial instruments given and received as guarantees

In millions of euros	31 December 2006	31 December 2005
Financial instruments received as guarantees	**25,074**	**15,800**
Financial instruments given as guarantees	**31,632**	**29,694**

- Guarantee commitments given

In millions of euros	31 December 2006	31 December 2005
Guarantee commitments given:		
to credit institutions	**11,723**	**8,484**
to customers:	**69,222**	**58,670**
- Property guarantees	1,610	1,191
- Sureties provided to tax and other authorities, other sureties	27,459	18,639
- Other guarantees	40,153	38,840
Total guarantee commitments given *(Note 4.b)*	**80,945**	**67,154**

6.c CUSTOMER SECURITISATION PROGRAMMES

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities on behalf of its customers. These programmes have liquidity facilities and, where appropriate, guarantee facilities. Special-purpose entities over which the Group does not exercise control are not consolidated.

- Short-term refinancing

At 31 December 2006, six non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird, J Bird 2 and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on securitised receivables managed for customers by these entities up to an amount of EUR 580 million (EUR 629 million at 31 December 2005), and has granted liquidity facilities totalling EUR 12,518 million to these entities (EUR 12,176 million at 31 December 2005).

- Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issuing medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2006, the BNP Paribas Group had granted liquidity facilities totalling EUR 289 million (EUR 331 million at 31 December 2005) to eleven such funds (Tenzing – Invesco, Master Dolfin, Italfinance – Italease, CR Ferrara, Forest – Immofinanz, Cars – Renault, Tiepolo, Emerald – Ascendas REIT, Cari Firenze, LFE 3 – BNPP and RMF IV), representing a total of EUR 6,480 million in securitised receivables (EUR 2,600 million at 31 December 2005).

7 SALARIES AND EMPLOYEE BENEFITS

7.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2006 came to EUR 10,260 million (EUR 7,903 million for the year to 31 December 2005).

Fixed and variable remuneration, incentive bonuses and profit-sharing amounted to EUR 7,560 million (EUR 5,935 million in 2005); retirement bonuses, pension costs and social security taxes to EUR 2,336 million (EUR 1,662 million in 2005); and payroll taxes to EUR 364 million (EUR 306 million in 2005).

7.b EMPLOYEE BENEFIT OBLIGATIONS

POST-EMPLOYMENT BENEFITS UNDER DEFINED-CONTRIBUTION PLANS

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan. The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2006 was approximately EUR 346 million (EUR 286 million for the year to 31 December 2005).

POST-EMPLOYMENT BENEFITS UNDER DEFINED-BENEFIT PLANS

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2006 totalled EUR 1,554 million (EUR 1,378 million at 31 December 2005), comprising EUR 421 million for French plans and EUR 1,133 million for other plans.

- Pension plans and other post-employment benefits

- Pension plans

In France, BNP Paribas pays a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. The residual pension obligations are covered by a provision in the consolidated financial statements and the Paribas pension fund.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed. These pension plans have been contracted out to insurance companies. The fair value of the related plan assets in these companies' balance sheets break down as 75% bonds, 18% equities, and 7% property assets.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom),* or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States).* Some plans are top-up schemes linked to statutory pensions *(Norway).* Some plans are managed by insurance companies *(Spain)* or by independent fund managers *(United Kingdom*). At 31 December 2006, 84% of the gross obligations under these plans concerned 18 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 58% equities, 34% bonds, 8% other financial instruments.

- Other post-employment benefits

Group employees also receive various other contractual post-employment benefits such as bonuses payable on retirement. BNP Paribas' obligations for these bonuses in France are funded through a contract taken out with a third-party insurer. In 2006, BNP Paribas paid a premium of EUR 372 million under this contract, an amount that had previously been provisioned.

Italy accounts for 91% of the Group's gross obligations in other countries relating to this form of benefit.

The tables below provide details relating to the Group's obligations for both pensions and other post-employment benefits:

- Reconciliation of assets and liabilities recognised in the balance sheet

In millions of euros	31 December 2006	31 December 2005
Present value of obligation	**3,884**	**3,151**
Present value of obligations wholly or partially funded by plan assets	2,837	2,914
Present value of unfunded obligations	1,047	237
Fair value of plan assets	**(2,213)**	**(1,735)**
of which financial instruments issued by BNP Paribas	*3*	*3*
of which property and other assets used by BNP Paribas	-	*3*
Fair value of surplus assets	**(70)**	**(78)**
Fair value of segregated assets [1]	**(12)**	**(73)**
Cost not yet recognised in accordance with IAS 19	**(216)**	**(129)**
Past service cost	(52)	76
Net actuarial losses/gains	(164)	(205)
Other amounts recognised in the balance sheet	**54**	**41**
Net obligation recognised in the balance sheet for defined-benefit plans	**1,427**	**1,177**

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- Movements in the present value of the obligation and surplus assets

In millions of euros	31 December 2006	31 December 2005
Present value of obligation at start of period	**3,073**	**3,242**
Gross present value of obligation at start of period	*3,151*	*3,242*
Fair value of surplus assets at start of period	*(78)*	*-*
Service cost for the period	115	126
Expense arising on discounting of the obligation	144	133
Effect of plan amendments	122	(264)
Effect of plan curtailments or settlements	(17)	(210)
Net actuarial gains and losses	(12)	136
Contributions by plan participants	1	2
Benefits paid	(183)	(136)
Effect of movements in exchange rates	(55)	107
Effect of changes in scope of consolidation	700	(130)
Other movements	(74)	67
Present value of obligation at end of period	**3,814**	**3,073**
Gross present value of obligation at end of period	*3,884*	*3,151*
Fair value of surplus assets at end of period	*(70)*	*(78)*

- Movements in the fair value of plan assets and segregated assets

In millions of euros	31 December 2006	31 December 2005
Fair value of assets at start of period	**1,808**	**1,477**
Fair value of plan assets at start of period	*1,735*	*1,228*
Fair value of segregated assets at start of period	*73*	*249*
Expected return on plan assets	100	91
Effect of plan curtailments or settlements	3	-
Net actuarial gains and losses	16	49
Contributions by plan participants	1	4
BNP Paribas contributions to plan assets	463	138
Benefits paid to recipients of funded benefits	(103)	(112)
Effect of movements in exchange rates	(42)	87
Effect of changes in scope of consolidation	33	4
Other movements	(54)	70
Fair value of assets at end of period	**2,225**	**1,808**
Fair value of plan assets at end of period	*2,213*	*1,735*
Fair value of segregated assets at end of period	*12*	*73*

- Components of pension cost

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Service cost for the period	115	126
Expense arising on discounting of the obligation	144	133
Expected return on plan assets	(100)	(93)
Amortisation of actuarial gains and losses	4	28
Amortisation of past service cost	(7)	6
Effect of plan curtailments or settlements	(19)	(213)
Other items	-	3
Total expense recorded in "Salary and employee benefit expenses"	**137**	**(10)**

- Main actuarial assumptions used in employee benefit calculations at the balance sheet date

In %	31 December 2006				31 December 2005			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	3.92%-4.13%	3.40%-4.13%	5.04%	5.50%	2.76%-3.59%	3.40%-3.82%	4.81%	5.50%
Future rate of salary increases	2.50%-5.50%	2.00%-5.00%	4.00%-4.50%	4.00%-5.00%	2.50%-5.50%	2.00%-4.00%	3.75%-5.40%	4.00%

- Effective rate of return on plan assets during the year

In %,	Year to 31 Dec. 2006				Year to 31 Dec. 2005			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Expected return on plan assets (1)	4.00%	2.00%-6.60%	4.30%-6.30%	4.00%-8.50%	4.00%-4.20%	2.52%-6.40%	5.40%-7.30%	7.00%-9.00%
Actual return on plan assets (1)	4.50%-5.00%	3.00%-16.00%	3.50%-10.00%	9.00%-13.00%	4.20%-5.00%	8.45%-14.12%	8.32%-19.49%	3.01%-7.90%

(1) Range of values, reflecting the existence of several plans within a single country or zone

At 31 December 2006, actuarial gains and losses arising due to updating the assumptions used for calculating employee benefits (e.g. discount rate and future rate of salary increases) and the expected return on plan assets represented a net gain resulting in a reduction in the value of the Group's net obligation of approximately EUR 29 million. France reported actuarial gains of EUR 40 million, primarily due to an increase in the discount rate applied, while other countries reported actuarial losses of EUR 11 million, mainly due to experience adjustments relating to assumptions for staff turnover rates and the future rate of salary increases.

Post-employment healthcare plans

In France, BNP Paribas no longer has any obligations in relation to healthcare benefits for its retired employees.

Several healthcare benefit plans for retired employees exist in other countries, mainly in the United States. Provisions for obligations under these plans at 31 December 2006 amounted to EUR 45 million (EUR 50 million at 31 December 2005).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

TERMINATION BENEFITS

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements. A similar provision of EUR 114 million was recorded in 2006, primarily relating to BNL.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 487 million at 31 December 2006 (EUR 171 million at 31 December 2005). Of this total, EUR 366 million related to the Group's operations outside France.

7.c SHARE-BASED PAYMENT

SHARE-BASED LOYALTY AND INCENTIVE SCHEMES

BNP Paribas has set up share-based payment systems for certain employees, including stock option and share award plans implemented as part of loyalty schemes and a Global Share-Based Incentive Plan.

- Loyalty schemes

As part of the Group's variable remuneration policy, certain high-performing or newly-recruited employees are offered a loyalty bonus scheme, entitling them to specific share-based remuneration (in the form of shares or cash payments indexed to the BNP Paribas share price), payable over several years, and subject to the condition that the employees remain within the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights. The expense recognised in the year to 31 December 2006 related to awards made between 2003 and 2006.

- Global Share-Based Incentive Plan

Until 2005, various stock option plans were granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas, under successive authorisations given by Extraordinary Shareholders' Meetings.

Since 2005, the Group has set up stock option plans on an annual basis with a view to actively involving various categories of managers in creating value for the Group, and thereby encouraging the convergence of their interests with those of the Group's shareholders. The managers selected for these plans represent the Group's best talent, including the next generation of leaders: senior managers, managers in key positions, line managers and technical experts, high-potential managers, high-performing young managers with good career development prospects, and major contributors to the Group's results.

The option exercise price under these plans is determined at the time of issue in accordance with the terms of the authorisation given by the corresponding Extraordinary Shareholders' Meeting. No discount is offered. Since the 2005 plan, the life of the options granted has been reduced to 8 years. The plans are subject to vesting conditions under which a portion of the options granted is conditional upon the performance of the BNP Paribas share relative to the Euro Stoxx Bank index. This relative performance is measured at the end of the second, third and fourth years of the compulsory holding period. Depending on the results of this measurement, the exercise price of the portion of the options subject to this performance-related condition may be increased or their exercise may be deemed null and void.

In 2006, BNP Paribas used the authorisations granted by the Extraordinary Shareholders' Meeting of 18 May 2005 to set up a Global Share-Based Incentive Plan for the above-mentioned employee categories, which combines stock options with share awards. Under this plan, senior managers and corporate officers are exclusively granted stock options whereas managers in key positions receive both stock options and share awards. High-potential managers and major contributors are exclusively granted share awards.

Employees' rights under share awards vest after a period of 2 or 3 years depending on the case and provided the employee is still a member of the Group. The compulsory holding period for the shares granted free of consideration is two years. Share awards were only made to Group employees in France.

All unexpired plans involve potential settlement in BNP Paribas shares.

- Expense for the year

The expense recognised in the year to 31 December 2006 in respect of all the plans granted amounted to EUR 90 million (EUR 82 million in the year to 31 December 2005).

In millions of euros	2006				2005
	Stock option plans	Share award plans	Other plans	Total expense	Total expense
Loyalty schemes	-	-	32	32	50
Global Share-Based Incentive Plan	44	14	-	58	32
Total	**44**	**14**	**32**	**90**	**82**

- Description of the plans

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2006:

- Stock subscription option plans

Characteristics of the plan							Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted	Start date of exercise period	Option expiry date	Adjusted exercise price (in euros) (5)	Number of options	Remaining period until expiry of options (years)
BNP [1]	22/05/1997	64	476,000	23/05/2002	22/05/2007	18.29	52,011	1
BNP [1]	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	36.95	388,555	2
BNP [1]	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.31	139,408	3
BNP [1] [4]	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	44.77	2,025,877	3
BNP [1] [4]	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.13	533,326	4
BNP Paribas SA [1] [2]	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	48.57	3,766,413	5
BNP Paribas SA [2]	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	59.48	1,393,905	6
BNP Paribas SA [3]	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	36.78	6,400,294	7
BNP Paribas SA [3]	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.36	1,661,345	8
BNP Paribas SA [3]	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	54.62	4,275,202	7
BNP Paribas SA [3]	05/04/2006	2,583	3,894,770	06/04/2010	04/04/2014	75.25	3,837,990	8
Total options outstanding at end of period							**24,474,326**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) These options were subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant. This condition has been lifted for the plans concerned.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of the BNP Paribas share relative to the Dow Jones Euro Stoxx Bank index during the applicable holding period.

Based on this relative performance condition, the adjusted exercise price for these options has been set at:

- EUR 38.62 for 600,526 options under the 21 March 2003 plan, outstanding at the year-end.

- EUR 51.83 for 1,514 options under the 24 March 2004 plan, outstanding at the year-end.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met.

(5) The exercise prices for options granted under plans prior to 31 March 2006, as well as the number of options outstanding at that date have been adjusted in accordance with the applicable regulations in order to take into account the issue of a preferential subscription right on 7 March 2006.

- Stock purchase option plans

Characteristics of the plan							Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted	Start date of exercise period (2)	Option expiry date	Adjusted exercise price (in euros) (3)	Number of options	Remaining period until expiry of options (years)
Paribas [(1)]	17/11/1998	975	7,255,377	17/11/2003	17/11/2006	20.23	-	-
Paribas [(1)]	04/05/1999	1	30,850	04/05/2004	04/05/2007	31.60	13,508	1
Total options outstanding at end of period							**13,508**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) Exercise dates set at the time of grant. However, the BNP-Paribas merger agreement stipulates that grantees may not exercise their options until the 5th anniversary of the date of grant, as required under French tax rules, irrespective of the original exercise date.

(3) The exercise prices for options granted under plans prior to 31 March 2006, as well as the number of options outstanding at that date have been adjusted in accordance with the applicable regulations in order to take into account the issue of a preferential subscription right on 7 March 2006.

- Share award plans

Characteristics of the plan						Number of shares outstanding at end of period
Originating company	Date of grant	Number of grantees	Number of shares granted	Vesting date of share granted	Expiry date of holding period for shares granted	
BNP Paribas SA	05/04/2006	2,034	544,370	07/04/2008	07/04/2010	533,542
BNP Paribas SA	05/04/2006	253	64,281	06/04/2009	06/04/2011	62,127
Total shares outstanding at end of period						**595,669**

- Movements during the year

- Stock subscription option plans

	2006		2005	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**25,388,170**	46.63	**24,359,164**	44.58
Options granted during the period	3,894,770	75.25	4,332,550	55.10
Options arising from the 31 March 2006 capital increase	218,317		-	
Options exercised during the period	(4,522,809)	46.95	(2,767,124)	41.69
Options expired during the period	(504,122)		(536,420)	
Options outstanding at 31 December	**24,474,326**	50.63	**25,388,170**	46.63
Options exercisable at 31 December	**8,299,495**	48.14	**8,932,740**	45.38

The average quoted stock market price for the option exercise period in 2006 was EUR 78.11 (EUR 59.11 in 2005).

- Stock purchase option plans

	2006		2005	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**1,504,355**	20.58	**4,963,880**	21.39
Options arising from the 31 March 2006 capital increase	11,198		-	
Options exercised during the period	(1,498,931)	20.32	(3,459,525)	21.74
Options expired during the period	(3,114)		-	
Options outstanding at 31 December	**13,508**	31.60	**1,504,355**	20.58
Options exercisable at 31 December	**13,508**	31.60	**1,504,355**	20.58

The average quoted stock market price for the option exercise period in 2006 was EUR 78.06 (EUR 58.76 in 2005).

- Share award plans

	2006
	Number of options
Shares outstanding at 1 January	**-**
Shares granted during the period	608,651
Shares vested during the period	(265)
Shares expired during the period	(12,717)
Shares outstanding at 31 December	**595,669**

- Value attributed to stock options and share awards

As required under IFRS 2, BNP Paribas attributes a value to stock options and share awards granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options and shares concerned. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights). The Group's share-based payment plans are valued by an independent specialist firm.

- Measurement of stock subscription options

Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of the BNP Paribas share relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

Stock subscription options granted in 2006 were valued at EUR 15.36 and EUR 14.03, depending on whether or not they are subject to performance conditions (compared with EUR 9.84 and EUR 8.99 respectively for stock subscription options granted in 2005).

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Quoted price of BNP Paribas shares at date of grant (in euros)	76.85	55.60
Option exercise price (in euros)	75.25	55.10
Implied volatility of BNP Paribas shares	22.4%	20.0%
Early exercise of options	7 years	7.5 years
Expected dividend on BNP Paribas shares (1)	3.5%	3.6%
Risk-free interest rate	4.0%	3.7%
Loss of rights rate	1.5%	1.5%

(1) The dividend rate shown above is an average of the estimated annual dividends over the life of the option.

- Measurement of share awards

The unit value used to measure shares awarded free of consideration is the value at the end of the compulsory holding period plus dividends paid since the date of acquisition, discounted at the grant date.

The value of shares awarded free of consideration by BNP Paribas in 2006 was EUR 70.99 for the shares whose holding period expires on 7 April 2010 and EUR 68.08 for those whose holding period expires on 6 April 2011.

SHARES PURCHASED BY EMPLOYEES UNDER THE COMPANY SAVINGS PLAN

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Date plan announced	18 May 2006	11 May 2005
Quoted price of BNP Paribas shares at date plan announced (in euros)	72.25	52.00
Number of shares issued (see Note 8.a)	4,670,388	5,000,000
Purchase price (in euros)	60.50	42.30
Five-year risk-free interest rate	3.88%	2.61%
Five-year borrowing cost	7.20%	6.65%
Borrowing cost during the holding period	14.54%	17.56%

The Group did not recognise an expense in relation to the Company Savings Plan in 2006 as the discount granted to employees purchasing shares under this plan represents a non-material financial expense for BNP Paribas when valued taking into account the five-year compulsory holding period applicable to the shares purchased.

Of the total number of BNP Paribas Group employees who were offered the opportunity of buying shares under the Plan in 2006, 53% accepted the offer and 47% turned it down.

8 ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2004	**884,700,444**	**2**		
Increase in share capital by exercise of stock subscription options on 25 January 2005	518,758	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 10 May 2005	(13,994,568)	2	28 May 04	23 March 05
Increase in share capital by exercise of stock subscription options on 20 July 2005	1,397,501	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan on 20 July 2005	5,000,000	2	14 May 03	02 Feb 05
Reduction in share capital by cancellation of treasury shares on 29 November 2005	(39,374,263)	2	18 May 05	13 June 05
Number of shares outstanding at 31 December 2005	**838,247,872**	**2**		
Increase in share capital by exercise of stock subscription options on 23 January 2006	1,369,623	2	23 May 00	05 Sept 00
Increase in share capital by exercise of stock subscription options on 27 March 2006	971,037	2	23 May 00	05 Sept 00
Increase in share capital by issue of new shares on 31 March 2006	84,058,853	2	28 May 04	14 Feb 06
Increase in share capital by issue of new shares on 6 June 2006	945	2	23 May 06	27 March 06
Increase in share capital by exercise of stock subscription options on 26 July 2006	1,148,759	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan on 26 July 2006	4,670,388	2	14 May 03	14 Feb 06
Number of shares outstanding at 31 December 2006	**930,467,477**	**2**		

At 31 December 2006, the share capital of BNP Paribas SA consisted of 930,467,477 fully-paid ordinary shares with a par value of EUR 2 (compared with 838,247,872 ordinary shares at 1 January 2006). Under BNP Paribas stock subscription plans, 2,411,013 new shares with a par value of EUR 2 each and carrying dividend rights from 1 January 2006 were subscribed for by employees during the year ended 31 December 2006. These shares were issued on 22 January 2007.

The 11th and 12th resolutions of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by up to EUR 1.34 billion, representing 500,000,000 shares with pre-emptive rights and 170,000,000 securities without pre-emptive rights. The aggregate nominal value of debt securities giving immediate and/or future access to BNP Paribas shares under these authorisations is limited to EUR 10 billion in the case of securities with pre-emptive rights, and EUR 8 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months.

At 31 March 2006, 84,058,853 shares had been issued under these authorisations.

Under the 17th resolution of the Shareholders' General Meeting of 23 May 2006, the aggregate nominal value of debt securities giving immediate and/or future access to BNP Paribas shares under this authorisation has been limited to EUR 7 billion in the case of ordinary shares and securities without pre-emptive rights.

The 13th resolution of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by capitalising reserves up to a maximum aggregate par value of EUR 1 billion. This authorisation allows the successive or simultaneous capitalisation of some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital by the issuance and allotment of consideration-free shares, by raising the par value of the shares, or by a combination of these two methods. This authorisation was granted for a period of 26 months.

The 16th resolutions of the Shareholders' General Meetings of 28 May 2004 and 18 May 2005 authorised the Board of Directors to cancel, on one or several occasions and by means of reducing share capital, some or all of the own shares held or acquired under the authorisations granted by said Meetings, up to a maximum of 10% of the share capital in any 24-month period. These authorisations were granted for a period of 18 months. In 2005, 53,368,831 shares were cancelled pursuant to these authorisations.

The 23rd resolution of the Shareholders' General Meeting of 23 May 2006 authorised the Board of Directors to cancel, on one or several occasions and by means of reducing share capital, some or all of the own shares held or acquired under the authorisation granted by said Meeting, up to a maximum of 10% of the share capital in any 24-month period, and by debiting any difference between the price paid for the cancelled shares and their par value against additional paid-in capital or revenue reserves, including the legal reserve up to a limit of 10% of the amount of capital cancelled. This authorisation was granted for a period of 18 months and cancelled and replaced that granted under the 16th resolution of 18 May 2005.

No shares were cancelled during the year ended 31 December 2006.

The Shareholders' General Meeting of 23 May 2006 decided that the 16th, 17th and 19th resolutions cancelled and replaced the unused portion of any earlier authorisations to the same effect as those provided for in the 11th, 12th and 13th resolutions of the Shareholders' General Meeting of 28 May 2004.

The 24th resolution of the Shareholders' General Meeting of 23 May 2006 approving the merger of Société Centrale d'Investissement into BNP Paribas, authorised the Board of Directors to increase the share capital by EUR 1,890, by issuing 945 new shares with a par value of EUR 2 each, fully paid-up and carrying dividend rights as from 1 January 2006.

- Preferred shares and equivalents

- Preferred shares issued by Group companies

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the law of the United States, which do not dilute ordinary BNP Paribas shares. The shares pay a dividend of 7.738% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The issuer has the option of not paying dividends on these preferred shares if no dividends were paid on ordinary BNPP SA shares and no coupon paid on preferred share equivalents (Undated Super Subordinated Notes) in the previous year. Unpaid dividends are not carried forward.

In 2000, a further USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a dividend of 9.003% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, a further two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over five years minimum, and shares in the second issue pay a dividend of 6.625% over ten years. Shares in the first issue were redeemed by the issuer in October 2006 at the end of the contractual five-year period. Shares in the second issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, a further two undated non-cumulative preferred share issues, of EUR 660 million and USD 650 million respectively, were carried out by two subsidiaries under the exclusive

control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a dividend of 7.20% paid quarterly over 5 years. Shares in the first issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend. Shares in the second issue are redeemable at the issuer's discretion after a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7.20%.

In January 2003, a further non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. Shares in this issue pay an annual dividend of 5.868%. The shares are redeemable after a ten-year period, and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed dividend quarterly.

In 2003 and 2004, the Laser sub-group – which is proportionately consolidated by BNP Paribas – carried out three issues of undated preferred shares through special purpose entities governed by UK law and exclusively controlled by the Laser sub-group. These shares pay a non-cumulative priority dividend for a ten-year period, at a fixed rate for those issued in 2003 and an indexed rate for the 2004 issue. After this ten-year period, they will be redeemable at par at the issuer's discretion at the end of each quarter on the coupon date, and the dividend payable on the 2003 issue will become Euribor-indexed.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP US Funding	December 1997	USD	500 million	10 years	Weekly Libor + 2.8%
BNPP Capital Trust	October 2000	USD	500 million	10 years	3-month Libor + 3.26%
BNPP Capital Trust III	October 2001	EUR	500 million	10 years	3-month Euribor + 2.60%
BNPP Capital Trust IV	January 2002	EUR	660 million	10 years	3-month Euribor + 2.33%
BNPP Capital Trust V	June 2002	USD	650 million	5 years	7.20%
BNPP Capital Trust VI	January 2003	EUR	700 million	10 years	3-month Euribor + 2.48%
Cofinoga Funding I LP	March 2003	EUR	100 million (1)	10 years	3-month Euribor + 3.75%
Cofinoga Funding II LP	Jan & May 2004	EUR	80 million (1)	10 years	10-year govt bond rate (TEC)

(1) Before application of the proportionate consolidation rate

The proceeds of these issues are recorded under "Minority interests" in the balance sheet, and the dividends are reported under "Minority interests" in the profit and loss account.

- Undated Super Subordinated Notes (preferred share equivalents) issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing USD 1,350 million. The notes pay an annual fixed-rate coupon of 5.186%. They are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2015, they will pay a quarterly coupon at 3-month USD Libor plus 1.68%.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing EUR 1,000 million. The notes pay an annual fixed-rate coupon of 4.875%. They are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will continue to pay the fixed-rate coupon.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing USD 400 million. The notes pay an annual fixed-rate coupon of 6.250%. They are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will continue to pay the fixed-rate coupon.

In April 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes representing EUR 750 million and GBP 450 million. The notes pay an annual fixed-rate coupon of 4.730% and 5.945%

respectively. They are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2016, they will pay a quarterly coupon at 3-month Euribor plus 1.69% in the case of the first issue, and a coupon at 3-month GBP Libor plus 1.13% in the case of the second issue.

In July 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes. The notes under the first issue – representing EUR 150 million – pay an annual coupon of 5.45%. They are redeemable at the end of a 20-year period and thereafter at each annual coupon date. If these notes are not redeemed in 2026 they will pay a quarterly coupon based on the 3-month Euribor plus 1.92%. The notes under the second issue – representing GBP 325 million – pay an annual coupon of 5.945%. They are redeemable at the end of a 10-year period and thereafter at each annual coupon date. If these notes are not redeemed in 2016, they will pay a quarterly coupon based on the 3-month GBP Libor plus 1.81%.

BNP Paribas has the option of not paying interest due on these Undated Super Subordinated Notes if no dividends were paid on ordinary BNPP SA shares or on preferred shares in the previous year. Unpaid interest is not carried forward.

The contracts relating to these Undated Super Subordinated Notes contain a loss absorption clause. Accordingly, in the event of insufficient regulatory capital – which is not fully offset by a capital increase or other equivalent measure – the nominal value of the notes may be reduced in order to serve as a new basis for the calculation of the related coupons until the capital deficiency is made up and the nominal value of the notes is increased to its original amount. However, in the event of the liquidation of BNP Paribas, the amount due to the holders of these notes will represent their original nominal value irrespective of whether or not their nominal value has been reduced.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP Paribas SA	June 2005	USD	1,350 million	10 years	USD 3-month Libor + 1.68%
BNP Paribas SA	October 2005	EUR	1,000 million	6 years	4.875%
BNP Paribas SA	October 2005	USD	400 million	6 years	6.250%
BNP Paribas SA	April 2006	EUR	750 million	10 years	3-month Euribor + 1.69%
BNP Paribas SA	April 2006	GBP	450 million	10 years	GBP 3-month Libor + 1.13%
BNP Paribas SA	July 2006	EUR	150 million	20 years	3-month Euribor + 1.92%
BNP Paribas SA	July 2006	GBP	325 million	10 years	GBP 3-month Libor + 1.81%

The proceeds raised by these issues are recorded under "Retained earnings" as part of equity. In accordance with IAS 21, issues carried out in foreign currencies are recognised at their historical value based on their translation into euros at the issue date. Interest on the instruments is treated in the same way as dividends.

- Own equity instruments (shares issued by BNP Paribas shares and held by the Group)

The sixth resolution of the Shareholders' Meeting of 28 May 2004 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: to stabilise the share price; to take advantage of market opportunities; for remittance in exchange or payment for external growth transactions or on the issue of shares or share equivalents; for allocation or sale to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans, or in connection with stock option plans set up in favour of officers and key employees of the Bank; to be held in treasury stock; for the purpose of being sold or exchanged or otherwise transferred on a regulated market or over-the-counter; for the purpose of being cancelled at a later date, on a basis to be determined by the shareholders in Extraordinary Meeting; or in connection with the management of the Bank's assets and liabilities and its financial position.

The fifth resolution of the Shareholders' Meeting of 18 May 2005 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: for subsequent cancellation, on a basis to be determined by the shareholders in Extraordinary Meeting; to fulfil the Bank's obligations relative to the issue of shares or share equivalents, stock option plans, the award of consideration-free shares to employees, directors or corporate officers, and the allocation or sale of shares to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans; to be held in treasury stock for subsequent remittance in exchange or payment for external growth transactions; to stabilise the share price; or to take advantage of market opportunities.

The fifth resolution of the Shareholders' Meeting of 23 May 2006 authorised BNP Paribas to buy back shares representing up to 10% of the Bank's issued capital at 28 February 2006. The shares could be acquired for the following purposes: for subsequent cancellation, on a basis to be determined by the shareholders in Extraordinary Meeting; to fulfil the Bank's obligations relative to the issue of shares or share equivalents, stock option plans, the award of consideration-free shares to employees, directors or corporate officers, and the allocation or sale of shares to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans; to be held in treasury stock for subsequent remittance in exchange or payment for external growth transactions; within the scope of a liquidity agreement; or for property and financial management purposes. This authorisation was given for a period of 18 months and cancelled and replaced the authorisation granted under the fifth resolution of the Shareholders' Meeting of 18 May 2005.

In addition, a BNP Paribas subsidiary involved in market index and equity derivatives trading and arbitrage activities buys and sells BNP Paribas shares within the scope of its operations.

At 31 December 2006, the Group held 25,211,909 BNP Paribas shares, representing an amount of EUR 1,786 million, deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2004	55,112,609	2,693	(599,870)	(32)	54,512,739	2,661
Acquisitions	11,677,068	676			11,677,068	676
Reduction in share capital	(53,368,831)	(2,694)			(53,368,831)	(2,694)
Other movements	(4,360,827)	(214)	(3,735,867)	(264)	(8,096,694)	(478)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165
Acquisitions	12,512,868	945			12,512,868	945
Other movements	(2,327,379)	(114)	10,302,138	790	7,974,759	676
Shares held at 31 December 2006	19,245,508	1,292	5,966,401	494	25,211,909	1,786

- Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options granted are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net income used to calculate basic and diluted earnings per share (in millions of euros) [(1)]	**7,180**	**5,822**
Weighted average number of ordinary shares outstanding during the year	**893,811,947**	**836,006,141**
Effect of potentially dilutive ordinary shares	9,518,828	7,288,395
Weighted average number of ordinary shares used to calculate diluted earnings per share	**903,330,775**	**843,294,536**
Basic earnings per share (in euros)	**8.03**	**6.96**
Diluted earnings per share (in euros)	**7.95**	**6.90**

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes is treated as dividends.

Further to the capital increase (with pre-emptive subscription rights for existing shareholders) carried out on 31 March 2006, in accordance with IAS 33 the reported earnings per share figure for 2005 (corresponding to EUR 7.02 for basic earnings per share and EUR 6.97 for diluted earnings per share) has been adjusted in order to facilitate year-on-year comparisons.

A dividend of EUR 2.60 per share was paid in 2006 out of 2005 net income (compared with a dividend of EUR 2.00 per share paid in 2005 out of 2004 net income).

8.b SCOPE OF CONSOLIDATION

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
BNP Paribas SA					France	Full	100.00%	100.00%
French Retail Banking								
Banque de Bretagne					France	Full	100.00%	100.00%
BNP Paribas Developpement					France	Full	100.00%	100.00%
BNP Paribas Factor					France	Full	100.00%	100.00%
Compagnie pour le Financement des Loisirs - Cofiloisirs				2	France	Equity	33.30%	33.30%
IRFS								
Retail Banking - United States of America								
BancWest Corporation					U.S.A.	Full	100.00%	100.00%
Bank of the West					U.S.A.	Full	100.00%	100.00%
FHL Lease Holding Cy					U.S.A.	Full	100.00%	100.00%
First Hawaïan Bank					U.S.A.	Full	100.00%	100.00%
Union Safe Deposit Bank	5				U.S.A.			
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100.00%	100.00%
All In One Allemagne					Germany	Full	100.00%	100.00%
All In One Vermietung GmbH				12	Austria	Equity	100.00%	100.00%
Antin Bail					France	Full	100.00%	100.00%
Aprolis Finance					France	Full	51.00%	51.00%
Avelingen Finance BV	1			4	Netherlands	Equity		
Barloword Heftruck BV	1				Netherlands	Equity	50.00%	50.00%
BNP Paribas Lease Group					France	Full	100.00%	100.00%
BNP Paribas Lease Group BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Holding SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group KFT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group Netherlands BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Polska SP ZO O				12	Poland	Equity	100.00%	100.00%
BNP Paribas Lease Group RT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group UK PLC					UK	Full	100.00%	100.00%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100.00%	100.00%
BNP Paribas Lease Group SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group (Rentals) Ltd					UK	Full	100.00%	100.00%
BNP Paribas Leasing Gmbh					Germany	Full	100.00%	100.00%
Centro Leasing SPA					Italy	Equity	43.54%	43.54%
Claas Financial Services					France	Full	60.11%	60.11%
Claas Leasing Gmbh					Germany	Full	100.00%	60.11%
CNH Capital Europe					France	Full	50.10%	50.10%
CNH Capital Europe Limited					UK	Full	50.10%	50.10%
Cofiplan				2	France	Full	99.99%	99.99%
Commercial Vehicle Finance Limited					UK	Full	100.00%	100.00%
Diamond Finance UK Limited					UK	Full	60.00%	60.00%
Equipment Lease BV	1				Netherlands	Full	100.00%	100.00%
Finance et Gestion SA					France	Full	70.00%	70.00%
Geveke Rental BV	1			4	Netherlands	Equity		
H.F.G.L Limited					UK	Full	100.00%	100.00%
HIH Management Limited				4	UK	Full		
Humberclyde Commercial Investments Limited					UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N°1 Limited					UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N° 4 Limited					UK	Full	100.00%	100.00%
Humberclyde Finance Limited					UK	Full	100.00%	100.00%
Humberclyde Industrial Finance Limited					UK	Full	100.00%	100.00%
Humberclyde Investments Limited					UK	Full	100.00%	100.00%
Humberclyde Management Services Limited				4	UK	Full		
Humberclyde Spring Leasing Limited				4	UK	Full		

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(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Leasing - Finance Leases (cont'd)								
Leaseco International BV	1				Netherlands	Full	100.00%	100.00%
Leasing J. Van Breda & Cie			1	5	Belgium			
Manitou Finance Ltd				2	UK	Full	51.00%	51.00%
Natiobail					France	Full	100.00%	100.00%
Natiocrédibail					France	Full	100.00%	100.00%
Natiocrédimurs					France	Full	100.00%	100.00%
Natioénergie					France	Full	100.00%	100.00%
Norbail Snc	4				France			
Norbail Location	4				France			
Paricomi					France	Full	100.00%	100.00%
S C A U	4				France			
SAS MFF	2				France	Full	51.00%	51.00%
Same Deutz-Fahr Finance					France	Full	99.97%	99.97%
Same Deutz Fahr Finance Limited					UK	Full	100.00%	100.00%
UFB Asset Finance Limited					UK	Full	100.00%	100.00%
United Care Group Limited					UK	Full	100.00%	100.00%
United Care (Cheshire) Limited					UK	Full	100.00%	100.00%
United Corporate Finance Limited				4	UK	Full		
United Inns Management Limited				4	UK	Full		
Consumer Credit								
Axa Banque Financement	4			2	France	Equity	35.00%	35.00%
Banco Cetelem Argentine	4				Argentina			
Banco cetelem Portugal					Portugal	Full	100.00%	100.00%
Banco Cetelem SA					Spain	Full	100.00%	100.00%
Caisse d'Epargne Financement - CEFI					France	Equity	33.00%	33.00%
Carrefour Administration Cartos de Creditos - CACC					Brazil	Equity	40.00%	40.00%
Cetelem					France	Full	100.00%	100.00%
Cetelem Algérie				12	Algeria	Equity	100.00%	100.00%
Cetelem America					Brazil	Full	100.00%	100.00%
Cetelem Bank Gmbh					Germany	Full	50.10%	50.10%
Cetelem Bank SA	2				Poland	Full	100.00%	100.00%
Cetelem Belgium					Belgium	Full	100.00%	100.00%
Cetelem Benelux BV					Netherlands	Full	100.00%	100.00%
Cetelem Brésil					Brazil	Full	100.00%	100.00%
Cetelem CR					Czech Rep.	Full	100.00%	100.00%
Cetelem IFN SA (formerly Credisson Holding Limited)			1		Cyprus	Full	100.00%	100.00%
Cetelem Maroc (formerly Attijari Cetelem)	1				Morocco	Full	99.79%	92.80%
Cetelem Mexico SA de CV				12	Mexico	Equity	100.00%	100.00%
Cetelem Polska Expansion SA					Poland	Full	100.00%	100.00%
Cetelem Processing Services (Shanghai) Ltd				12	China	Equity	100.00%	100.00%
Cetelem Slovensko			2		Slovakia	Full	100.00%	100.00%
Cetelem Thailande					Thailand	Full	100.00%	100.00%
Cetelem UK (formerly Halifax Cetelem Credit Limited)					UK	Full	100.00%	100.00%
Cofica Bail					France	Full	100.00%	100.00%
Cofidis France					France	Equity	15.00%	15.00%
Cofinoga					France	Prop.	50.00%	50.00%
Cofiparc					France	Full	100.00%	100.00%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce					France	Full	100.00%	100.00%
Credial Italie SPA			2		Italy	Prop.	50.00%	50.00%
Credisson International SRL			1		Romania	Full	100.00%	100.00%
Crédit Moderne Antilles					France	Full	100.00%	100.00%
Crédit Moderne Guyane					France	Full	100.00%	100.00%
Crédit Moderne Océan Indien					France	Full	97.81%	97.81%
Domofinance SA	2		9		France	Prop.	55.00%	55.00%
Effico Iberia	2				Spain	Full	100.00%	100.00%

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Consumer Credit (cont'd)								
Effico Soreco					France	Full	99.95%	99.95%
Eurocredito					Spain	Full	100.00%	100.00%
Facet					France	Full	99.69%	99.69%
Fidem					France	Full	51.00%	51.00%
Fimestic Expansion SA					Spain	Full	100.00%	100.00%
Findomestic					Italy	Prop.	50.00%	50.00%
Findomestic Banka a.d				12	Serbia	Equity	99.60%	49.80%
Fortis Crédit		3			Belgium			
KBC Pinto Systems				2	Belgium	Equity	40.00%	40.00%
Laser (Group)			10		France	Prop.	50.00%	50.00%
Loisirs Finance					France	Full	51.00%	51.00%
Magyar Cetelem					Hungary	Full	100.00%	100.00%
Métier Regroupement de Crédits				12	France	Equity	100.00%	100.00%
Monabank (formerly Covefi)				2	France	Equity	34.00%	34.00%
Norrsken Finance					France	Full	51.00%	51.00%
Novacrédit				2	France	Equity	34.00%	34.00%
Projeo				2	France	Full	50.94%	50.94%
Servicios Financieros Carrefour EFC					Spain	Equity	40.00%	40.00%
Société de Paiement Pass					France	Equity	40.01%	40.01%
Submarino Finance Promotora de Credito Ltda				2	Brazil	Prop.	50.00%	50.00%
Debt Investment Fund								
FCC Findomestic			4		Italy			
FCC Master Dolphin					Italy	Prop.	100.00%	0.00%
FCC Master Noria			4		France			
FCC Retail ABS Finance		2			France	Full	100.00%	100.00%
Mortgage Financing								
Abbey National France	1	5			France			
Banca UCB SPA					Italy	Full	100.00%	100.00%
BNP Paribas Invest Immo					France	Full	100.00%	100.00%
SAS Prêts et Services					France	Full	100.00%	100.00%
UCB					France	Full	100.00%	100.00%
UCB Hypotheken					Netherlands	Full	100.00%	100.00%
UCB Suisse				12	Switzerland	Equity	100.00%	100.00%
Union de Creditos Immobiliarios - UCI (Group)	9				Spain	Prop.	50.00%	50.00%
Debt Investment Fund								
FCC Domos 2003					France	Full	100.00%	100.00%
FCC Master Domos					France	Full	100.00%	100.00%
FCC Master Domos 4					France	Full	100.00%	100.00%
FCC Master Domos 5					France	Full	100.00%	100.00%
FCC U.C.I 4-15 (formerly FCC U.C.I 2-9)	9				Spain	Prop.	50.00%	50.00%
Contract Hire and Fleet Management								
Arius Finance		5			France			
Arius SA					France	Full	100.00%	100.00%
Arma Beheer BV					Netherlands	Full	100.00%	100.00%
Artegy Limited					UK	Full	100.00%	100.00%
Artegy SAS					France	Full	100.00%	100.00%
Arval Belgium					Belgium	Full	100.00%	100.00%
Arval Brasil Ltda				12	Brazil	Equity	100.00%	100.00%
Arval Business Services Limited (formerly Arval PHH Business Services Limited)					UK	Full	100.00%	100.00%
Arval BV (formerly Arma Nederland)					Netherlands	Full	100.00%	100.00%
Arval Deutschland GmbH (formerly Arval PHH Deutschland Gmbh)					Germany	Full	100.00%	100.00%
Arval ECL SAS					France	Full	100.00%	100.00%

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Contract Hire and Fleet Management (cont'd)								
Arval Limited					UK	Full	100.00%	100.00%
Arval Luxembourg					Luxembourg	Full	100.00%	100.00%
Arval Nederland		5			Netherlands			
Arval NV (formerly Arma Belgique)					Belgium	Full	100.00%	100.00%
Arval PHH Holding SAS					France	Full	100.00%	100.00%
Arval PHH Holdings Limited					UK	Full	100.00%	100.00%
Arval PHH Holdings UK Limited					UK	Full	100.00%	100.00%
Arval PHH Service Lease CZ				12	Czech Rep.	Equity	100.00%	100.00%
Arval Portugal					Portugal	Full	100.00%	100.00%
Arval Russie				12	Russia	Equity	100.00%	100.00%
Arval Schweiz AG (formerly Leasing Handels und Service AG)					Switzerland	Full	100.00%	100.00%
Arval Service Lease					France	Full	100.00%	100.00%
Arval Service Lease Espagne					Spain	Full	99.98%	99.97%
Arval Service Lease Italia					Italy	Full	100.00%	100.00%
Arval Service Lease Polska SP					Poland	Full	100.00%	100.00%
Arval Trading			2		France	Full	100.00%	100.00%
Arval UK Group Limited (formerly Arval PHH Limited)					UK	Full	100.00%	100.00%
Arval UK Limited (formerly Arval PHH Business Solutions Limited)					UK	Full	100.00%	100.00%
BNP Paribas Fleet Holdings Limited					UK	Full	100.00%	100.00%
Dialcard Fleet Services Limited					UK	Full	100.00%	100.00%
Dialcard Limited					UK	Full	100.00%	100.00%
Gestion et Location Holding					France	Full	100.00%	100.00%
Harpur Assets Limited	4				UK			
Harpur UK Limited					UK	Full	100.00%	100.00%
Overdrive Business Solutions Limited					UK	Full	100.00%	100.00%
Overdrive Credit Card Limited					UK	Full	100.00%	100.00%
PHH Financial services Limited					UK	Full	100.00%	100.00%
PHH Holdings (1999) Limited					UK	Full	100.00%	100.00%
PHH Investment Services Limited					UK	Full	100.00%	100.00%
PHH Leasing (N°9) Limited					UK	Full	100.00%	100.00%
PHH Treasury Services Limited					UK	Full	100.00%	100.00%
PHH Truck Management Services Limited					UK	Full	100.00%	100.00%
Pointeuro Limited					UK	Full	100.00%	100.00%
The Harpur Group UK Limited					UK	Full	100.00%	100.00%
Emerging and overseas markets								
Banque International Commerce et Industrie Burkina Faso					Burkina Faso	Full	51.00%	51.00%
Banque International Commerce et Industrie Cote d'Ivoire					Ivory Coast	Full	67.49%	67.49%
Banque International Commerce et Industrie Gabon					Gabon	Full	46.67%	46.67%
Banque International Commerce et Industrie Guinée				2	Guinea	Equity	30.80%	30.80%
Banque International Commerce et Industrie Mali				12	Mali	Equity	85.00%	85.00%
Banque International Commerce et Industrie Senegal					Senegal	Full	54.11%	54.11%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75.00%	75.00%
Banque Marocaine du Commerce et de l'Industrie					Morocco	Full	64.67%	64.67%
Banque Marocaine du Commerce et de l'Industrie Gestion				12	Morocco	Equity	100.00%	64.70%
Banque Marocaine du Commerce et de l'Industrie Leasing					Morocco	Full	72.03%	46.58%
Banque Marocaine du Commerce et de l'Industrie Offshore					Morocco	Full	100.00%	64.67%
Banque pour le Commerce et l'Industrie de la Mer Rouge					Djibouti	Full	51.00%	51.00%
BNP Intercontinentale - BNPI					France	Full	100.00%	100.00%
BNP Paribas BDDI Participations					France	Full	100.00%	100.00%
BNP Paribas Cyprus Limited					Cyprus	Full	100.00%	100.00%
BNP Paribas El Djazair					Algeria	Full	100.00%	100.00%
BNP Paribas Guadeloupe					France	Full	100.00%	100.00%
BNP Paribas Guyane					France	Full	100.00%	100.00%
BNP Paribas Le Caire					Egypt	Full	95.19%	95.19%
BNP Paribas Martinique					France	Full	100.00%	100.00%

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Emerging and overseas markets (cont'd)								
BNP Paribas Nouvelle Caledonie					France	Full	100.00%	100.00%
BNP Paribas Réunion					France	Full	100.00%	100.00%
BNP Paribas Vostok Holdings			2		France	Full	70.00%	70.00%
Nanjing City Commercial Bank Corp Ltd			1		China	Equity	19.20%	19.20%
Sifida					Luxembourg	Full	100.00%	100.00%
Société Financière pour pays d'Outre Mer - SFOM	4				Switzerland			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Group)	1				Turkey	Prop.	50.00%	50.00%
Ukranian Insurance Alliance				12	Ukraine	Equity	99.99%	50.99%
UkrSibbank				1	Ukraine	Full	51.00%	51.00%
UkrSibbank LLC				12	Russia	Equity	99.30%	50.60%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50.00%	50.00%
Union Tunisienne pour le Commerce et l'Industrie Leasing (formerly Union Tun. de Leasing)					Tunisia	Full	75.40%	37.70%

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AMS								
Insurance								
Assuvie SA				12	France	Equity	50.00%	50.00%
Banque Financiere Cardif			5		France			
BNP Paribas Assurance					France	Full	100.00%	100.00%
Cardif Asset Management					France	Full	100.00%	100.00%
Cardif Assicurazioni SPA					Italy	Full	100.00%	100.00%
Cardif Assurance Vie Polska	2				Poland	Full	100.00%	100.00%
Cardif do Brasil Seguros					Brazil	Full	100.00%	100.00%
Cardif do Brasil Seguros e Garantias				12	Brazil	Equity	100.00%	100.00%
Cardif Leven					Belgium	Full	100.00%	100.00%
Cardif Levensverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardif Mexico Seguros de Vida				12	Mexico	Equity	100.00%	100.00%
Cardif Mexico Seguros Generales SA				12	Mexico	Equity	100.00%	100.00%
Cardif Nederland Holding BV					Netherlands	Full	100.00%	100.00%
Cardif Provita				12	Czech Rep.	Equity	100.00%	100.00%
Cardif RD					France	Full	100.00%	100.00%
Cardif Retraite Assurance Vie			11		France	Full	100.00%	100.00%
Cardif SA					France	Full	100.00%	100.00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardif Société Vie					France	Full	100.00%	100.00%
Cardivida Correduria de Seguros				12	Spain	Equity	100.00%	100.00%
Centro Vita Assicurazioni					Italy	Prop.	49.00%	49.00%
Compagnie Bancaire Uk Fonds C					UK	Full	100.00%	100.00%
Compania de Seguros Vida SA			11		Chile	Full	100.00%	100.00%
Compania de Seguros Generales					Chile	Full	100.00%	100.00%
Cybele RE					Luxembourg	Full	100.00%	100.00%
Darnell Limited					Ireland	Full	100.00%	100.00%
GIE BNP Paribas Assurance					France	Full	100.00%	100.00%
Investlife SA					Luxembourg	Full	100.00%	100.00%
Le Sphinx Assurances Luxembourg SA				12	Luxembourg	Equity	100.00%	100.00%
Natio Assurance					France	Prop.	50.00%	50.00%
Natiovie		5			France			
Patrimoine Management & Associés			1		France	Full	70.00%	100.00%
Pinnafrica Holding Ltd				12	South Africa	Equity	98.00%	98.00%
Pinnafrica Insurance Company Ltd				12	South Africa	Equity	100.00%	98.00%
Pinnafrica Insurance Life Ltd				12	South Africa	Equity	100.00%	98.00%
Pinnacle Insurance PLC					UK	Full	100.00%	97.59%
Pinnacle Insurance Holding PLC					UK	Full	97.59%	97.59%
Pinnacle Insurance Management Services PLC					UK	Full	100.00%	97.59%
SARL Reumal Investissements					France	Full	100.00%	100.00%
SCI 104-106 rue Cambronne					France	Full	100.00%	100.00%
SCI 14 rue Vivienne					France	Full	100.00%	100.00%
SCI 24-26 rue Duranton					France	Full	100.00%	100.00%
SCI 25 rue Abbe Carton					France	Full	100.00%	100.00%
SCI 25 rue Gutenberg					France	Full	100.00%	100.00%
SCI 35 rue Lauriston					France	Full	100.00%	100.00%
SCI 40 rue Abbe Groult					France	Full	100.00%	100.00%
SCI 6 Square Foch					France	Full	100.00%	100.00%
SCI 8-10 place du Commerce					France	Full	100.00%	100.00%
SCI Asnieres 1					France	Full	100.00%	100.00%
SCI Beausejour					France	Full	100.00%	100.00%
SCI BNP Paribas Pierre 2 (formerly Natio Vie Pierre 2)					France	Full	100.00%	100.00%
SCI Boulevard Malesherbes					France	Full	100.00%	100.00%
SCI Boulogne Centre					France	Full	100.00%	100.00%
SCI Boulogne Nungesser					France	Full	100.00%	100.00%

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Insurance (cont'd)								
SCI Corosa					France	Full	100.00%	100.00%
SCI Courbevoie					France	Full	100.00%	100.00%
SCI Defense Etoile					France	Full	100.00%	100.00%
SCI Defense Vendome					France	Full	100.00%	100.00%
SCI Etoile					France	Full	100.00%	100.00%
SCI Le Chesnay 1					France	Full	100.00%	100.00%
SCI Levallois 2					France	Full	100.00%	100.00%
SCI Malesherbes Courcelles					France	Full	100.00%	100.00%
SCI Montrouge 2					France	Full	100.00%	100.00%
SCI Montrouge 3					France	Full	100.00%	100.00%
SCI Moussorgski (formerly Maisons 2)					France	Full	100.00%	100.00%
SCI Maisons 1					France	Full	100.00%	100.00%
SCI P. Demours					France	Full	100.00%	100.00%
SCI residence Le Chatelard					France	Full	100.00%	100.00%
SCI rue Mederic					France	Full	100.00%	100.00%
SCI Rueil 1					France	Full	100.00%	100.00%
SCI Rueil Ariane					France	Full	100.00%	100.00%
SCI Rueil Caudron					France	Full	100.00%	100.00%
SCI Saint Maurice 2					France	Full	100.00%	100.00%
SCI Surennes 2					France	Full	100.00%	100.00%
SCI Surennes 3					France	Full	100.00%	100.00%
Shinan et Life Corée				2	South Korea	Prop.	50.00%	50.00%
State Bank India Life Cy				2	India	Equity	26.00%	26.00%
Thai Cardif Insurance Life Company Ltd				2	Thailand	Equity	25.00%	25.00%
Private Banking								
Bank von Ernst	1	5			France			
Bergues Finance Holding					Bahamas	Full	100.00%	99.99%
BNP Paribas Espana SA					Spain	Full	99.55%	99.55%
BNP Paribas Investment Services LLC					U.S.A.	Full	100.00%	100.00%
BNP Paribas Private Bank					France	Full	100.00%	100.00%
BNP Paribas Private Bank Monaco					France	Full	100.00%	99.99%
BNP Paribas Private Bank Switzerland			5		Switzerland			
Conseil Investissement					France	Full	100.00%	100.00%
Nachenius		1			Netherlands	Full	100.00%	100.00%
Société Monégasque de Banque Privée	1	5			France			
United European Bank Switzerland				5	Switzerland			
United European Bank Trust Nassau					Bahamas	Full	100.00%	99.99%
Online Brokerage								
B*Capital					France	Full	99.96%	99.96%
Cortal Consors France					France	Full	100.00%	100.00%
Cortal Consors Luxembourg	5				Luxembourg			
FundQuest (formerly Cortal Consors Fund Management)					France	Full	100.00%	100.00%
Asset Management								
Cardif Gestion d'Actifs			11		France	Full	100.00%	100.00%
BNP PAM Group					France	Full	100.00%	100.00%
BNP Paribas Asset Management GmgH				12	Germany	Equity	100.00%	100.00%
BNP Paribas Asset Management SGR Milan SPA	4			12	Italy	Equity	100.00%	100.00%
BNP Paribas Asset Management					France	Full	100.00%	100.00%
BNP Paribas Asset Management Brasil Limitada	2				Brazil	Full	100.00%	100.00%
BNP Paribas Asset Management Japan Limited	2		11		Japan	Full	100.00%	100.00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99.66%	99.66%
BNP Paribas Asset Management UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Asset Management Uruguay SA				12	Uruguay	Equity	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Asset Management (cont'd)								
BNP Paribas Epargne et Retraite Entreprise				5	France			
BNP Paribas Financière AMS (Fin'AMS)				2	France	Equity	100.00%	100.00%
BNP Paribas Fund Services France (formerly BNPP Asset Servicing SAS)	2				France	Full	100.00%	100.00%
BNP Paribas Private Equity				12	France	Equity	100.00%	100.00%
BNP Paribas SGIIC				12	Spain	Equity	100.00%	100.00%
Cooper Neff Alternative Managers				12	France	Equity	100.00%	100.00%
Fauchier Partners Management Limited (Group)	1				UK	Prop.	42.17%	50.00%
Fischer Francis Trees and Watts					U.S.A.	Equity	100.00%	100.00%
Fund Quest Incorporation					U.S.A.	Full	100.00%	100.00%
Overlay Asset Management				12	France	Equity	100.00%	100.00%
Shinhan BNP Paribas Investment Trust Management Cy				12	South Korea	Equity	50.00%	50.00%
Sundaram BNP Paribas Asset Management				2	India	Equity	49.90%	49.90%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100.00%	100.00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100.00%	100.00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100.00%	100.00%
BNP Paribas Fund Services Holdings					UK	Full	100.00%	100.00%
BNP Paribas Fund Services UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Securities Services - BP2S					France	Full	100.00%	100.00%
BNP Paribas Securities Services International Holding SA					France	Full	100.00%	100.00%
Property services								
Asset Partenaires		1			France	Full	99.95%	96.72%
Atis Real Expertise					France	Full	100.00%	100.00%
Atisreal Auguste-Thouard					France	Full	95.84%	95.84%
Atisreal Auguste-Thouard Habitat Foncier				5	France			
Atisreal Belgium SA					Belgium	Full	100.00%	100.00%
Atisreal Benelux SA					Belgium	Full	100.00%	100.00%
Atisreal Consult					France	Full	100.00%	100.00%
Atisreal Consult GmbH					Germany	Full	100.00%	100.00%
Atisreal Espana SA					Spain	Full	100.00%	100.00%
Atisreal GmbH					Germany	Full	100.00%	100.00%
Atisreal Holding Belgium SA				5	Belgium			
Atisreal Holding France					France	Full	100.00%	100.00%
Atisreal Holding GmbH					Germany	Full	100.00%	100.00%
Atisreal International					France	Full	100.00%	100.00%
Atisreal Limited					UK	Full	100.00%	100.00%
Atisreal Luxembourg SA					Belgium	Full	100.00%	100.00%
Atisreal Management GmbH		5			Germany			
Atisreal Netherlands BV			4		Netherlands			
Atisreal Property Management GmbH					Germany	Full	100.00%	100.00%
Atisreal Property Management Services					Belgium	Full	100.00%	100.00%
Atisreal Proplan GmbH					Germany	Full	75.18%	75.18%
Atisreal Services				4	France			
Atisreal USA Inc.					U.S.A.	Full	100.00%	100.00%
Atisreal Weatheralls Investment Services Limited					UK	Full	100.00%	100.00%
Auguste-Thouard Fimorem		5			France			
Auguste-Thouard Residencial SL		5			Spain			
Banque Centrale de Données Immobilières		5			France			
BNP Paribas Immobilier (formerly Meunier Promotion)					France	Full	100.00%	100.00%
BNP Paribas Immobilier				5	France			
BNP Paribas Participations Finance Immobilier					France	Full	100.00%	100.00%
BNP Paribas Immobilier Property Management					France	Full	100.00%	100.00%
BNP Paribas Real Estate Investment Management (formerly Antin Vendôme)					France	Full	96.77%	96.77%
BSA Immobilier		1			France	Full	100.00%	100.00%

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Property services (cont'd)								
Chancery Lane Management Services Limited					UK	Full	100.00%	100.00%
Compagnie Tertaire			1		France	Full	100.00%	100.00%
F G Ingenierie et Promotion Immobilière					France	Full	100.00%	100.00%
Genisar Servicios Immobiliarios				1	Spain	Full	100.00%	100.00%
Immobiliere des Bergues					France	Full	100.00%	100.00%
Partenaires Gerance Soprofinance		1			France	Full	99.94%	96.71%
SA Comadim					France	Full	100.00%	100.00%
SA Gerer					France	Full	100.00%	100.00%
SA Procodis					France	Full	100.00%	100.00%
SAS Astrim					France	Full	100.00%	100.00%
SAS Meunier Developpements					France	Full	100.00%	100.00%
SAS Meunier Habitat					France	Full	100.00%	100.00%
SAS Meunier Immobilières d'Entreprises					France	Full	100.00%	100.00%
SAS Meunier Mediterranee					France	Full	100.00%	100.00%
SAS Meunier Rhône Alpes					France	Full	100.00%	100.00%
Sinvim		5			France			
Sofiane		1			France	Full	100.00%	100.00%
SNC Cezanne	4				France			
SNC Comadim Residences Servives					France	Full	100.00%	100.00%
SNC Espaces Immobiliers					France	Full	100.00%	100.00%
SNC Lot 2 Porte d'Asnières					France	Full	100.00%	100.00%
SNC Matisse	3				France			
SNC Meunier Gestion					France	Full	100.00%	100.00%
Sifonte SL				1	Spain	Full	100.00%	100.00%
Soprofinance		1		5	France			
Tasaciones Hipotecarias SA				1	Spain	Full	100.00%	100.00%
Valuation Consulting Limited				1	UK	Full	100.00%	100.00%
Weatheralls Consultancy Services Limited					UK	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Corporate & Investment Banking								
FRANCE								
Austin Finance			2		France	Full	100.00%	100.00%
BNP Paribas Arbitrage					France	Full	99.99%	99.99%
BNP Paribas Equities France					France	Full	99.96%	99.96%
BNP Paribas Equity Strategies France					France	Full	100.00%	99.99%
BNP Paribas Peregrine Group					France	Full	100.00%	100.00%
BNP Paribas Stratégies Actions					France	Full	100.00%	99.99%
Capstar Partners Sas					France	Full	100.00%	100.00%
Harewood Asset Management				12	France	Equity	100.00%	100.00%
Paribas Dérivés Garantis Snc					France	Full	100.00%	100.00%
Parifergie					France	Full	100.00%	100.00%
Parilease					France	Full	100.00%	100.00%
Sas Esomet	2				France	Full	100.00%	100.00%
EUROPE								
BNP AK Dresdner Bank AS	3				Turkey			
BNP AK Dresdner Financial Kiralama	3				Turkey			
BNP Capital Finance ltd			4		Ireland			
BNP Factor					Portugal	Full	100.00%	100.00%
BNP Ireland Limited					Ireland	Full	100.00%	100.00%
BNP Paribas (Bulgaria) AD					Bulgaria	Full	100.00%	100.00%
BNP Paribas Bank (Hungaria) RT					Hungary	Full	100.00%	100.00%
BNP Paribas Bank (Polska) SA					Poland	Full	100.00%	100.00%
BNP Paribas Bank NV					Netherlands	Full	100.00%	100.00%
BNP Paribas Capital Investments Limited					UK	Full	100.00%	100.00%
BNP Paribas Capital Markets Group Limited					UK	Full	100.00%	100.00%
BNP Paribas Commodity Futures Limited					UK	Full	100.00%	100.00%
BNP Paribas E & B Limited					UK	Full	100.00%	100.00%
BNP Paribas Finance plc					UK	Full	100.00%	100.00%
BNP Paribas Fixed Assets Limited			4		UK			
BNP Paribas Luxembourg sa					Luxembourg	Full	100.00%	100.00%
BNP Paribas Net Limited					UK	Full	100.00%	100.00%
BNP Paribas Services			5		Switzerland			
BNP Paribas Sviluppo					Italy	Full	100.00%	100.00%
BNP Paribas Suisse SA					Switzerland	Full	99.99%	99.99%
BNP Paribas UK Holdings Limited					UK	Full	100.00%	100.00%
BNP Paribas UK Limited					UK	Full	100.00%	100.00%
BNP PUK Holding Limited					UK	Full	100.00%	100.00%
BNP Paribas ZAO					Russia	Full	100.00%	100.00%
Capstar Partners Limited					UK	Full	100.00%	100.00%
Dealremote Limited			4		UK			
Delta Reinsurance Limited			2		Ireland	Equity	100.00%	100.00%
Harewood Holdings Limited				2	UK	Full	100.00%	100.00%
ISIS Factor SPA					Italy	Full	100.00%	100.00%
Paribas Management Service Limited			4		UK			
Paribas Trust Luxembourg SA					Luxembourg	Full	100.00%	100.00%
Utexam Limited					Ireland	Full	100.00%	100.00%
AMERICAS								
BNP Andes					Perou	Full	100.00%	100.00%
BNP Paribas Asset Management Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Brasil SA					Brazil	Full	100.00%	100.00%
BNP Paribas Brokerage Services Incorporated	5				U.S.A.			
BNP Paribas Canada					Canada	Full	100.00%	100.00%

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AMERICAS (cont'd)								
BNP Paribas Capstar Partners Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Commodities Futures Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Leasing Corporation					U.S.A.	Full	100.00%	100.00%
BNP Paribas North America Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Principal Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas RCC Incorporation					U.S.A.	Full	100.00%	100.00%
BNP Paribas Securities Corporation					U.S.A.	Full	100.00%	100.00%
Capstar Partners LLC					U.S.A.	Full	100.00%	100.00%
Cooper Neff Advisors Incorporated					U.S.A.	Full	100.00%	100.00%
Cooper Neff Group Incorporated					U.S.A.	Full	100.00%	100.00%
French American Banking Corporation - F.A.B.C					U.S.A.	Full	100.00%	100.00%
Paribas North America					U.S.A.	Full	100.00%	100.00%
Petits Champs Participaçoes e Serviços SA					Brazil	Full	100.00%	100.00%
ASIA - OCEANIA								
BNP Equities Asia Limited					Malaysia	Full	100.00%	100.00%
BNP Paribas (China) Limited					China	Full	100.00%	100.00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Asia Pacific) Limited (formerly BNPP Peregrine Cap. Ltd)					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Singapore) Limited (formerly BNPP Peregrine (Sing.) Ltd)					Singapore	Full	100.00%	100.00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas GRS (Hong Kong) Limited (formerly BNPP Equities Hong Kong)		11			Hong-Kong	Full	100.00%	100.00%
BNP Paribas India Solutions Private Ltd			2		India	Full	100.00%	100.00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100.00%	100.00%
BNP Paribas Peregrine Securities (Thailande) Limited			3		Thailand			
BNP Paribas Securities (Asia) Limited (formerly BNPP Peregrine Securities Ltd)					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Japan) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Taiwan) Co Limited	2				Taiwan	Full	100.00%	100.00%
BNP Paribas Securities Korea Company Limited					South Korea	Full	100.00%	100.00%
BNP Paribas Secutities (Sing.) Pte Ltes (formerly BNPP Peregrine Sec.Pte Ltd)					Singapore	Full	100.00%	100.00%
BNP Paribas Services (HK) Ltd (formerly BNPP Peregrine Serv. Ltd)					Hong-Kong	Full	100.00%	100.00%
Credit Agricole Indosuez Securities Limited		1	4		Japan			
Paribas Asia Equities Limited					Hong-Kong	Full	100.00%	100.00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100.00%	99.99%
PT BNP Lippo Utama Leasing	4				Indonesia			
PT BNP Paribas Securities Indonesia (formerly PT BNP Paribas Peregrine)					Indonesia	Full	99.00%	99.00%
Special Purpose Entities								
54 Lombard Street Investments Limited					UK	Full		
Alectra Finance Plc				2	Ireland	Full		
APAC Finance Limited		2			New Zealand	Full		
APAC Investments Limited		2			New Zealand	Full		
APAC NZ Holdings Limited (ex BNPP (New Zealand) Finance Ltd)					New Zealand	Full		
ARV International Limited	2				Cayman Islds	Full		
Altels Investment Limited	2				Ireland	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A.	Full		
BNP Paribas New Zealand Limited			4		New Zealand			
Bougainville BV					Netherlands	Full		
China Jenna Finance 1				2	France	Full		
China Jenna Finance 2				2	France	Full		
China Jenna Finance 3				2	France	Full		
China Lucie Finance 1		2			France	Full		
China Lucie Finance 2		2			France	Full		
China Lucie Finance 3		2			France	Full		

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Special Purpose Entities (cont'd)								
China Samantha Finance 1	2				France	Full		
China Samantha Finance 2	2				France	Full		
China Samantha Finance 3	2				France	Full		
China Samantha Finance 4		2			France	Full		
China Samantha Finance 5		2			France	Full		
China Samantha Finance 6		2			France	Full		
China Samantha Finance 7		2			France	Full		
China Samantha Finance 8		2			France	Full		
China Samantha Finance 9		2			France	Full		
China Samantha Finance 10			2		France	Full		
Crisps Limited					Cayman Islds	Full		
Eliopée Limited		4			Jersey			
Epimetheus Investments Limited					Cayman Islds	Full		
Epsom Funding Limited		2			Cayman Islds	Full		
Euroliberté PLC					Ireland	Full		
European Hedged Equity Limited					Cayman Islds	Full		
Fidex PLC					UK	Full		
Financière Paris Haussmann			2		France	Full		
Financière Taitbout			2		France	Full		
Forsete Investments SA					Luxembourg	Full		
Global Guaranteed Cliquet Investment			4		Cayman Islds			
Global Guaranteed Equity Limited					Cayman Islds	Full		
Global Hedged Equity Investment Limited					Cayman Islds	Full		
Global Liberté				2	France	Full		
Global Protected Alternative Investments Limited					Cayman Islds	Full		
Global Protected Equity Limited					Cayman Islds	Full		
Harewood Investments N°1 Limited					Cayman Islds	Full		
Harewood Investments N°2 Limited	2				UK	Full		
Harewood Investments N°3 Limited	2				UK	Full		
Harewood Investments N°4 Limited	2				UK	Full		
Harewood Investments N°5 Limited	2				Cayman Islds	Full		
Harewood Investments N°6 Limited			2		UK	Full		
Henaross PTY Limited					Australia	Full		
Iliad Investments PLC	2				Ireland	Full		
Joconde SA					Luxembourg	Full		
Laffitte Participation 2					France	Full		
Laffitte Participation 10		2			France	Full		
Laffitte Participation 12		2			France	Full		
Liquidity Trust	2				Cayman Islds	Full		
Lock-In Global equity Limited					Cayman Islds	Full		
Marc Finance Limited	2				Cayman Islds	Full		
Mexita Limited N° 2		4			Cayman Islds			
Mexita Limited N° 3			4		Cayman Islds			
Mexita Limited N° 4			4		Cayman Islds			
Mistral Investments SA					Luxembourg	Full		
Olan 2 Enterprises PLC			4		Ireland			
Omega Capital Investments Plc			2		Ireland	Full		
Omega Investments Cayman Limited			2		Cayman Islds	Full		
Optichamps	2				France	Full		
Paregof					France	Full		
Parritaye Property Pty Limited					Australia	Full		
Participations Opéra			2		France	Full		
Robin Flight Limited	2				Ireland	Full		
Royal Neuve I SA			2		Luxembourg	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS					France	Full		

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Special Purpose Entities (cont'd)								
Sirocco Investments SA					Luxembourg	Full		
Snc Atargatis	2				France	Full		
Snc Méditerranéa	2				France	Full		
St Maarten CDO Limited	2				Cayman Islds	Full		
Starbird Funding Corporation		4			U.S.A.			
Sunny Funding Limited	2				Cayman Islds	Full		
Swalow Flight Limited	2				Ireland	Full		
Thésée Limited		4			Jersey			
Thunderbird Investments PLC	2				Ireland	Full		

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OTHER BUSINESS UNITS								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque				5	France	Full		
Carbonne Lorraine	3				France			
Claireville					Belgium	Full	100.00%	100.00%
Cobema					Belgium	Full	100.00%	100.00%
Cobepa Technology					Belgium	Full	100.00%	100.00%
Compagnie Benelux Paribas - COBEPA (Group)	3				Belgium			
Compagnie Financière Ottomane					Luxembourg	Full	96.67%	96.67%
Erbe					Belgium	Equity	47.01%	47.01%
Evialis			7		France	Equity	44.16%	44.16%
Gepeco					Belgium	Full	100.00%	100.00%
Paribas Participation Limitée					Canada	Full	100.00%	100.00%
Klépierre								
Akciova Spolocnost Arcol					Slovakia	Full	100.00%	50.06%
AMC			2		Czech Rep.	Full	100.00%	37.54%
Besloten Vennotschap Capucine BV					Netherlands	Full	100.00%	50.06%
Bestes			1		Czech Rep.	Full	100.00%	49.56%
Entertainment Plaza			1		Czech Rep.	Full	100.00%	50.06%
GIE Klepierre Services					France	Full	100.00%	50.06%
I G C SPA					Italy	Prop.	50.00%	25.03%
ICD SPA					Italy	Full	100.00%	42.55%
Klecar Italia SPA					Italy	Full	100.00%	41.55%
Klefin Italia SPA					Italy	Full	100.00%	50.06%
Klepierre Krakow Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Klepierre Novo			2		Czech Rep.	Full	100.00%	50.06%
Klépierre Poznan Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Klépierre Sadyba Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Krakow Plaza Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Plaza Center Management Poland Sp. z.o.o		1			Poland	Full	100.00%	37.79%
Ruda Slaska Plaza Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
SA Brescia				5	France			
SA Cinéma de l'Esplanade					Belgium	Full	100.00%	50.06%
SA Coimbra					Belgium	Full	100.00%	50.06%
SA Delcis Cr					Czech Rep.	Full	100.00%	50.06%
SA Devimo Consult					Belgium	Equity	35.00%	13.14%
SA Duna Plaza					Hungary	Full	100.00%	50.06%
SA Finascente		1			Portugal	Prop.	50.00%	25.03%
SA Foncière de Louvain la Neuve					Belgium	Full	100.00%	50.06%
SA Galiera Parque Nascente					Portugal	Prop.	50.00%	25.03%
SA Gondobrico					Portugal	Prop.	50.00%	25.03%
SA Klecar Foncier Espana					Spain	Full	100.00%	41.55%
SA Klecar Foncier Iberica					Spain	Full	100.00%	41.55%
SA Klelou Immobiliare					Portugal	Full	100.00%	50.06%
SA Kleminho			2		Portugal	Full	100.00%	50.06%
SA Klenord Immobiliaria					Portugal	Full	100.00%	50.06%
SA Klepierre					France	Full	50.16%	50.06%
SA Klepierre Athinon AE					Greece	Full	100.00%	41.55%
SA Klépierre Foncier Makedonia					Greece	Full	100.00%	41.55%
SA Klepierre NEA Efkarpia AE					Greece	Full	100.00%	41.55%
SA Klepierre Peribola Patras AE					Greece	Full	100.00%	41.55%
SA Klepierre Portugal SGPS					Portugal	Full	100.00%	50.06%
SA Klepierre Vallecas					Spain	Full	100.00%	50.06%
SA Klepierre Vinaza					Spain	Full	100.00%	50.06%

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(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SA Kletel Immobiliaria					Portugal	Full	100.00%	50.06%
SA Place de l'acceuil		1			Belgium	Full	100.00%	50.06%
SA Poznan Plaza		1			Poland	Full	100.00%	50.06%
SA Sadyba Center		1			Poland	Full	100.00%	50.06%
SA Sogecaec					Portugal	Full	100.00%	37.54%
SARL Assago					Italy	Equity	100.00%	50.06%
SARL Collegno					Italy	Full	100.00%	50.06%
SARL Csepel 2002					Hungary	Full	100.00%	50.06%
SARL Debrecen 2002					Hungary	Full	100.00%	50.06%
SARL Effe Kappa					Italy	Prop.	50.00%	25.03%
SARL Galiera Commerciale Cavallino		1			Italy	Full	100.00%	50.06%
SARL Galiera Commerciale Klepierre	2				Italy	Full	100.00%	50.06%
SARL Galiera Commerciale Solbiate		1			Italy	Full	100.00%	50.06%
SARL Gyor 2002					Hungary	Full	100.00%	50.06%
SARL Immobiliare Magnolia					Italy	Full	100.00%	42.55%
SARL Kanizsa 2002					Hungary	Full	100.00%	50.06%
SARL Kaposvar 2002					Hungary	Full	100.00%	50.06%
SARL Klepierre Pologne		1			Poland	Full	100.00%	50.06%
SARL Miskolc 2002					Hungary	Full	100.00%	50.06%
SARL Novate					Italy	Full	100.00%	42.55%
SARL Nyiregyhaza Plaza					Hungary	Full	100.00%	50.06%
SARL P S G			6		Italy	Full	100.00%	50.06%
SARL Plaza Center Management					Hungary	Full	100.00%	37.54%
SARL Szeged Plaza					Hungary	Full	100.00%	50.06%
SARL Szolnok Plaza					Hungary	Full	100.00%	50.06%
SARL Uj Alba					Hungary	Full	100.00%	50.06%
SARL Zalaegerszeg Plaza					Hungary	Full	100.00%	50.06%
SAS 192 avenue Charles De Gaulle			5		France			
SAS 21 Kleber			5		France			
SAS 21 la Perouse			5		France			
SAS 43 Grenelle			5		France			
SAS 43 Kleber				5	France			
SAS 46 Notre-Dame des victoires			5		France			
SAS 5 Turin					France	Full	100.00%	50.06%
SAS Baudot Massy	5				France			
SAS Cande			5		France			
SAS CB Pierre					France	Full	100.00%	50.06%
SAS Cecobil					France	Prop.	50.00%	25.03%
SAS Cecoville					France	Full	100.00%	50.06%
SAS Centre Jaude Clermont					France	Full	100.00%	50.06%
SAS Concorde Puteaux			5		France			
SAS Doumer Caen			5		France			
SAS du 23 avenue Marignan			5		France			
SAS Espace Cordeliers					France	Prop.	50.00%	25.03%
SAS Espace Dumont D'Urville			5		France			
SAS Espace Kleber			5		France			
SAS Flandre			5		France			
SAS Holding Gondomar 1					France	Full	100.00%	50.05%
SAS Holding Gondomar 3					France	Full	100.00%	50.06%
SAS Issy Desmoulins			5		France			
SAS KLE 1 (formerly SAS Klepierre Transactions)					France	Full	100.00%	50.06%
SAS Kleber Levallois			5		France			
SAS Klecar Participations Italie					France	Full	100.00%	41.55%
SAS Klemurs					France	Full	100.00%	42.10%
SAS Klepierre Finance					France	Full	100.00%	50.06%
SAS Klepierre Hongrie					France	Full	100.00%	50.06%
SAS Le Havre Capelet					France	Full	100.00%	50.06%

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(C) Movements for 6 months to 30 June 2006	
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(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SAS Le Havre Tourneville					France	Full	100.00%	50.06%
SAS Leblanc Paris 15				5	France			
SAS LP7					France	Full	100.00%	50.06%
SAS Marseille Le Merlan			5		France			
SAS Melun Saint-Peres			5		France			
SAS Odysseum Place de France					France	Full	50.00%	25.03%
SAS Opale					France	Full	100.00%	50.06%
SAS Poitiers Alienor					France	Full	100.00%	50.06%
SAS Saint-Andre Pey berland			5		France			
SAS Soaval					France	Prop.	50.00%	18.77%
SAS Socoseine					France	Full	100.00%	46.93%
SAS Strasbourg La Vigie			5		France			
SAS Suffren Paris 15				5	France			
SAS Toulouse Mermoz	5				France			
SAS Tours Nationale			5		France			
SC Antin Vendome	4				France			
SC Centre Bourse					France	Full	100.00%	50.06%
SC Solorec					France	Full	100.00%	40.05%
SCI Aurora	5				France			
SCI Bassin Nord					France	Prop.	50.00%	25.03%
SCI Beausevran		1			France	Full	100.00%	41.55%
SCI Bègles Papin					France	Full	100.00%	50.06%
SCI Combault			2		France	Full	100.00%	50.06%
SCI La Plaine du Moulin à vent		2			France	Prop.	50.00%	25.03%
SCI Noble Cafetaria	5				France			
SCI Noble Galerie	5				France			
SCI Noble Restauration	5				France			
SCI Orengal	5				France			
SCI Secovalde					France	Full	100.00%	50.06%
SCI Tour Marcel Brot				4	France			
SCS Begles Arcins					France	Prop.	50.00%	25.03%
SCS Klecar Europe Sud					France	Full	100.00%	41.55%
SCS Ségécé					France	Full	100.00%	52.54%
Ségécé Hellas Réal Estate Management	2				Greece	Full	100.00%	37.55%
Seravalle SPA					Italy	Full	100.00%	50.06%
SL Centros Shopping Gestion					Italy	Full	100.00%	37.54%
SNC Angoumars		2			France	Full	100.00%	50.06%
SNC Fonciere Saint Germain					France	Full	100.00%	50.06%
SNC Galae					France	Full	100.00%	43.68%
SNC General Leclerc 11-11bis Levallois					France	Full	100.00%	50.06%
SNC Jardins des Princes					France	Full	100.00%	50.06%
SNC KC 1 to 12					France	Full	100.00%	41.55%
SNC KC20					France	Full	100.00%	41.55%
SNC Kleber la Perouse					France	Full	100.00%	50.06%
SNC Klecar France					France	Full	100.00%	41.55%
SNC Klegestion					France	Full	100.00%	50.06%
SNC Klepierre Conseil					France	Full	100.00%	50.06%
SNC Kletransactions					France	Full	100.00%	50.06%
SNC Le Barjac Victor					France	Full	100.00%	50.06%
SNC Le Havre Lafayette					France	Prop.	50.00%	25.03%
SNC Le Havre Vauban					France	Prop.	50.00%	25.03%
SNC Pasteur			11		France	Full	100.00%	50.06%
SNC SCOO (formerly Sas Secmarne)					France	Full	100.00%	60.62%
SNC Ségécé Loisirs Transactions					France	Full	100.00%	37.55%
SNC Soccendre					France	Full	100.00%	37.67%
SNC Sodevac					France	Full	100.00%	50.06%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
AMAC SRO			2		Slovakia	Full	100.00%	37.54%
SRO F M C Central europe					Czech Rep.	Full	100.00%	37.54%
SRO Klepierre CZ		1			Czech Rep.	Full	100.00%	50.06%
Property companies (property used in operations)								
Capefi					France	Full	100.00%	100.00%
Compagnie Immobiliere de France					France	Full	100.00%	100.00%
Ejesur					Spain	Full	100.00%	100.00%
SAS 5 Kleber					France	Full	100.00%	100.00%
SAS Foncière de la Compagnie Bancaire					France	Full	100.00%	100.00%
SAS Noria				1	France	Full	100.00%	100.00%
SCI Immobilière Marché Saint-Honoré					France	Full	100.00%	100.00%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100.00%	100.00%
Investment companies and other subsidiaries								
Antin Participation 4					France	Full	100.00%	100.00%
Antin Participation 5					France	Full	100.00%	100.00%
Antin Participation 15			2		France	Full	100.00%	100.00%
BNP Paribas Covered Bonds				2	France	Full	100.00%	100.00%
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100.00%	100.00%
BNP Paribas Emergis				5	France			
BNP Paribas International BV					Netherlands	Full	100.00%	100.00%
BNP Paribas Partners for Innovation (Group)					France	Equity	50.00%	50.00%
BNP Paribas UK Treasury Limited					UK	Full	100.00%	100.00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer			5		France			
Compagnie Bancaire Uk Fonds B					UK	Full	100.00%	100.00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100.00%	100.00%
Financière BNP Paribas					France	Full	100.00%	100.00%
Financière Marché Saint Honoré					France	Full	100.00%	100.00%
Finaxa		3			France			
GIE Groupement Auxiliaire et de Moyens - GAM					France	Full	100.00%	100.00%
Kle 65				5	France			
Kle 66			5		France			
Luxpar-Ré				3	Luxembourg			
Omnium Gestion Developpement Immobilier					France	Full	100.00%	100.00%
Paribas International			5		France			
Placement, Gestion, Finance Holding - Plagefin					Luxembourg	Full	99.99%	99.99%
Quatch			5		France			
Sagip					Belgium	Full	100.00%	100.00%
Sas Klefinances				5	France			
SNC Bincofi	4				France			
Société Auxiliaire de Construction Immobilière - SACI					France	Full	100.00%	100.00%
Société Centrale d'Investissement				5	France			
Societe Française Auxiliaire - S.F.A.					France	Full	100.00%	100.00%
Société Jovacienne de Participations				5	France			
UCB Bail					France	Full	100.00%	100.00%
UCB Entreprises					France	Full	100.00%	100.00%
UCB Locabail immobilier					France	Full	100.00%	100.00%
Verner Investissements (Group)					France	Equity	48.40%	48.40%
Special Purpose Entities								
Antin Participation 7					France	Full		
Antin Participation 13					France	Full		
BNP Paribas Capital Trust LLC 1 to 6					U.S.A.	Full		
BNP Paribas US Medium Term Notes Program					U.S.A.	Full		
BNP Paribas US Structured Medium Term Notes LLC					U.S.A.	Full		
BNP US Funding LLC					U.S.A.	Full		

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Banca Nazionale del Lavoro			1		Italy	Full	98.96%	98.96%
Artigiancassa Spa			1		Italy	Full	73.86%	73.09%
Artigiansoa - Org. Di Attestazione Spa			1		Italy	Full	80.00%	58.48%
BNL Broker Assicurazioni Spa			1		Italy	Full	95.50%	94.51%
BNL Direct Services Spa			1		Italy	Full	100.00%	98.96%
BNL Edizioni Srl			1		Italy	Full	100.00%	98.96%
BNL Finance Spa			1		Italy	Full	100.00%	98.96%
BNL Fondi Immobiliari			1		Italy	Full	95.00%	94.01%
BNL Gestioni Sgr			1		Italy	Full	100.00%	98.96%
BNL International Investment SA			1		Luxembourg	Full	100.00%	98.96%
BNL International Luxembourg			1		Luxembourg	Full	100.00%	98.96%
BNL Multiservizi Spa			1		Italy	Full	100.00%	98.96%
BNL Participazioni Spa			1		Italy	Full	100.00%	98.96%
BNL Positivity Srl			1		Italy	Full	51.00%	50.47%
BNL Vita Spa			1		Italy	Equity	50.00%	49.48%
Cooperleasing Spa			1		Italy	Equity	50.00%	49.63%
Creaimpresa Spa			1		Italy	Full	76.90%	56.21%
Elep Spa			1		Italy	Equity	49.03%	27.65%
International Factors Italia spa - Ifitalia			1		Italy	Full	99.17%	98.14%
Lavoro Bank Ag Zurigo			1		Switzerland	Full	100.00%	98.96%
Locafit Spa			1		Italy	Full	100.00%	98.96%
Locatrice Italiana Spa			1		Italy	Full	100.00%	98.96%
Locatrice Strumentale Srl			1		Italy	Equity	100.00%	98.96%
Serfactoring Spa			1		Italy	Equity	27.00%	26.57%
Servizio Italia Spa			1		Italy	Full	100.00%	98.96%
Special Purpose Entities								
Vela ABS			1		Italy	Full		
Vela Home Srl			1		Italy	Full		
Vela Lease Srl			1		Italy	Full		
Vela Public Sector Srl			1		Italy	Full		

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8.c BUSINESS COMBINATIONS

- Business combinations in the year ended 31 December 2006

- Acquisition of Banca Nazionale del Lavoro (BNL)

On 3 February 2006, BNP Paribas announced that it had entered into several conditional agreements with a group of BNL shareholders, including Unipol, to acquire a 48% stake in BNL. On 5 April 2006, BNP Paribas held a 50.4% interest in BNL, and effectively obtained control of the company. BNP Paribas subsequently launched a public tender offer for the remaining shares held by minority shareholders. On 16 May 2006, BNP Paribas held 95.5% of BNL's ordinary shares further to the tender offer, representing a holding in excess of the 91.5% threshold set by the Italian stock market regulator for a residual offer on outstanding shares. The residual offer for the outstanding shares ran from 30 June 2006 to 20 July 2006. BNL's ordinary shares were delisted on 26 July 2006. The acquisition of BNL therefore took place in several stages: the acquisition of a 50.4% controlling interest, followed by subsequent acquisitions of minority interests, thereby giving BNP Paribas a 98.6% stake in the bank.

BNL is Italy's sixth largest bank in terms of deposit and loan volumes. Its network spans across the whole of the country, with 17,000 employees and around 800 branches and outlets located in all major Italian cities. BNL has some 3 million private individual customers, 39,000 corporate clients, and 16,000 public-sector clients. BNL is particularly active in specialised financing solutions such as factoring and leasing, and also offers consumer credit, asset management services (EUR 26 billion in assets under management), private banking and life insurance solutions.

The cost of the 98.96% interest held by BNP in BNL at the year-end amounted to EUR 9,008 million, and was paid in cash.

The BNP Paribas Group restated BNL's balance sheet at 31 March 2006 in order to bring BNL's accounting methods into line with those applied by the BNP Paribas Group and to comply with the purchase accounting rules prescribed by IFRS (see Note 1.b, "Business combinations and measurement of goodwill").

These adjustments represented a negative EUR 855 million before the tax impact (plus EUR 58 million related to tax matter), or a negative EUR 619 million net of deferred taxes. They primarily concerned the following:

- the measurement of provisions for credit risk on individual loans and loan portfolios – mainly including the effect of reclassifying loans more than 90 days past due as doubtful – as well as provisions for litigation and contingent liabilities (negative impact of EUR 536 million);
- employee benefit obligations (negative impact of EUR 325 million), primarily relating to contingent liabilities;
- the measurement of property, plant and equipment (EUR 144 million positive impact), the BNL brand (EUR 50 million positive impact) and the application of the Group's rules relating to depreciation/amortisation of assets (EUR 113 million negative impact);
- the valuation of market transactions in accordance with the rules applicable within the BNP Paribas Group (EUR 112 million negative impact);

- the fair value measurement of loans, securities and other assets, as well as liabilities and insurance contracts (EUR 106 million positive impact).

As part of the purchase price allocation, the BNL brand was recognised separately from goodwill. It was measured on initial recognition using standard practices in the banking industry for valuing this type of asset and by comparisons with other listed banks of a comparable size. The calculation also took into account the recent changes in awareness levels relating to the BNL brand during the years preceding the acquisition.

BNP Paribas did not recognise an intangible asset for BNL's customer relationships with respect to account and deposit agreements entered into with customers. In addition, other than business combinations, no transactions were identified in Italy relating to similar assets which could be used as a basis of estimation. In accordance with paragraph 16 of IAS 38, these customer relationships cannot be identified separately from BNL's goodwill as the bank does not have any legal or contractual rights to control the future relationships with its customers, or the loyalty of the customers to the bank. In any event, the value of this asset is not be material as the interest payment conditions relating to the vast majority of the bank's demand deposits do not result in material economic benefits. The economic benefit compared with alternative refinancing in the market is minimal due to the management costs and regulatory restrictions concerning the management of said deposits.

These adjustments reduced the Group share of BNL's equity at 31 March 2006 by the same amount, and gave rise to provisional residual goodwill of EUR 2,165 million at 5 April 2006, the date BNP Paribas obtained effective control of BNL.

In accordance with the accounting policies described in note 1.c, "Own equity instruments and own equity instrument derivatives", the difference between the acquisition cost and the Group's equity in BNL's net assets held by minority shareholders and acquired after the date of acquisition (i.e. between 5 April 2006 and 31 December 2006) has been recorded as a deduction from retained earnings attributable to BNP Paribas shareholders in a provisional amount of EUR 2,090 million at 31 December 2006.

As the analyses and expert valuations at fair value required for the initial measurement of assets, liabilities, off-balance sheet items and contingent liabilities have not yet been fully completed, the adjustments made may be modified within a period of twelve months after the acquisition date, in accordance with IFRS 3 paragraph 62.

BNP Paribas financed the BNL acquisition by means of (i) a EUR 5,567 million issue of shares with pre-emptive subscription rights for existing shareholders; (ii) a EUR 2,023 million issue of undated super subordinated notes; and (iii) its own funds. Details of these issues are provided in note 8.a, "Changes in share capital and earnings per share".

The table below shows (i) BNL's consolidated balance sheet at 31 March 2006 prepared in accordance with IFRS before taking into account the controlling interest acquired by the Group in its capital; and (ii) BNL's balance sheet at the same date after adjustments recorded to comply with applicable rules on business combinations as prescribed by IFRS and with BNP Paribas Group accounting policies.

In millions of euros	31 March 2006	31 March 2006
	After acquisition-related adjustments	Prior to acquisition
ASSETS		
Financial assets at fair value through profit or loss	7,730	7,541
Available-for-sale financial assets	1,160	1,157
Loans and receivables due from credit institutions	8,705	8,705
Loans and receivables due from customers	63,860	63,763
Property, plant & equipment and intangible assets	2,682	2,600
Non-current assets held for sale	-	850
Other assets	5,316	4,284
TOTAL ASSETS	**89,453**	**88,900**
LIABILITIES		
Financial liabilities at fair value through profit or loss	8,303	8,007
Due to credit institutions	10,549	10,549
Due to customers	37,085	37,100
Debt securities	20,509	20,199
Non-current liabilities held for sale	-	784
Other liabilities	8,274	6,909
TOTAL LIABILITIES	**84,720**	**83,548**
CONSOLIDATED EQUITY		
Shareholders' equity	4,692	5,311
Minority interests	41	41
Total consolidated equity	**4,733**	**5,352**
TOTAL LIABILITIES AND EQUITY	**89,453**	**88,900**

The BNL sub-group has been fully consolidated as from the acquisition date. For the last three quarters of 2006 BNL contributed EUR 294 million to the BNP Paribas Group's net income and EUR 248 million to net income attributable to equity holders. If the acquisition had taken place on 1 January 2006, the BNL sub-group would have contributed EUR 3,036 million to net banking income and EUR 395 million to net income for the full year. The BNL acquisition led to a net cash outflow of EUR 11,490 million for the BNP Paribas Group.

- Acquisition of UkrSibbank (International Retail Banking and Financial Services)

On 14 April 2006, BNP Paribas acquired 51% of UkrSibbank. Existing shareholders of UkrSibbank signed a long-term agreement with BNP Paribas and will retain a 49% interest in the Ukrainian entity.

UkrSibbank offers a wide range of services in the retail, corporate and investment banking arenas. At the acquisition date it was Ukraine's fourth-largest bank in terms of assets and had a network of 830 branches and outlets, employing close to 9,500 people.

The UkrSibbank Group's assets and liabilities – which were recognised at fair value at the acquisition date – primarily comprised customer loans amounting to EUR 1,423 million and customer deposits representing EUR 929 million.

Goodwill in a provisional amount of EUR 206 million was recorded on the consolidation of the UkrSibbank Group.

UkrSibbank has been consolidated since the acquisition date and its contribution to the BNP Paribas Group's net income was not material in 2006. This acquisition led to a net cash outflow of EUR 161 million for the BNP Paribas Group in 2006.

- Business combinations in the year ended 31 December 2005

- Acquisition of TEB Mali (International Retail Banking and Financial Services)

In February 2005, BNP Paribas acquired a 50% interest in the holding company TEB Mali, which owns 84.25% of the Turkish bank Turk Ekonomi Bankasi (TEB). The Colakoglu group retained a 50% interest in TEB Mali.

TEB is a mid-sized universal bank which, via its subsidiaries, offers corporate and retail customers a full range of financial services and products including export financing, leasing, factoring, consumer credit, deposit-taking, treasury and asset management, insurance, investment banking and brokerage. On the acquisition date, TEB had a network of 85 branches and also owned two banks outside Turkey.

The assets and liabilities of TEB Mali, recognised at fair value as of the acquisition date, mainly comprised:

- assets: customer loans of EUR 1,476 million (BNP Paribas share: EUR 738 million);
- liabilities: customer deposits of EUR 1,781 million (BNP Paribas share: EUR 891 million).

The acquisition price was USD 252 million, or an equivalent value of EUR 198 million at the acquisition date. A price adjustment contingent on the future profitability of TEB, payable at the start of 2008, was agreed by the parties. Acquisition costs of EUR 6 million were incurred. Goodwill on this acquisition was amounted to an equivalent value of EUR 128 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the highly favourable growth prospects of TEB. In addition, the acquisition by BNP Paribas of an interest in the TEB Group's holding company provides an opportunity to forge many operational alliances in a wide variety of fields such as export financing and commodities, consumer credit, mortgage lending, leasing and retail banking, thereby enhancing the TEB group's expertise and product range.

TEB Mali has been consolidated since the acquisition date, and contributed EUR 28 million to consolidated net income for the year ended 31 December 2005. The acquisition generated a net cash inflow of EUR 42 million for the BNP Paribas Group.

- Acquisition of Nachenius Tjeenk & Co NV (Asset Management and Services)

In July 2005, BNP Paribas Private Bank, a subsidiary of the BNP Paribas Group, paid EUR 45 million in cash for the entire share capital of Nachenius, Tjeenk & Co NV, a Dutch private bank with over EUR 1.3 billion of assets under management for high net worth individuals, not-for-profit organisations and trusts.

The assets and liabilities of Nachenius, Tjeenk & Co NV, recognised at fair value as of the acquisition date, mainly comprised:

- assets: loans to other banks totalling EUR 111 million;
- liabilities: customer deposits totalling EUR 162 million.

Goodwill on this acquisition was amounted to EUR 40 million, and was recognised as an asset in the balance sheet. The value of this goodwill reflects the opportunity offered by this unique platform for expansion into the Dutch private banking market and the existence of a brand with a strong reputation, especially among customers seeking wealth management services.

Nachenius, Tjeenk & Co NV has been consolidated since the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash inflow of EUR 52 million for the BNP Paribas Group in 2005.

- Acquisition of Fund Quest Inc (Asset Management and Services)

In August 2005, Paribas North America, a subsidiary of the BNP Paribas Group, paid USD 100 million in cash for the entire share capital of FundQuest Inc.. Based in the United States, FundQuest Inc. is an open-architecture turnkey platform dedicated to management and advisory services for institutional investors.

The assets and liabilities of FundQuest Inc. were recognised at fair value as of the acquisition date, with total assets amounting to EUR 6 million.

Goodwill on this acquisition was amounted to USD 98 million (equivalent to EUR 82 million), at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the strong growth prospects for the open architecture market and by the fundamental qualities of FundQuest Inc., an acknowledged managed accounts expert in the United States with a flexible but robust architecture that can be rolled out to the European market.

FundQuest Inc. has been consolidated since the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash outflow of EUR 73 million for the BNP Paribas Group in 2005.

- Acquisition of Commercial Federal Corporation by BancWest (International Retail Banking and Financial Services)

On 2 December 2005, Bank of the West, a subsidiary of the BNP Paribas Group, paid USD 1,329 million in cash for the entire share capital of Commercial Federal Corporation, which provides a full range of commercial and retail banking services and operates mainly in Colorado, Missouri and Nebraska. At the acquisition date, Commercial Federal Corporation had 198 branches.

The assets and liabilities of Commercial Federal Corporation, recognised at fair value as of the acquisition date, mainly comprised:

- assets : customer loans of EUR 6,609 million;
- liabilities : customer deposits of EUR 5,052 million.

Goodwill arising on the absorption of this company into Bank of the West was amounted to an equivalent value of EUR 787 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the growth prospects in the States where Commercial Federal

operates and by the significant synergies achievable from its integration with Bank of the West, especially in terms of pooled resources and cross-selling.

Commercial Federal Corporation has been consolidated since the acquisition date, and contributed a loss of EUR 29 million to consolidated pre-tax net income for the year ended 31 December 2005 (including the effect of restructuring costs recognised in the final quarter of 2005). The acquisition generated a net cash outflow of EUR 998 million for the BNP Paribas Group in 2005.

8.d ADDITIONAL INFORMATION ON THE GALERIES LAFAYETTE TRANSACTION

In March 2005, BNP Paribas acquired 29.5% of the shares of Galeries Lafayette under an agreement whose terms included arrangements for joint control of Cofinoga. Under this agreement, BNP Paribas transferred these shares in the second half of 2005 to Motier SAS, the holding company controlling the Galeries Lafayette group, in which BNP Paribas now owns a 37% interest. Also under the terms of the agreement, a shareholders' pact was signed on 19 July 2005 stipulating terms regarding the liquidity of the interest held by BNP Paribas. In substance, these terms require half of the BNP Paribas interest to be accounted for as a loan, and the other half to be accounted for as an available-for-sale financial asset.

The inception of joint control by Galeries Lafayette and BNP Paribas over LaSer (the company which owns Cofinoga) resulted in the signature of a shareholders' pact dated 20 September 2005 and effective from 1 October 2005, setting out operating arrangements and shared decision-making rules. Based on the terms of this agreement, the LaSer-Cofinoga group has been accounted for using the proportionate consolidation method since the final quarter of 2005.

8.e ADDITIONAL INFORMATION ON THE AXA – FINAXA TRANSACTION

On 12 September 2001, AXA group companies (AXA, Finaxa, and the AXA mutual insurance companies) and BNP Paribas signed an agreement[4], subsequently amended on 26 October 2004, to maintain a minimum level of cross-shareholdings and to grant (i) mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and (ii) a reciprocal call option in the event of a change in control of either party. The AXA group also agreed to guarantee the liquidity of the BNP Paribas stake in Finaxa by allowing BNP Paribas to substitute AXA shares for its Finaxa shares at any time.

The merger of Finaxa into AXA on 16 December 2005 enabled the BNP Paribas Group to take possession of AXA shares in exchange for its existing holding of Finaxa shares, as it was entitled to do under the above-mentioned agreement. As this exchange had no commercial substance for the BNP Paribas Group, the difference between the carrying amount of the Finaxa shares in the consolidated financial statements and the fair value of the AXA shares (recorded in "Available-for-sale financial assets") has been retained in shareholders' equity under "Unrealised or deferred gains and losses".

The merger of Finaxa into AXA led to the signature of a new agreement between AXA group companies (excluding the AXA mutual insurance companies) and BNP Paribas, effective from 16 December 2005, to maintain a minimum level of cross-shareholdings and to grant a reciprocal call option in the event of a hostile change in majority control of either party. This agreement was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 21 December 2005.

[4] The agreement was disclosed in a notice issued by the *Conseil des Marchés Financiers* on 28 September 2001, and the amendment was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 28 October 2004.

8.f RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees[5], and key executive officers of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

RELATIONS BETWEEN CONSOLIDATED COMPANIES

A list of companies consolidated by BNP Paribas is provided in Note 8.b. As transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

- Related-party balance sheet items:

[5] Except for multi-employer and multi-industry schemes

In millions of euros	31 December 2006		31 December 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans, advances and securities				
Demand accounts	4	4	-	6
Loans	3,955	1,008	2,472	1,493
Securities	54	-	-	-
Finance leases	-	-	-	16
Other assets	**1**	**10**	**2**	**8**
Total	**4,014**	**1,022**	**2,474**	**1,523**
LIABILITIES				
Deposits				
Demand accounts	4	202	1	82
Other borrowings	-	2	45	-
Debt securities	**12**	**-**	**39**	**-**
Other liabilities	**-**	**40**	**-**	**1**
Total	**16**	**244**	**85**	**83**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	**10**	**37**	**103**	**16**
Guarantee commitments given	**10**	**1**	**7**	**-**
Total	**20**	**38**	**110**	**16**

Within the scope of its International Retail Banking and Financial Services business, the Group also carries out trading transactions with related parties involving derivatives (swaps, options and forwards) and financial instruments (equities, bonds etc.). These transactions are carried out on an arm's length basis.

- Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2006		Year to 31 Dec 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	**115**	**43**	**58**	**31**
Interest expense	(1)	(1)	(1)	(1)
Commission income	**3**	**21**	**2**	**1**
Commission expense	(26)	(38)	(1)	-
Services provided	**1**	**29**	**1**	**20**
Services received	-	(20)	(1)	-
Lease income	**2**	**-**	**1**	**1**
Total	**94**	**34**	**59**	**52**

ENTITIES MANAGING POST-EMPLOYMENT BENEFIT PLANS OFFERED TO GROUP EMPLOYEES

The main post-employment benefits of the BNP Paribas Group are retirement bonus plans, and top-up defined-benefit and defined-contribution pension plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds (*Caisses de retraite*) and the BNP welfare benefit fund (*Caisse de Prévoyance*). Some Group companies – principally BNP Paribas Asset Management, BNP Paribas Securities Services and BNP Paribas SA – play a role in managing these benefits, especially in the areas of fund management, custody, and banking services. Top-up pension plans are also contracted out to insurance companies, which directly manage the plans. As from 1 January 2006, the obligations concerning pension benefits paid by the BNP pension fund have been assumed in full by BNP Paribas SA. The pension benefits provided by the Paribas pension fund are in the process of being transferred to an external insurance company.

In other countries, post-employment benefit plans are generally managed by independent fund managers or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank).

At 31 December 2006, the value of plan assets managed by Group companies was EUR 1,174 million (EUR 1,231 million at 1 January 2006). Amounts received relating to services provided by Group companies in the year to 31 December 2006 totalled EUR 1.4 million, and mainly comprised management and custody fees (2005: EUR 3 million).

At 31 December 2006, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a credit balance of EUR 216,767 (compared with a debit balance of EUR 785,257 at 1 January 2006).

RELATIONS WITH THE GROUP'S KEY OFFICERS

- Remuneration and benefits awarded to the Group's corporate officers

- Remuneration and benefits policy relating to the Group's corporate officers

  - Remuneration paid to the Group's corporate officers

  The remuneration paid to the Group's corporate officers is determined by the method recommended by the Compensation Committee and approved by the Board of Directors.

  This remuneration comprises both a fixed and a variable component, the levels of which are determined using market benchmarks established by firms specialised in surveys of executive remuneration in the European banking sector.

  The variable component is determined by reference to a basic bonus which is calculated as a proportion of the officer's fixed remuneration and varies in line with Group performance criteria as

well as the attainment of personal objectives. Group performance criteria account for 70% of the basic bonus and comprise parameters including earnings per share, core business pre-tax net income, and the fulfilment of gross operating income targets at consolidated and core business level. In order to determine the portion of the bonus relating to the fulfilment of consolidated gross operating income targets in 2006, the Board of Directors factored in the change in number of the Bank's issued shares, primarily related to the capital increase carried out for the acquisition of BNL. The ensuing adjustment led to a decrease in the amount of the corresponding bonus.

Personal objective-based criteria, which account for 30% of the basic bonus, relate to the Group's strategy and preparing its future.

The variable component of corporate officers' remuneration is now capped at a level set in proportion to the basic remuneration, and since 2005 has been paid in full during the following year.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers do not receive any remuneration from other Group companies.

- Post-employment benefits

Compensation on termination of office

Corporate officers are not entitled to any contractual compensation on termination of office.

Retirement bonuses

Michel Pébereau is not entitled to a retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers) are entitled under their employment contracts to the standard retirement bonus benefits awarded to all BNP Paribas employees. Under this standard scheme, employees receive a bonus on retirement from the Group of up to 11.66 months' final basic salary, depending on their initial contractual position and length of service at their retirement date.

Pension plans

- The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

A similar procedure was applied to Michel Pébereau (Chairman of the Board of Directors), Baudouin Prot (Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers). Consequently, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being part of the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of acquiring any subsequent rights.

The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes, is capped at 50% of the above-mentioned remuneration amounts.

These retirement benefits will be revalued from 1 January 2002 until their actual payment date, based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be

equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

These obligations were covered by provisions recorded by BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an external insurance company.

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code.

Welfare benefit plans

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees.

- They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the supplementary plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent disability.

- If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive compensation under an insurance policy. The premium applicable under this policy is paid by the Group and treated in accordance with the social security rules applicable to employers' contributions to top-up welfare schemes in France.

- Amount of remuneration and benefits awarded to the Group's corporate officers

The tables below show (i) gross remuneration payable to the Group's corporate officers for the year to 31 December 2006, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2006, including benefits in kind and directors' fees.

- Remuneration payable to the Group's corporate officers for 2006

Remuneration payable for 2006 In euros	Remuneration		Directors' fees (3)	Benefits in kind (4)	Total remuneration
	Fixed (1)	Variable (2)			
Michel Pébereau Chairman of the Board of Directors					
2006	700,000	1,051,070	29,728	4,609	1,785,407
2005	*(700,000)*	*(1,081,601)*	*(29,728)*	*(4,816)*	*(1,816,145)*
Baudouin Prot Chief Executive Officer					
2006	883,333	2,324,348	129,551	5,227	3,342,459
2005	*(788,333)*	*(1,878,895)*	*(91,024)*	*(4,930)*	*(2,763,182)*
Georges Chodron de Courcel Chief Operating Officer					
2006	500,000	1,631,593	125,189	4,274	2,261,056
2005	*(491,667)*	*(1,405,477)*	*(89,230)*	*(4,303)*	*(1,990,677)*
Jean Clamon Chief Operating Officer					
2006	460,000	796,130	130,637	4,703	1,391,470
2005	*(455,000)*	*(681,598)*	*(92,297)*	*(4,703)*	*(1,233,598)*
Total remuneration payable to the Group's corporate officers for 2006					8,780,392
(for 2005)					*(7,803,602)*

(1) Remuneration actually paid in 2006.
(2) Variable remuneration payable for 2005 and 2006, paid the following year.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than from BNP Paribas SA, and from Erbé and BNL in the case of the Chief Executive Officer. Directors' fees received in 2006 by the Chief Executive Officer from Erbé and BNL will be deducted from the variable remuneration paid to him in 2007.
Georges Chodron de Courcel receives fees in his capacity as a director of BNP Paribas Suisse, BNL and Erbé. Jean Clamon receives fees in his capacity as a director of Cetelem, BNP Paribas Lease Group, Paribas International, Erbé, CNP and BNL. The fees received by Georges Chodron de Courcel and Jean Clamon in their capacity as directors of these companies will be deducted from the variable remuneration paid to them in 2007.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

- Remuneration paid to the Group's corporate officers in 2006

Remuneration paid in 2006 In euros	Remuneration			Directors' fees	Benefits in kind	Total remuneration (5)
	Fixed	Variable	Deferred (1)			
Michel Pébereau Chairman of the Board of Directors						
2006	700,000	1,081,601	385,414	29,728	4,609	2,201,352
2005	*(700,000)*	*(831,553)*	*(342,062)*	*(29,728)*	*(4,816)*	*(1,908,159)*
Baudouin Prot Chief Executive Officer						
2006 (2)	883,333	1,817,599	325,940	120,078	5,227	3,152,177
2005	*(788,333)*	*(1,171,274)*	*(234,982)*	*(91,024)*	*(4,930)*	*(2,290,543)*
Georges Chodron de Courcel Chief Operating Officer						
2006 (3)	500,000	1,316,247	323,920	112,548	4,274	2,256,989
2005	*(491,667)*	*(943,518)*	*(258,985)*	*(89,230)*	*(4,303)*	*(1,787,703)*
Jean Clamon Chief Operating Officer						
2006 (4)	460,000	567,370	120,130	92,008	4,703	1,244,211
2005	*(455,000)*	*(406,970)*	*(102,640)*	*(92,297)*	*(4,703)*	*(1,061,610)*
Total remuneration received by the Group's corporate officers in 2006						8,854,729
(in 2005)						*(7,048,015)*

(1) Corresponding to the transfer of (i) the final portion of the deferred bonus awarded for 2002 in the form of BNP Paribas shares, (ii) the second third of the deferred bonus awarded for 2003 in the form of BNP Paribas shares and (iii) the first third of the deferred cash bonus awarded for 2004.
(2) Baudouin Prot's variable remuneration for 2005, paid in 2006, was reduced by EUR 61,296, corresponding to directors' fees received in 2005.
(3) Georges Chodron de Courcel's variable remuneration for 2005, paid in 2006, was reduced by EUR 89,230 corresponding to directors' fees received in 2005.
(4) Jean Clamon's variable remuneration for 2005, paid in 2006, was reduced by EUR 114,228 corresponding to directors' fees received in 2005.
(5) The average rate of social security taxes on this remuneration in 2006 was 30.7% (35.8% in 2005).

- Benefits awarded to the Group's corporate officers

Benefits awarded to the Group's corporate officers	2006	2005
Post-employment benefits		
Retirement bonuses		
Present value of the benefit obligation	499,556 €	471,285 €
Contingent collective defined-benefit top-up pension plan		
Total present value of the benefit obligation	30,9 M€	30 M€
Defined contribution pension plan		
Contributions paid by the company during the year	1,367 €	1,329 €
Welfare benefits		
Flexible personal risk plan		
Premiums paid by the company during the year	9,954 €	9,673 €
Garantie Vie Professionnelle Accidents death/disability cover plan		
Premiums paid by the company during the year	9,366 €	10,696 €
Supplementary personal risk plan		
Premiums paid by the company during the year	224,219 €	214,343 €

- Stock subscription option plans

In 2006, under the authorisation granted by the Extraordinary General Meeting of 18 May 2005, BNP Paribas set up a Global Share-based Incentive Plan, which combines stock options with share awards.

In principle, the Board of Directors grants stock options to the Group's corporate officers on an annual basis. The options do not carry a discount and are subject to relative performance conditions applicable under the Plan.

Corporate officers are not entitled to share awards.

The table below shows the number and the valuation of stock subscription options granted to and/or exercised by the Group's corporate officers in 2006.

Stock subscription options granted to and/or exercised by the Group's corporate officers in 2006	Number of options granted/ exercised	Exercise price (in euros)	Grant date	Plan expiry date	Individual allocation valuation		
					in euros [(1)]	as a % of the recognised expense [(2)]	as a % of share capital
OPTIONS GRANTED IN 2006							
Michel Pébereau	100,000	75.25	05/04/2006	04/04/2014	1,496,100	1.600%	0.011%
Baudouin Prot	180,000	75.25	05/04/2006	04/04/2014	2,692,980	2.800%	0.019%
Georges Chodron de Courcel	90,000	75.25	05/04/2006	04/04/2014	1,346,490	1.400%	0.010%
Jean Clamon	65,000	75.25	05/04/2006	04/04/2014	972,465	1.000%	0.007%
Aggregate					6,508,035	6.800%	0.047%
OPTIONS EXERCISED IN 2006							
Michel Pébereau	20,000	18.45	22/05/1997	22/05/2007			
Michel Pébereau	30,263	18.29	22/05/1997	22/05/2007			
Georges Chodron de Courcel	5,000	37.64	03/05/1999	03/05/2009			
Georges Chodron de Courcel	80,710	48.57	15/05/2001	14/05/2011			
Jean Clamon	60,523	44.77	22/12/1999	22/12/2009			
Jean Clamon	70,623	20.23	17/11/1998	17/11/2006			
OPTIONS GRANTED IN 2005							
Michel Pébereau	100,000	55.10	25/03/2005	22/03/2013	1,496,100	2.400%	0.011%
Baudouin Prot	150,000	55.10	25/03/2005	22/03/2013	2,244,150	3.600%	0.017%
Georges Chodron de Courcel	60,000	55.10	25/03/2005	22/03/2013	897,660	1.400%	0.007%
Jean Clamon	40,000	55.10	25/03/2005	22/03/2013	598,440	1.000%	0.005%
Aggregate					5,236,350	8.400%	0.040%
OPTIONS EXERCISED IN 2005							
Michel Pébereau	50,000	18.45	22/05/1997	22/05/2007			
Georges Chodron de Courcel	60,000	45.16	22/12/1999	22/12/2009			
Georges Chodron de Courcel	19,500	37.64	03/05/1999	03/05/2009			
Jean Clamon	27,125	23.47	26/12/1997	26/12/2005			
Jean Clamon	22,550	20.41	17/11/1998	17/11/2006			

(1) The stock options granted in 2006 which were not subject to performance conditions have been valued for accounting purposes at €15.36 each (€9.84 in 2005).
The stock options granted in 2006 which were subject to performance conditions have been valued for accounting purposes at €14.03 each (€8.99 in 2005).

(2) % of the expense recognised for the Global Share-based Incentive Plan, which combines stock options with share awards.

The table below shows the number of outstanding options held by the Group's corporate officers at 31 December 2006.

Originating company	BNP	BNP	BNP	BNP Paribas	BNP Paribas	BNP Paribas	BNP Paribas
Grant date	22/05/1997	13/05/1998	22/12/1999	15/05/2001	21/03/2003	25/03/2005	05/04/2006
Number of options outstanding at end-2006	50,438	191,698	353,050	423,720	564,876	353,081	435,000

- Compulsory share ownership – Holding period for shares received on exercise of stock options

As from 1 January 2007, the Group's corporate officers will have to own a minimum number of shares for the duration of their term of office, calculated based on both the opening BNP Paribas share price and their fixed remuneration at 2 January 2007. The number of shares held will have to correspond to seven years fixed remuneration for Michel Pébereau (58,700 shares) and Baudouin Prot (75,500 shares) and 5 years fixed remuneration for Georges Chodron de Courcel (30,000 shares) and Jean Clamon (27,600 shares). This obligation must be complied with by 13 February 2010 at the latest.

The Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers are also required to hold a quantity of shares issued following the exercise of stock options for the duration of their term of office. This holding requirement represents 50% of the net gain realised on the purchase of shares under options granted as from 1 January 2007, and will cease once the threshold defined for compulsory share ownership has been reached.

- Remuneration and benefits awarded to employee-elected directors

Total remuneration paid in 2006 to employee-elected directors – calculated based on their actual attendance – amounted to EUR 89,942 (EUR 104,604 in 2005), excluding directors' fees. The total amount of directors' fees paid in 2006 to employee-elected directors was EUR 76,551 (EUR 97,360 in 2005). These sums were paid directly to the trade union bodies of the directors concerned.

Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2006 on behalf of the employee-elected directors was EUR 989 (EUR 1,152 in 2005).

The employee-elected directors belong to the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The total amount of contributions paid into this plan by BNP Paribas in 2006 on behalf of the employee-elected directors was EUR 639 (EUR 769 in 2005).

Employee-elected directors are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

- Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2006, total outstanding loans granted to the Group's corporate officers amounted to EUR 4,095,895 (EUR 3,717,763 at 1 January 2006).

8.g BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

In millions of euros, at 31 December 2006	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		9,642						9,642
Financial assets at fair value through profit or loss	744,858							744,858
Derivatives used for hedging purposes	2,803							2,803
Available-for-sale financial assets	18,706		12,563	6,414	9,169	11,905	37,982	96,739
Loans and receivables due from credit institutions		17,701	26,324	12,437	4,598	4,726	9,384	75,170
Loans and receivables due from customers		29,808	67,663	34,580	42,687	112,154	106,241	393,133
Remeasurement adjustment on interest-rate risk hedged portfolios	(295)							(295)
Held-to-maturity financial assets			7	505	353	788	13,496	15,149
Financial assets by maturity	**766,072**	**57,151**	**106,557**	**53,936**	**56,807**	**129,573**	**167,103**	**1,337,199**
Due to central banks and post office banks		939						939
Financial liabilities at fair value through profit or loss	597,990		636	2,406	8,523	25,381	18,392	653,328
Derivatives used for hedging purposes	1,335							1,335
Due to credit institutions		22,280	73,722	24,497	12,628	5,741	4,782	143,650
Due to customers		175,874	83,548	23,903	5,388	2,167	7,772	298,652
Debt securities			28,771	21,680	25,971	20,892	24,245	121,559
Subordinated debt	1,558		1,237	320	773	2,057	12,015	17,960
Remeasurement adjustment on interest-rate risk hedged portfolios	367							367
Financial liabilities by maturity	**601,250**	**199,093**	**187,914**	**72,806**	**53,283**	**56,238**	**67,206**	**1,237,790**

In millions of euros, at 31 December 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		7,115						7,115
Financial assets at fair value through profit or loss	700,525							700,525
Derivatives used for hedging purposes	3,087							3,087
Available-for-sale financial assets	15,098		6,675	6,838	10,641	18,571	34,883	92,706
Loans and receivables due from credit institutions		10,760	11,047	8,817	5,847	3,342	5,196	45,009
Loans and receivables due from customers		20,529	40,959	23,865	43,267	97,202	75,374	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)							(61)
Held-to-maturity financial assets			74	597	272	1,127	13,375	15,445
Financial assets by maturity	**718,649**	**38,404**	**58,755**	**40,117**	**60,027**	**120,242**	**128,828**	**1,165,022**
Due to central banks and post office banks		742						742
Financial liabilities at fair value through profit or loss	567,706		1,684	1,069	3,642	21,529	15,051	610,681
Derivatives used for hedging purposes	1,015							1,015
Due to credit institutions		27,442	52,613	16,160	13,179	6,935	2,564	118,893
Due to customers		132,466	68,916	24,181	10,113	2,426	9,392	247,494
Debt securities			29,234	19,862	15,263	10,975	9,295	84,629
Subordinated debt	1,871		679	284	516	1,953	11,403	16,706
Remeasurement adjustment on interest-rate risk hedged portfolios	901							901
Financial liabilities by maturity	**571,493**	**160,650**	**153,126**	**61,556**	**42,713**	**43,818**	**47,705**	**1,081,061**

8.h FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2006. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 December 2006		31 December 2005	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	75,170	75,439	45,009	45,014
Loans and receivables due from customers	393,133	392,600	301,196	302,916
Held-to-maturity financial assets	15,149	15,628	15,445	16,813
FINANCIAL LIABILITIES				
Due to credit institutions	143,650	143,906	118,893	119,663
Due to customers	298,652	298,678	247,494	247,502
Debt securities	121,559	121,429	84,629	84,531
Subordinated debt	17,960	18,127	16,706	17,041

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 1, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2005

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Ernst & Young
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92576 Neuilly-sur-Seine Cedex

PricewaterhouseCoopers Audit
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92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
61, rue Henri Regnault
92400 Courbevoie

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. The Group management's report referred to in the final paragraph of the Statutory Auditors' report is not included in this offering circular.

BNP Paribas
16, boulevard des Italiens
75009 Paris

To the Shareholders,

As the statutory auditors appointed by the General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas for the year ended 31 December 2005.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

These consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They include comparative information in respect of financial year 2004, restated in accordance with the same standards, with the exception of IAS 32, IAS 39 and IFRS 4, which are applied with effect from 1 January 2005, as permitted by IFRS 1.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2005, and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments:

BNP Paribas records provisions to cover the credit risks inherent to its business (notes 2 and 5.a to the consolidated financial statements). We examined the control procedures applicable for monitoring and provisioning credit risks, assessing irrecoverability risks and determining the related individual and portfolio-based provisions;

BNP Paribas uses internal models and methodologies to value its positions on financial instruments which are not traded on an active market, as well as to determine certain provisions and assess whether the hedging designation is appropriate (in particular as regards financial assets and liabilities at fair value through profit or loss, available-for-sale assets, and financial instruments carried at amortized cost, whose fair value is disclosed in notes to the financial statements - note 2 to the consolidated financial statements). We examined the control procedures applicable to the verification of these models and the determination of the parameters used.

BNP Paribas raises provisions to cover its employee benefit obligations (notes 2 and 8.b to the consolidated financial statements). We examined the method adopted to measure these obligations, as well as the assumptions and parameters used.

We assessed whether these estimates were reasonable.

Our assessments on these matters were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and La Défense, 21 February 2006

The Statutory Auditors

Barbier Frinault & Autres	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Radwan Hoteit	Etienne Boris	Hervé Hélias

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2005

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

INTRODUCTION

Applicable accounting standards

The financial statements contained in the present document comprise the balance sheet, profit and loss account, statement of changes in shareholders' equity and statement of cash flows, together with the notes thereto (the Financial Statements) as published for the first time by the BNP Paribas Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These standards are applicable to consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards that had been adopted within the European Union as of 31 December 2005.

The financial statements for the year ended 31 December 2004 as published under French generally accepted accounting principles (French GAAP) have been restated to comply with the requirements of IFRS as adopted by the European Union and as applicable in 2004, in order to provide comparatives with the financial statements published under IFRS in 2005.

However, there are material divergences between IFRS as applicable in 2004 and in 2005, primarily as a result of the application from 1 January 2005 of the standard on financial instruments. The principles for the recognition, classification and measurement of financial instruments contained in this standard are very different from the French GAAP principles that applied in 2004. Consequently, the effects of this standard on the financial statements of banks, especially their balance sheets, are very substantial.

The BNP Paribas Group has therefore decided to disclose not only the effects on the balance sheet at 31 December 2004 of the transition from French GAAP to IFRS as applicable in 2004, but also the effects of the transition from IFRS as applicable in 2004 to IFRS as applicable in 2005. This has been done by presenting a balance sheet at 1 January 2005, and using this as the basis for preparing the notes to the balance sheet.

Consequently, the balance sheet at 1 January 2005 and the notes thereto serve as the comparative for the balance sheet produced as of 31 December 2005.

Presentation of the financial statements during the transitional period

The following presentational rules have been applied to the financial statements during the transitional period. These rules take account of (i) information published under French GAAP for the 2003 and 2004 financial years, (ii) IFRS restatements made to the 2004 financial statements, and (iii) the effects of the non-retrospective application in 2005 of IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 4 (Insurance Contracts):

- ✓ *Profit and loss account for the year ended 31 December 2004*

The profit and loss account for the year ended 31 December 2004 and the notes thereto are presented after restatement to comply with IFRS as applicable in 2004 (i.e. excluding IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as "2004 IFRS".

However, the presentation of the profit and loss account is consistent with the new IFRS account headings and classifications, in accordance with the format recommended by the French accounting authorities (*Conseil National de la Comptabilité*). BNP Paribas has applied with effect from the 2004 financial year the terminology introduced by IAS 39 to show separately within the profit and loss account items relating to trading account activities and items relating to the various categories of securities.

- ✓ *Balance sheet at 1 January 2005*

The balance sheet at 1 January 2005 and the notes thereto are presented after restatement to comply with full-scope IFRS (i.e. including IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as "EU IFRS".

- ✓ *Shareholders' equity*

The statement of changes in shareholders' equity between 31 December 2003 and 1 January 2005 incorporates the effects of adjustments made to comply with IFRS as applicable at 1 January 2004 (the transition date) and 1 January 2005 respectively.

- ✓ *Effects of the first-time adoption of IFRS*

Note 1, "Effects of first-time adoption of IFRS", presents in detail the principal reclassifications and restatements made to shareholders' equity at 1 January 2004, to the profit and loss account for the year ended 31 December 2004 and to the balance sheet at 31 December 2004 in order to comply with 2004 IFRS, as well as those made to the balance sheet and shareholders' equity at 1 January 2005 in order to comply with IAS 32, IAS 39 and IFRS 4.

Note 1 also describes the main differences in accounting principles between IFRS and French GAAP.

- ✓ *Accounting policies*

Note 2 describes the accounting policies adopted by the BNP Paribas Group under 2004 IFRS (including French GAAP policies that continue to apply, in particular those related to financial instruments), followed by a description of the accounting policies applied under IAS 32, IAS 39 and IFRS 4 (as substituted for the relevant French GAAP accounting policies in 2005), which together with 2004 IFRS comprise the full-scope EU IFRS set of standards.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005 EU IFRS	Year to 31 Dec 2004 2004 IFRS
Interest income [1]	3.a	32,087	24,957
Interest expense [1]	3.a	(24,354)	(17,403)
Commission income [1]		8,701	7,164
Commission expense [1]		(4,154)	(2,791)
Net gain/loss on financial instruments at fair value through profit or loss[2]	3.b	5,212	3,366
Net gain/loss on available-for-sale financial assets[3]	3.c	1,353	1,450
Income from other activities	3.d	21,607	16,544
Expense on other activities	3.d	(18,598)	(13,918)
NET BANKING INCOME		**21,854**	**19,369**
Operating expense		(12,627)	(11,243)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.k	(742)	(800)
GROSS OPERATING INCOME		**8,485**	**7,326**
Cost of risk	3.e	(610)	(685)
OPERATING INCOME		**7,875**	**6,641**
Share of earnings of associates		352	407
Net gain/loss on non-current assets		211	64
Change in value of goodwill		(14)	7
PRE-TAX NET INCOME		**8,424**	**7,119**
Corporate income tax	3.f	(2,138)	(1,764)
NET INCOME		**6,286**	**5,355**
of which minority interests		434	416
NET INCOME BEFORE MINORITY INTERESTS		**5,852**	**4,939**
Basic earnings per share	9.a	7.02	5.87
Diluted earnings per share	9.a	6.97	5.85

(1) Commission treated as an additional component of interest and hence as an integral part of the effective interest rate in accordance with IAS 39 has been retained on the "Commission income" line, as IAS 39 was not applicable in 2004. In 2005, such commission is included with interest income and expense.

(2) Under 2004 IFRS, "Financial instruments at fair value through profit or loss" consists solely of trading account financial instruments. Under EU IFRS, this item also includes financial instruments designated as fair value through profit or loss under the fair value option.

(3) Under 2004 IFRS, "Available-for-sale financial assets" comprises the assets classified under French GAAP as securities available for sale, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment.

BALANCE SHEET AT 31 DECEMBER 2005

In millions of euros	Note	31 Dec 2005 EU IFRS	1 January 2005 EU IFRS
ASSETS			
Cash and amounts due from central banks and post office banks		7,115	6,888
Financial assets at fair value through profit or loss	6.b	700,525	539,510
Derivatives used for hedging purposes	6.c	3,087	2,581
Available-for-sale financial assets	6.d	92,706	75,778
Loans and receivables due from credit institutions	6.a	45,009	40,983
Loans and receivables due from customers	6.e	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios		(61)	-
Held-to-maturity financial assets	6.g	15,445	26,130
Current and deferred tax assets	6.h	2,135	2,140
Accrued income and other assets	6.i	65,327	41,332
Investments in associates	6.j	1,823	2,720
Investment property	6.k	5,255	4,551
Property, plant and equipment	6.k	9,213	8,159
Intangible assets	6.k	1,225	1,175
Goodwill	6.l	8,079	6,328
TOTAL ASSETS		**1,258,079**	**1,002,503**

LIABILITIES

Due to central banks and post office banks		742	256
Financial liabilities at fair value through profit or loss	6.b	610,681	457,126
Derivatives used for hedging purposes	6.c	1,015	450
Due to credit institutions	6.a	118,893	100,188
Due to customers	6.e	247,494	211,487
Debt securities	6.f	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios		901	1,022
Current and deferred tax liabilities	6.h	2,206	1,653
Accrued expenses and other liabilities	6.i	48,446	34,056
Technical reserves of insurance companies	6.m	76,523	64,518
Provisions for contingencies and charges	6.n	3,850	3,983
Subordinated debt	6.f	16,706	13,042
TOTAL LIABILITIES		**1,212,086**	**965,378**

SHAREHOLDERS' EQUITY

Share capital and additional paid-in capital	*9,701*	*12,109*
Retained earnings	*19,694*	*11,670*
Net income for the period attributable to shareholders	*5,852*	*4,939*
Total capital and retained earnings attributable to shareholders	35,247	28,718
Unrealised or deferred gains and losses attributable to shareholders	5,471	3,593
Shareholders' equity	**40,718**	**32,311**
Minority interests	**5,275**	**4,814**
Total consolidated equity	**45,993**	**37,125**
TOTAL LIABILITIES AND EQUITY	**1,258,079**	**1,002,503**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 31 DECEMBER 2003 AND 31 DECEMBER 2005

	Shareholders' equity				
In millions of euros	Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 31 December 2003 under French GAAP	**12,823**		**(1,905)**	**18,005**	**28,923**
Appropriation of net income for 2003				**(1,212)**	**(1,212)**
Consolidated equity at 1 January 2004 under French GAAP	**12,823**	**-**	**(1,905)**	**16,793**	**27,711**
Effect of adoption of IFRS applicable in 2004 (1)			**(64)**	**(680)**	**(744)**
Consolidated equity at 1 January 2004 under 2004 IFRS	**12,823**	**-**	**(1,969)**	**16,113**	**26,967**
Movements arising from relations with shareholders					
Increase in share capital	252				252
Reduction in share capital	(966)		966		
Elimination of own equity instruments			(1,611)	(61)	(1,672)
Share-based payment plans			(79)	85	6
Interim dividends paid out of net income for the period					-
	(714)	**-**	**(724)**	**24**	**(1,414)**
Other movements				**56**	**56**
Unrealised or deferred gains and losses for the period :					
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2004				**4,939**	**4,939**
Consolidated equity at 31 December 2004 under 2004 IFRS	**12,109**	**-**	**(2,693)**	**21,132**	**30,548**
Effect of adoption of IFRS applicable at 1 January 2005			**32**	**(1,862)**	**(1,830)**
Consolidated equity at 1 January 2005 under EU IFRS before appropriation of net income	**12,109**	**-**	**(2,661)**	**19,270**	**28,718**
Appropriation of net income for 2004				**(1,659)**	**(1,659)**
Consolidated equity at 1 January 2005 under EU IFRS after appropriation of net income	**12,109**	**-**	**(2,661)**	**17,611**	**27,059**
Movements arising from relations with shareholders					
Increase in share capital	286				286
Reduction in share capital	(2,694)		2,694		-
Issue of preferred shares and equivalent instruments		2,424			2,424
Elimination of own equity instruments			(235)	(63)	(298)
Share-based payment plans			37	35	72
Preferred shares and equivalent instruments remuneration				(19)	(19)
Interim dividends paid out of net income for the period					-
Effect of acquisitions and disposals on minority interests				(92)	(92)
	(2,408)	**2,424**	**2,496**	**(139)**	**2,373**
Other movements				**(37)**	**(37)**
Unrealised or deferred gains and losses for the period :					
Changes in faire value of financial intruments through shareholders' equity					-
Changes in faire value of financial intruments through profit and loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2005				**5,852**	**5,852**
Consolidated equity at 31 December 2005 under EU IFRS	**9,701**	**2,424**	**(165)**	**23,287**	**35,247**

(1) In accordance with IFRS, BNP Paribas has recognised all existing cumulative translation differences as at 1 January 2004 as an irreversible component of retained earnings.

Shareholders' equity (cont'd)					Minority interests			
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	Total consolidated equity
(602)			(602)	28,321	5,019		5,019	33,340
			-	(1,212)	(324)		(324)	(1,536)
(602)	-	-	(602)	27,109	4,695	-	4,695	31,804
602			602	(142)	66		66	(76)
-	-	-	-	26,967	4,761	-	4,761	31,728
			-	252			-	252
			-	(1,672)			-	(1,672)
			-	6			-	6
			-	-	(157)		(157)	(157)
-	-	-	-	(1,414)	(157)	-	(157)	(1,571)
			-	56	4		4	60
(142)			(142)	(142)		(107)	(107)	(249)
(30)			(30)	(30)			-	(30)
(172)	-	-	(172)	(172)	-	(107)	(107)	(279)
				4,939	412		412	5,351
(172)	-	-	(172)	30,376	5,020	(107)	4,913	35,289
	3,329	436	3,765	1,935	(95)	(4)	(99)	1,836
(172)	3,329	436	3,593	32,311	4,925	(111)	4,814	37,125
			-	(1,659)	(211)		(211)	(1,870)
(172)	3,329	436	3,593	30,652	4,714	(111)	4,603	35,255
			-	286			-	286
			-	-			-	-
			-	2,424	163		163	2,587
			-	(298)			-	(298)
			-	72			-	72
			-	(19)			-	(19)
			-	-	(154)		(154)	(154)
			-	(92)	22		22	(70)
-	-	-	-	2,373	31	-	31	2,404
			-	(37)	6		6	(31)
	2,018	(190)	1,828	1,828		1	1	1,829
	(702)		(702)	(702)			-	(702)
545			545	545		203	203	748
(7)	212	2	207	207			-	207
538	1,528	(188)	1,878	1,878	-	204	204	2,082
			-	5,852	431 [2]		431	6,283
366	4,857	248	5,471	40,718	5,182	93	5,275	45,993

(2) The portion of net income for the period attributable to minority shareholders in respect of whose shares the Group has granted a put option is transferred to retained earnings attributable to BNP Paribas shareholders, on the "Other movements" line. The amount involved in the year ended 31 December 2005 was 3 million.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005	Year to 31 Dec 2004
Pre-tax net income		**8,424**	**7,119**
Non-monetary items included in pre-tax net income and other adjustments		**(2,723)**	**7,757**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,240	1,940
Impairment of goodwill and other non-current assets		(25)	(7)
Net addition to provisions		4,947	5,501
Share of earnings of associates		(352)	(407)
Net (income) loss from investing activities		(205)	47
Net loss (income) from financing activities		25	(159)
Other movements		(9,353)	842
Net decrease in cash related to assets and liabilities generated by operating activities		**(8,439)**	**(8,859)**
Net increase in cash related to transactions with credit institutions		15,493	12,613
Net decrease in cash related to transactions with credit institutions		(13,991)	(11,828)
Net decrease in cash related to transactions involving other financial assets and liabilities		(6,044)	(7,640)
Net increase in cash related to transactions involving non-financial assets and liabilities		(2,406)	(519)
Taxes paid		(1,491)	(1,485)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**(2,738)**	**6,017**
Net decrease in cash related to acquisitions and disposals of consolidated entities	9.c	(733)	(816)
Net decrease related to property, plant and equipment and intangible assets		(981)	(764)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		**(1,714)**	**(1,580)**
Decrease in cash and equivalents related to transactions with shareholders		(2,050)	(3,151)
Other increases in cash and equivalents generated by financing activities		7,320	958
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**5,270**	**(2,193)**
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**401**	**(183)**
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**
Balance on cash and equivalent accounts at the start of the period		**7,346**	**5,285**
Net balance of cash accounts and accounts with central banks and post office banks		6,634	5,395
Net balance of demand loans and deposits - credit institutions		712	(110)
Balance on cash and equivalent accounts at the end of the period		**8,565**	**7,346**
Net balance of cash accounts and accounts with central banks and post office banks		6,642	6,634
Net balance of demand loans and deposits - credit institutions		1,923	712
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**

EFFECTS OF FIRST-TIME ADOPTION OF IFRS

1.a TRANSITION OF PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 DECEMBER 2004

In millions of euros	French GAAP	Reallocations between financial instrument categories	Reclassifications	Restatements	2004 IFRS
Net interest income	6,119		1,453	(18)	7,554
Net commission income	4,687		(326)	12	4,373
Net gains on trading account securities	4,713	(4,713)			
Net gain/loss on financial instruments at fair value through profit or loss (1)		4,713	(1,355)	8	3,366
Income from variable-income securities	294	(294)			
Net gains on securities available for sale	453	(453)			
Net gain/loss on available-for-sale financial assets (2)		747	724	(21)	1,450
Net other banking income	101		(101)		
Underwriting result and net investment income of insurance companies	1,919		(1,919)		
Net income from other activities	537		2,104	(15)	2,626
NET BANKING INCOME	**18,823**	**-**	**580**	**(34)**	**19,369**
Operating expenses	(10,837)		(323)	(83)	(11,243)
Depreciation, amortisation and impairment	(755)		(33)	(12)	(800)
GROSS OPERATING INCOME	**7,231**	**-**	**224**	**(129)**	**7,326**
Cost of risk	(678)		(7)		(685)
OPERATING INCOME	**6,553**	**-**	**217**	**(129)**	**6,641**
Share of earnings of associates	194			213	407
Net gain/loss on non-current assets	843		(605)	(174)	64
Net non-recurring expense	(389)		389		
Amortisation of goodwill	(384)			391	7
Movements in reserve for general banking risks	88			(88)	
PRE-TAX NET INCOME	**6,905**	**-**	**1**	**213**	**7,119**
Corporate income tax	(1,830)		(1)	67	(1,764)
NET INCOME	**5,075**	**-**	**-**	**280**	**5,355**
of which minority interests	407			9	416
NET INCOME BEFORE MINORITY INTERESTS	**4,668**	**-**	**-**	**271**	**4,939**

(1) Under 2004 IFRS, "Financial instruments at fair value through profit or loss" consists solely of trading account financial instruments.

(2) Under 2004 IFRS, "Available-for-sale financial assets" comprises the assets classified under French GAAP as securities available for sale, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment.

The profit and loss account format recommended by the French accounting authorities does not retain the previous French GAAP headings to classify gains and losses on financial instruments covered by IAS 39. The Group has therefore used the recommended headings. Reallocations between French GAAP headings and IFRS-compliant headings are shown in the transition schedule.

1.a.1 Principal reclassifications made to comply with 2004 IFRS and with presentational rules adopted in France

In millions of euros	Reclassification of net non-recurring expense	Reclassification of gain/loss on disposal of investments	Reallocation of underwriting result & net investment income of insurance companies	Reclassification of interest on fixed-income trading account securities
Net interest income	(11)		286	1,356
Net commission income			(1)	
Net gain/loss on financial instruments at fair value through profit or loss	5			(1,356)
Net gain/loss on available-for-sale financial assets	2	604	124	-
Net other banking income				
Underwriting result and net investment income of insurance companies			(1,919)	
Net income from other activities	(23)		1,510	
NET BANKING INCOME	**(27)**	**604**	**-**	**-**
Operating expenses	(327)			
Depreciation, amortisation and impairment	(33)			
GROSS OPERATING INCOME	**(387)**	**604**	**-**	**-**
Cost of risk				
OPERATING INCOME	**(387)**	**604**	**-**	**-**
Net gain/loss on non-current assets	(1)	(604)		
Net non-recurring expense	389			
PRE-TAX NET INCOME	**1**	**-**	**-**	**-**
Corporate income tax	(1)			
NET INCOME	**-**	**-**	**-**	**-**

Reclassification of non-recurring items

The net non-recurring expense of 389 million reported for the year ended 31 December 2004 has been reallocated mainly to “Operating expense” (EUR 327 million, primarily for employee benefit obligations and costs associated with the transition to IFRS and preparations for the new capital adequacy ratio calculation rules), “Depreciation, amortisation and impairment” (EUR 33 million), and “Net income from other activities” (EUR 23 million).

Reclassification of gains and losses on disposals of long-term investments

Gains and losses on disposals of long-term investments, shown under “Gains on long-term investments and changes in provisions” under French GAAP, have been reclassified to “Net Banking Income”. The amount involved is EUR 604 million. Net realised gains and losses on disposals of property, plant and equipment and intangible assets used in operations, and on disposals of investments in consolidated undertakings still included in the scope of consolidation at the time of disposal, continue to be recorded on this line, now retitled “Net gain/loss on non-current assets” to reflect the change in content.

Reclassification of underwriting result and net investment income of insurance companies

BNP Paribas has reclassified all the items included on the line “Underwriting result and net investment income of insurance companies”, so as to include them with items of a similar nature related to banking activities. The total amount involved (EUR 1,919 million) has been reclassified as follows: EUR 1,510 million to “Net income from other activities”, EUR 124 million to “Net gain/loss on available-for-sale financial assets”, and EUR 286 million to “Interest income”.

Recognition of net operating lease income in "Net income from other activities"	Reclassification of "Net other banking income"	Other items	TOTAL Reclassifications
(261)	56	27	1,453
(215)	(113)	3	(326)
	(7)	3	(1,355)
-	(4)	(2)	724
(16)	(85)		(101)
			(1,919)
492	153	(28)	2,104
-	-	3	580
		4	(323)
			(33)
-	-	7	224
		(7)	(7)
-	-	-	217
			(605)
			389
-	-	-	1
			(1)
-	-	-	-

Reclassification of interest on fixed-income trading account securities

Interest income derived from fixed-income trading account securities, reported under French GAAP in “Net gains on trading account securities” (equivalent to “Net gain/loss on financial instruments at fair value through profit or loss” under IFRS), has been reclassified to “Interest income”. The total amount involved is EUR 1,356 million.

Reclassification of net income from operating leases

Some leases contracted by the BNP Paribas Group as lessor qualify as operating leases under IFRS but were treated as finance leases under French GAAP. In the French GAAP financial statements, these leases generated income that was recorded partly in “Net interest income” (EUR 261 million) and partly in “Commission income” (EUR 2 million). Under IFRS, this income has been reclassified in full to “Net income from other activities”. In addition, ancillary revenues generated by these leasing activities, mainly in the form of recharges of future maintenance costs, have been reclassified from “Commission income” (amount: EUR 213 million) and “Net other banking income” (amount: EUR 16 million) to “Net income from other activities”.

Reclassification of “Net other banking income”

Items included in “Net other banking income” under French GAAP (apart from income generated by operating leases, as described in the previous paragraph), have been reallocated to other lines within net banking income according to the nature of the income or expense. In particular, EUR 56 million has been reclassified to “Interest income”, payment instrument charges of EUR 113 million have been reclassified to “Commission income”, and EUR 153 million of income (mainly comprising rental income from investment property) has been reclassified to “Net income from other activities”.

1.a.2 Principal restatements made to comply with 2004 IFRS

In millions of euros	PP&E used in operations and investment property	Intangible assets	Leases	Share-based payment
	IAS 16, IAS 40	IAS 38	IAS 17	IFRS 2
Net interest income			(5)	
Net commission income				
Net gain/loss on financial instruments at fair value through profit or loss				
Net gain/loss on available-for-sale financial assets				
Net income from other activities	7		(21)	
NET BANKING INCOME	**7**	**-**	**(26)**	**-**
Operating expenses		2	3	(115)
Depreciation, amortisation and impairment	1	(13)	(1)	
GROSS OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Cost of risk				
OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Share of earnings of associates				
Net gain/loss on non-current assets				
Amortisation of goodwill				
Movements in reserve for general banking risks				
PRE-TAX NET INCOME	**8**	**(11)**	**(24)**	**(115)**
Corporate income tax	5	4	10	18
NET INCOME	**13**	**(7)**	**(14)**	**(97)**
of which minority interests	8		1	
NET INCOME BEFORE MINORITY INTERESTS	**5**	**(7)**	**(15)**	**(97)**

Note 1.c provides an explanation, for each standard, of the principal restatements made to comply with 2004 IFRS.

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS 19	IAS 31 & IAS 36	IAS 37		2004 IFRS
	(7)		(6)	(18)
	13		(1)	12
11			(3)	8
	(21)			(21)
			(1)	(15)
11	**(15)**	**-**	**(11)**	**(34)**
54	(27)			(83)
			1	(12)
65	**(42)**	**-**	**(10)**	**(129)**
				-
65	**(42)**	**-**	**(10)**	**(129)**
2	210		1	213
	(169)		(5)	(174)
	391			391
		(88)		(88)
67	**390**	**(88)**	**(14)**	**213**
(23)	53	2	(2)	67
44	**443**	**(86)**	**(16)**	**280**
	6	(1)	(5)	9
44	**437**	**(85)**	**(11)**	**271**

1.b TRANSITION OF BALANCE SHEET AT 31 DECEMBER 2004 AND 1 JANUARY 2005

In millions of euros	31 Dec 2004	Reclassification	Restatements	31 Dec 2004	Reclassification	Restatements	1 January 2005
	French GAAP	2004 IFRS		2004 IFRS	IAS 32, IAS 39 and IFRS 4		EU IFRS
ASSETS		1.b.1	1.b.3		1.b.2	1.b.4	
Cash and amounts due from central banks and post office	**6,843**	**-**	**2**	**6,845**	**43**	**-**	**6,888**
Securities portfolio	**273,676**	**65,319**	**(392)**	**338,603**	**(338,603)**		
- Treasury bills and money-market instruments	128,400		1	128,401	(128,401)		
- Bonds and other fixed-income instruments	66,899	39,367	256	106,522	(106,522)		
- Equities and other variable-income instruments	72,254	25,952	(156)	98,050	(98,050)		
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	6,123		(493)	5,630	(5,630)		
Financial assets at fair value through profit or loss					**538,526**	**984**	**539,510**
Derivatives used for hedging purposes					**402**	**2,179**	**2,581**
Available-for-sale financial assets					**69,761**	**6,017**	**75,778**
Loans and receivables due from credit institutions	**180,443**	**991**	**221**	**181,655**	**(140,702)**	**30**	**40,983**
Loans and receivables due from customers	**258,080**	**(4,700)**	**11,646**	**265,026**	**(19,920)**	**(878)**	**244,228**
- Loans and receivables	237,508	43	11,655	249,206	(19,920)	(851)	228,435
- Finance lease receivables	20,572	(4,743)	(9)	15,820	-	(27)	15,793
Held-to-maturity financial assets					**26,130**	**-**	**26,130**
Insurance company investments	**69,501**	**(69,501)**	**-**	**-**	**-**	**-**	**-**
Current and deferred tax assets		**1,474**	**402**	**1,876**	**-**	**264**	**2,140**
Accrued income and other assets	**99,808**	**112**	**143**	**100,063**	**(58,684)**	**(47)**	**41,332**
Investments in associates	**1,761**	**203**	**470**	**2,434**	**-**	**286**	**2,720**
Property, plant and equipment and intangible assets	**9,582**	**5,778**	**(854)**	**14,506**	**(621)**	**-**	**13,885**
- Investment property	3,773	1,309	90	5,172	(621)	-	4,551
- Property, plant and equipment	4,231	4,476	(548)	8,159	-	-	8,159
- Intangible assets	1,578	(7)	(396)	1,175	-	-	1,175
Goodwill	**6,244**	**(203)**	**367**	**6,408**	**(80)**	**-**	**6,328**
Total assets	**905,938**	**(527)**	**12,005**	**917,416**	**76,252**	**8,835**	**1,002,503**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Due to central banks and post office banks	**256**	**(256)**	**-**	**-**	**256**	**-**	**256**
Financial liabilities at fair value through profit or loss					**454,704**	**2,422**	**457,126**
Derivatives used for hedging purposes					**155**	**295**	**450**
Due to credit institutions	**244,707**	**-**	**57**	**244,764**	**(144,671)**	**95**	**100,188**
Due to customers	**237,712**	**1,245**	**(1,038)**	**237,919**	**(26,431)**	**(1)**	**211,487**
Debt securities	**103,966**	**-**	**12,544**	**116,510**	**(38,923)**	**10**	**77,597**
Remeasurement adjustment on interest-rate risk hedged					**-**	**1,022**	**1,022**
Current and deferred tax liabilities		**1,449**	**(83)**	**1,366**	**-**	**287**	**1,653**
Technical reserves of insurance companies	**69,378**	**(1,200)**	**(249)**	**67,929**	**(5,525)**	**2,114**	**64,518**
Accrued expenses and other liabilities	**198,128**	**(2,021)**	**104**	**196,211**	**(162,236)**	**81**	**34,056**
Negative goodwill	**15**	**-**	**(15)**	**-**	**-**	**-**	**-**
Provisions for contingencies and charges	**3,764**	**-**	**812**	**4,576**	**(758)**	**165**	**3,983**
Subordinated debt	**12,242**	**-**	**354**	**12,596**	**(63)**	**509**	**13,042**
Reserve for general banking risks	**752**	**-**	**(752)**	**-**	**-**	**-**	**-**
Shareholders' equity	**30,194**	**-**	**182**	**30,376**	**-**	**1,935**	**32,311**
Share capital and additional paid-in capital	12,109			12,109	-		12,109
Retained earnings	14,206		(706)	13,500	-	(1,830)	11,670
Unrealised or deferred gains and losses	(789)		617	(172)	-	3,765	3,593
Net income for the period	4,668		271	4,939	-		4,939
Minority interests	**4,824**	**-**	**89**	**4,913**	**-**	**(99)**	**4,814**
Total liabilities and shareholders' equity	**905,938**	**(783)**	**12,005**	**917,160**	**76,508**	**8,835**	**1,002,503**

1.b.1 Principal restatements made at 31 December 2004 to comply with 2004 IFRS, in accordance with the presentational rules adopted in France

In millions of euros	Reallocation of insurance company investments	Goodwill on associates	Reclassification of technical reserves of insurance companies	Equipment leases qualifying as operating leases
ASSETS				
Securities portfolio	**65,249**	**-**	**-**	**-**
- Bonds and other fixed-income instruments	39,367			
- Equities and other variable-income instruments	25,882			
Loans and receivables due from credit institutions	**991**			
Loans and receivables due from customers	**13**	**-**	**-**	**(4,713)**
- Loans and receivables	13			30
- Finance lease receivables				(4,743)
Insurance company investments	**(69,501)**			
Current and deferred tax assets				
Accrued income and other assets	**2,075**			**73**
Investments in associates		**203**		
Property, plant and equipment and intangible assets	**1,173**	**-**	**45**	**4,640**
- Investment property	1,173		45	
- Property, plant and equipment				4,640
- Intangible assets				
Goodwill		**(203)**		
Total assets	**-**	**-**	**45**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to customers			**1,245**	
Current and deferred tax liabilities				
Technical reserves of insurance companies			**(1,200)**	
Accrued expenses and other liabilities				
Total liabilities and shareholders' equity	**-**	**-**	**45**	**-**

Reallocation of insurance company investments

Under French GAAP, insurance company investments (EUR 69,501 million) were recorded on a separate line that included property investments, admissible investments related to unit-linked business, and any other admissible investment related to insurance contracts (especially life insurance contracts).

Under IFRS, these investments have been reclassified by type. Property investments (EUR 1,173 million) have been reclassified under "Investment property". Financial investments held by insurance companies using fixed-income or variable-income securities as the underlying asset have been reclassified to the relevant category of securities, resulting in the reclassification of EUR 39,367 million to "Bonds and other fixed-income instruments" and EUR 25,882 million to "Equities and other variable-income instruments". An amount of EUR 991 million has been reclassified to "Loans and receivables due from credit institutions", and the "Reinsurers' share of technical reserves", totalling EUR 2,075 million, has been reclassified to "Accrued income and other assets".

Goodwill on investments in associates

Goodwill arising on investments in associates (companies accounted for under the equity method) but not yet amortised, amounting to EUR 203 million at 31 December 2004, has been reclassified from "Goodwill" and is now included in the line "Investments in associates".

Reclassification of tax to specific account	Other reclassifications	TOTAL Reclassifications
-	70	65,319
		39,367
	70	25,952
		991
-	-	(4,700)
		43
		(4,743)
		(69,501)
1,474		1,474
(1,474)	(562)	112
		203
-	(80)	5,778
	91	1,309
	(164)	4,476
	(7)	(7)
		(203)
-	(572)	(527)

Reclassification of tax to specific account	Other reclassifications	TOTAL Reclassifications
		1,245
1,449	-	1,449
		(1,200)
(1,449)	(572)	(2,021)
-	(572)	(527)

Reclassification of technical reserves of insurance companies

Technical reserves that have the characteristics of amounts due to reinsurers have been reclassified to "Due to customers" on the liabilities side of the balance sheet (EUR 1,245 million).

Equipment leases

Certain equipment leases that qualify as operating leases under IFRS were treated as finance leases under French GAAP and hence recorded as customer items under "Leasing receivables" in the balance sheet. Under IAS 16 and IAS 17, assets leased under operating leases are now recognised as property, plant and equipment in the lessor's balance sheet (impact at 31 December 2004: EUR 4,640 million).

1.b.2 Principal reclassifications made at 1 January 2005 relating to the application of IAS 32, IAS 3 and IFRS 4

In millions of euros	Reallocation of securities portfolio	Designation of liabilities at fair value through profit or loss (fair value option)	Reclassification of repurchase agreements
ASSETS			
Cash and amounts due from central banks and post office banks	**43**		
Securities portfolio	**(338,603)**	**-**	**-**
- Treasury bills and money-market instruments	(128,401)		
- Bonds and other fixed-income instruments	(106,522)		
- Equities and other variable-income instruments	(98,050)		
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(5,630)		
Financial assets at fair value through profit or loss	**229,140**		**165,181**
Derivatives used for hedging purposes			
Available-for-sale financial assets	**69,232**		
Loans and receivables due from credit institutions	**1,199**		**(144,598)**
Loans and receivables due from customers	**716**	**-**	**(20,583)**
- Loans and receivables	716		(20,583)
Held-to-maturity financial assets	**26,130**		
Accrued income and other assets			
Property, plant and equipment and intangible assets	**-**	**-**	**-**
- Investment property			
Goodwill			
Total assets	**(12,143)**	**-**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities at fair value through profit or loss	**(12,467)**	**33,365**	**178,761**
Derivatives used for hedging purposes			
Due to credit institutions	**(72)**	**(1,146)**	**(141,099)**
Due to customers	**(460)**	**(327)**	**(37,662)**
Debt securities	**(163)**	**(31,634)**	
Accrued expenses and other liabilities	**1,019**		
Technical reserves of insurance companies			
Provisions for contingencies and charges			
Subordinated debt		**(258)**	
Total liabilities and shareholders' equity	**(12,143)**	**-**	**-**

Recognition of derivatives in the balance sheet	Liabilities related to securities transactions	Other reclassifications	TOTAL Reclassifications
			43
-	-	-	(338,603)
			(128,401)
			(106,522)
			(98,050)
			(5,630)
143,333		872	538,526
402			402
		529	69,761
		2,697	(140,702)
-	-	(53)	(19,920)
		(53)	(19,920)
			26,130
(54,248)		(4,436)	(58,684)
-	-	(621)	(621)
		(621)	(621)
		(80)	(80)
89,487	-	(1,092)	76,252
149,144	103,012	2,889	454,704
155			155
		(2,354)	(144,671)
		12,018	(26,431)
		(7,126)	(38,923)
(59,812)	(103,012)	(431)	(162,236)
		(5,525)	(5,525)
		(758)	(758)
		195	(63)
89,487	-	(1,092)	76,252

Securities portfolio

The application of IAS 32 and IAS 39 at 1 January 2005 has led to the reclassification of components of the securities portfolio to comply with the new rules requiring financial instruments to be classified by management intention and method of measurement.

At 31 December 2004, the securities portfolio amounted to EUR 338,603 million, after reclassification of insurance company investments. Of this total, EUR 229,140 million was classified as assets at fair value through profit or loss, EUR 69,232 million as available-for-sale assets, EUR 26,130 million as held-to-maturity assets, and EUR 12,467 million as borrowed securities, which are no longer recognised as assets under IFRS.

Fair value option (designation of liabilities as fair value through profit or loss)

In June 2005, the IASB issued an amendment to IAS 39 that allows the measurement at fair value of certain liabilities issued by an enterprise that are not part of the trading portfolio and that include embedded derivatives which are themselves hedged by derivative financial instruments. Because this amendment was adopted by the European Union in 2005, BNP Paribas has applied it with effect from 1 January 2005, and has used the fair value option to designate the following as "Financial liabilities at fair value through profit or loss" as of that date: debt securities of EUR 31,634 million, subordinated debt of EUR 258 million, and structured debt issues of EUR 1,146 million (interbank items) and EUR 327 million (customer items).

Reclassification of repurchase agreements initiated for trading purposes

Securities received under repurchase agreements, classified in "Loans and receivables due from credit institutions" under French GAAP, are presented at 1 January 2005 under "Financial assets at fair value through profit or loss"; the amount involved is EUR 144,598 million. A similar reclassification has been made for the EUR 20,583 million of securities received under repurchase agreements previously classified in "Loans and receivables due from customers".

On the liabilities side of the balance sheet, EUR 141,099 million and EUR 37,662 million relating to securities given under repurchase agreements with credit institutions and customers respectively have been reclassified to "Financial liabilities at fair value through profit or loss".

Balance sheet recognition of derivative instruments

Some derivative instruments were already recognised in the balance sheet under French GAAP, mainly in "Accrued income and other assets" (EUR 54,248 million) and "Accrued expenses and other liabilities" (EUR 59,812 million). These consisted of trading account derivatives already measured at market value under French GAAP, and premiums on options used in connection with hedging strategies. The amounts recognised under French GAAP represented the net remeasured value of each portfolio, shown as an asset if the net amount was positive and as a liability if the net amount was negative. These items have been reclassified as financial assets or financial liabilities at fair value through profit or loss as appropriate, and by individual instrument rather than by portfolios of instruments. The effect is to increase total assets and total liabilities by EUR 89,487 million.

Liabilities related to securities transactions

Liabilities related to short selling of securities and securities borrowing, classified in "Accrued expenses and other liabilities" under French GAAP and totalling EUR 103,012 million, have been reclassified to "Financial liabilities at fair value through profit or loss" in the EU IFRS balance sheet.

1.b.3 Restatements made at 31 December 2004 to comply with 2004 IFRS

In millions of euros	PP&E used in operations, investment property	Intangible assets	Leases	Share-based payment
	IAS16 & 40	IAS38	IAS17	IFRS2
ASSETS				
Cash and amounts due from central banks and post office banks				
Securities portfolio	-	-	-	-
- Treasury bills and money-market instruments				
- Bonds and other fixed-income instruments				
- Equities and other variable-income instruments				
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment				
Loans and receivables due from credit institutions				
Loans and receivables due from customers	-	-	(9)	-
Current and deferred tax assets	(6)	136	43	(15)
Accrued income and other assets			(16)	(140)
Investments in associates	1		(1)	
Property, plant & equipment and intangible assets	(370)	(396)	(88)	-
- Investment property	90			
- Property, plant and equipment	(460)		(88)	
- Intangible assets		(396)		
Goodwill				
Total assets	(375)	(260)	(71)	(155)
LIABILITIES & SHAREHOLDERS' EQUITY				
Due to credit institutions				
Due to customers				
Debt securities				
Current and deferred tax liabilities	(150)		11	
Technical reserves of insurance companies				
Accrued expenses and other liabilities	(26)			(153)
Goodwill				
Provisions for contingencies & charges			(18)	
Subordinated debt				
Reserve for general banking risks				
Shareholders' equity:	(238)	(260)	(61)	(2)
- Share capital				
- Additional paid-in capital	(312)			
- Retained earnings	69	(253)	(46)	95
- Net income for the period	5	(7)	(15)	(97)
Minority interests	39		(3)	
Total liabilities & shareholders' equity	(375)	(260)	(71)	(155)

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS19	IAS27,28,31&36	IAS37		2004 IFRS
	2			2
-	(392)	-	-	(392)
	1			1
	256			256
	(156)			(156)
	(493)			(493)
	221			221
-	11,655	-	-	11,646
189	41	2	12	402
	300		(1)	143
(1)	460		11	470
-	-	-	-	(854)
				90
				(548)
				(396)
	375		(8)	367
188	12,662	2	14	12,005
	57			57
	(1,038)			(1,038)
	12,544			12,544
	51	1	4	(83)
(249)				(249)
	258	3	22	104
	(15)			(15)
873	(40)		(3)	812
	354			354
		(752)		(752)
(437)	447	750	(17)	182
				-
				(312)
(481)	10	835	(6)	223
44	437	(85)	(11)	271
1	44		8	89
188	12,662	2	14	12,005

1.b.4 Restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4

In millions of euros	Impairment for credit risk	Measurement of financial instruments at fair value through profit or loss	Day one profit on financial instruments	Provision for regulated savings products
ASSETS				
Financial assets at fair value through profit or loss		680	56	
Derivatives used for hedging purposes				
Available-for-sale financial assets				
Loans and receivables due from credit institutions	(1)			
Loans and receivables due from customers	(929)	9		(28)
Current and deferred tax assets	288	248	134	129
Accrued income and other assets		(103)		
Investments in associates	(78)	22		
Total assets	(720)	856	190	101
LIABILITIES & SHAREHOLDERS' EQUITY				
Financial liabilities at fair value through profit or loss		1,392	660	
Derivatives used for hedging purposes		35		
Due to credit institutions				
Due to customers				
Debt securities		4		
Remeasurement adjustment on interest-rate risk hedged portfolios				
Current and deferred tax liabilities				
Technical reserves of insurance companies				
Accrued expenses and other liabilities		(31)	31	
Provisions for contingencies & charges	(73)	(84)		347
Subordinated debt				
Shareholders' equity:	(635)	(437)	(501)	(246)
Retained earnings	(635)	(437)	(501)	(246)
Unrealised or deferred gains and losses				
Minority interests	(12)	(23)	-	-
Total liabilities & shareholders' equity	(720)	856	190	101

The restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4, as published in the document entitled "Effects of the Transition to IFRS on the Financial Statements for the year ended 31 December 2004" filed on 16 September 2005 as a supplement to the *Document de Référence*, have been adjusted to take account of put options granted by BNP Paribas to some minority shareholders of subsidiaries under the exclusive control of BNP Paribas, and of a call option granted to the shareholders of a non-consolidated jointly-controlled subsidiary.

Net unrealised gains on securities portfolio	Net unrealised gains on derivatives used for hedging purposes	Fair value hedges	Other items	TOTAL EU IFRS restatements
			248	984
	548	1,631	-	2,179
5,624		168	225	6,017
		25	6	30
		7	63	(878)
		(503)	(32)	264
		(5)	61	(47)
350	(2)		(6)	286
5,974	546	1,323	565	8,835
			370	2,422
	67	194	(1)	295
		95	-	95
			(1)	(1)
		6	-	10
		1,022	-	1,022
677	97	(503)	16	287
1,965			149	2,114
	(47)		128	81
			(25)	165
		509	-	509
3,329	436	-	(11)	1,935
			(11)	(1,830)
3,329	436		-	3,765
3	(7)		(60)	(99)
5,974	546	1,323	565	8,835

The value of these options has been offset against minority interests (amount involved : EUR 51 million) and against retained earnings attributable to BNP Paribas shareholders (amount involved : EUR 49 million), in line with the accounting policy adopted by BNP Paribas and disclosed in Note 2, “Principal Accounting Policies Applied by the BNP Paribas Group”.

1.c NOTES ON PRINCIPAL RESTATEMENTS MADE TO COMPLY WITH IFRS

1.c.1 Restatements made to comply with 2004 IFRS

Property, plant and equipment and intangible assets used in operations, investment property (IAS 16, IAS 40)

As allowed under IAS 16, IAS 36 and IAS 40, the BNP Paribas Group has elected to use the historical cost method to measure property, plant and equipment and intangible assets used in operations, investment property, and any impairment of such assets. This elective treatment has the effect of cancelling out revaluations made by the Group to certain operating assets during the 1990s, and of introducing the component-based method.

The effect of these restatements at 1 January 2004, net of deferred taxes, is to reduce additional paid-in capital by EUR 312 million as a result of the adjustment to the value of property, plant and equipment and intangible assets, and to increase retained earnings by EUR 43 million as a result of applying the component-based approach.

Restatement in millions of euros	1 January 2005	1 January 2004
ASSETS	IAS16, IAS 40	
Current and deferred tax assets	(6)	(13)
Investments in associates	1	1
Property, plant & equipment and intangible assets	(370)	(378)
- Investment property	90	83
- Property, plant and equipment	(460)	(461)
Total assets	(375)	(390)
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	(150)	(152)
Accrued expenses and other liabilities	(26)	
Shareholders' equity:	(238)	(269)
- Additional paid-in capital	(312)	(312)
- Retained earnings	69	43
- Net income for the period	5	-
Minority interests	39	31
Total liabilities & shareholders' equity	(375)	(390)
PROFIT & LOSS ACCOUNT	2004	
Net banking income	7	
Depreciation, amortisation and impairment	1	
Corporate income tax	5	
Net income	13	
of which minority interests	8	
Net income, before minority interests	5	

Intangible assets: software (IAS 38)

Under French GAAP, software developed internally by the BNP Paribas Group is amortised on a straight line basis over five years. The application of IAS 38 has led BNP Paribas to redefine the criteria for capitalising internal development costs, and to apply different amortisation periods according to the nature of the software.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 253 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 38	
Current and deferred tax assets	136	132
Property, plant & equipment and intangible assets	(396)	(385)
- Intangible assets	(396)	(385)
Total assets	(260)	(253)
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity:	(260)	(253)
- Retained earnings	(253)	(253)
- Net income for the period	(7)	-
Total liabilities & shareholders' equity	(260)	(253)
PROFIT & LOSS ACCOUNT	2004	
Operating expense	2	
Depreciation, amortisation and impairment	(13)	
Corporate income tax	4	
Net income, before minority interests	(7)	

Assets leased under operating leases – lessor accounting (IAS 17)

Unlike French GAAP, IFRS do not allow lessors to use actuarial depreciation methods in accounting for operating leases. In addition, the depreciated amount of the leased asset is calculated net of its remeasured residual value, with each remeasurement of residual value reflected in a prospective change to annual depreciation expense. IFRS also requires direct negotiating costs and net arrangement fees incurred on inception of the lease to be included in the depreciable amount of the asset.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 46 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 17	
Loans and receivables due from customers	(9)	(5)
Current and deferred tax assets	43	33
Accrued income and other assets	(16)	(17)
Investments in associates	(1)	(1)
Property, plant & equipment and intangible assets	(88)	(68)
- Property, plant and equipment	(88)	(68)
Total assets	(71)	(58)
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	11	10
Provisions for contingencies & charges	(18)	(18)
Shareholders' equity:	(61)	(46)
- Retained earnings	(46)	(46)
- Net income for the period	(15)	-
Minority interests	(3)	(4)
Total liabilities & shareholders' equity	(71)	(58)
PROFIT & LOSS ACCOUNT	2004	
Net banking income	(26)	
Operating expense	3	
Depreciation, amortisation and impairment	(1)	
Corporate income tax	10	
Net income	(14)	
Of which minority interests	1	
Net income, before minority interests	(15)	

BNP Paribas share-based payment plans (IFRS 2)

Under IFRS 2, stock option plans granted to employees and share-based deferred bonuses are treated as a cost. This means that an expense must be recognised equal to the value of the options and shares granted as consideration for the services rendered by the employees.

The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 89 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IFRS 2	
Current and deferred tax assets	(15)	(33)
Accrued income and other assets	(140)	(63)
Total assets	(155)	(96)
LIABILITIES & SHAREHOLDERS' EQUITY		
Accrued expenses and other liabilities	(153)	(185)
Shareholders' equity:	(2)	89
- Retained earnings	95	89
- Net income for the period	(97)	-
Total liabilities & shareholders' equity	(155)	(96)
PROFIT & LOSS ACCOUNT	2004	
Operating expense	(115)	
Corporate income tax	18	
Net income, before minority interests	(97)	

Employee benefits (IAS 19)

Non-French employee benefits

BNP Paribas has elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date. The effect of this restatement, net of deferred taxes, is to reduce retained earnings by EUR 152 million.

Obligations to former BNP employees in France in respect of top-up banking industry pensions

The BNP Paribas Group has made a provision to cover its obligations in respect of the rights to top-up banking industry pensions vested in former BNP employees to 31 December 1993, and has written off in full the residual portion of the lump-sum payment made in 1994 to nationwide pension organisations in return for the transfer of the pension plans of the employees in question to these organisations. The effect of these two restatements, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 359 million.

Retirement bonuses

BNP Paribas has applied the accounting treatment prescribed by the French accounting authorities (*Conseil National de la Comptabilité*) for the impact of the French Pension Reform Act of 2004 on retirement bonuses. Consequently, the provision recorded in 2003 was written off against equity at 1 January 2004, and the past service cost is being recognised in profit or loss over the residual vesting period. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 180 million.

Mutual insurance plan obligations

The BNP Paribas mutual insurance plan, which entitles its members to supplementary healthcare benefits, has been reformed. Two separate plans have been established within the overall framework of the mutual plan:

- the plan for retired employees, in respect of which BNP Paribas extinguished its obligations by making a lump sum payment, the effect of which (net of deferred taxes) is to reduce retained earnings by EUR 97 million at 1 January 2004;
- the plan for active employees, which qualifies as a defined-contribution plan.

Other restatements

Various other restatements have the effect of reducing retained earnings by EUR 53 million. The main impact arises from the use of specific discounting rates that take account of the future settlement date of each type of obligation, and of inflation rates that take account of the payment date of the benefits (as opposed to French GAAP, which permitted the use of a single standard rate).

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 19	
Current and deferred tax assets	189	213
Investments in associates	(1)	(3)
Total assets	188	210
LIABILITIES & SHAREHOLDERS' EQUITY		
Technical reserves of insurance companies	(249)	(238)
Provisions for contingencies & charges	873	928
Shareholders' equity:	(437)	(481)
- Retained earnings	(481)	(481)
- Net income for the period	44	-
Minority interests	1	1
Total liabilities & shareholders' equity	188	210
PROFIT & LOSS ACCOUNT	2004	
Net banking income	11	
Operating expense	54	
Share of earnings of associates	2	
Corporate income tax	(23)	
Net income, before minority interests	44	

Consolidation: changes to scope of consolidation (IAS 27, IAS 28, IAS 31 and SIC 12) and amortisation of goodwill (IAS 36 and IFRS 3)

As permitted under IFRS 1, BNP Paribas has elected not to restate business combinations that took place before 1 January 2004. Under IAS 27, IAS 28 and IAS 31, the scope of consolidation has changed and goodwill is no longer amortised.

1. The main changes to the scope of consolidation relate to:

- Consolidation of special-purpose entities related to proprietary and third-party securitisation programmes that meet the consolidation criteria set out in interpretation SIC 12. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 8 million.
- Consolidation of directly-held private equity investments.

  Profit and loss account items of entities newly recognised as associates (i.e. accounted for by the equity method) under IFRS increase 2004 net income by EUR 210 million.

  In addition, "Net gain/loss on non-current assets" is reduced by EUR 169 million as a result of (i) the adjustment made at 1 January 2004 in respect of entities newly recognised as associates that were divested in 2004, and (ii) the new method of recognising gains and losses on disposal realised by mutual funds in which the Group holds units.

2. IAS 12 also requires a deferred tax liability to be recognised on the reserves of associates if the BNP Paribas Group does not control the distribution of dividends.

   The effect of this adjustment is to reduce retained earnings at 1 January 2004 by EUR 10 million.

3. Amortisation of goodwill, which was allowed under French GAAP, is disallowed under IFRS 3, which instead requires an annual impairment test. The impairment tests conducted by BNP Paribas indicate that there was no impairment of goodwill at either 1 January 2004 or 1 January 2005. The reversal of the amortisation charged under French GAAP in 2004 increases net income for 2004, as reported under IFRS, by EUR 391 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS27,28,31,36,SIC12&IFRS3	
Cash and amounts due from central banks and post office banks	**2**	**2**
Securities portfolio	**(392)**	**(260)**
- Treasury bills and money-market instruments	1	1
- Bonds and other fixed-income instruments	256	256
- Equities and other variable-income instruments	(156)	(156)
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(493)	(361)
Loans and receivables due from credit institutions	**221**	**221**
Loans and receivables due from customers	**11,655**	**11,652**
Current and deferred tax assets	**41**	
Accrued income and other assets	**300**	**303**
Investments in associates	**460**	**304**
Goodwill	**375**	
Total assets	**12,662**	**12,222**
LIABILITIES & SHAREHOLDERS' EQUITY		
Due to credit institutions	**57**	**57**
Due to customers	**(1,038)**	**(1,038)**
Debt securities	**12,544**	**12,544**
Current and deferred tax liabilities	**51**	**66**
Accrued expenses and other liabilities	**258**	**258**
Goodwill	**(15)**	**(18)**
Provisions for contingencies & charges	**(40)**	**(40)**
Subordinated debt	**354**	**354**
Shareholders' equity:	**447**	**1**
- Retained earnings	10	1
- Net income for the period	437	-
Minority interests	**44**	**38**
Total liabilities & shareholders' equity	**12,662**	**12,222**

PROFIT & LOSS ACCOUNT	2004
Net banking income	(15)
Operating expense	(27)
Share of earnings of associates	210
Net gain/loss on non-current assets	(169)
Changes in value of goodwill	391
Corporate income tax	53
Net income	**443**
Of which minority interests	6
Net income, before minority interests	**437**

Reserve for general banking risks (IAS 37)

The reserve for general banking risks recorded under French GAAP does not meet the criteria set out in IAS 37 for recognition as a liability, and hence has been written back to retained earnings. This has the effect of increasing shareholders' equity at 1 January 2004 by EUR 838 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	**IAS 37**	
Current and deferred tax assets	**2**	
Total assets	**2**	**-**
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	**1**	**1**
Accrued expenses and other liabilities	**3**	
Reserve for general banking risks	**(752)**	**(840)**
Shareholders' equity:	**750**	**838**
- Retained earnings	835	838
- Net income for the period	(85)	-
Minority interests	**-**	**1**
Total liabilities & shareholders' equity	**2**	**-**

PROFIT & LOSS ACCOUNT	2004
Movements in reserve for general banking risks	(88)
Corporate income tax	2
Net income	**(86)**
Of which minority interests	(1)
Net income, before minority interests	**(85)**

1.c.2 Restatements made to comply with IAS 32, IAS 39 and IFRS 4

Credit risk provisions

Specific impairment

IAS 39 does not alter the criteria for identifying impaired loans. However, the method of calculating impairment must now take into account the future cash flows from expected recoveries of interest and principal on impaired loans, discounted at the original effective interest rate of the loan. Discounting the recoverable cash flows used in the calculation of impairment has the effect of reducing retained earnings at 1 January 2005 by EUR 480 million, net of deferred taxes.

Portfolio impairment

IAS 39 requires impairment to be assessed on the basis of portfolios of loans which present objective characteristics of collective impairment where it is not possible to identify impaired loans individually.

BNP Paribas has reversed the provisions for country risk (EUR 1,416 million at 1 January 2005) and for general or industry risks (EUR 730 million at 1 January 2005) set up under French GAAP, which do not meet the criteria for provisions under IAS 39. They have been replaced by portfolio impairment provisions of EUR 2,365 million. These restatements have the effect, net of deferred taxes, of reducing retained earnings at 1 January 2005 by EUR 155 million.

In millions of euros at 1 January 2005	Impairment for credit risk
ASSETS	
Loans and receivables due from credit institutions	(1)
Loans and receivables due from customers	(929)
Current and deferred tax assets	288
Investments in associates	(78)
Total assets	(720)
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	(73)
Shareholders' equity:	(635)
Retained earnings	(635)
Minority interests	(12)
Total liabilities & shareholders' equity	(720)

Measurement of financial instruments at fair value through profit or loss

Disqualification of hedging instruments and remeasurement of other financial instruments reclassified as assets or liabilities at fair value through profit or loss

Under IAS 39 and IFRS 1, swaps used to hedge securities that were classified as held-to-maturity under French GAAP and continue to be classified as such under IFRS no longer qualify for hedge accounting, because interest rate risk on this category of securities cannot be a hedged item under IAS 39. These swaps have therefore been reclassified as trading account securities.

Because written options do not meet the criteria for hedging instruments, the related hedging strategies are disqualified from hedge accounting, and the options used in connection with these strategies have been reclassified as "financial instruments at fair value through profit or loss".

The designation of certain financial instruments as "fair value through profit or loss" under the fair value option (see Note 1.b.2) has required the remeasurement of these instruments, and of derivatives used to hedge them.

The effect of these restatements, net of deferred tax, is to reduce retained earnings at 1 January 2005 by EUR 407 million.

Measurement of positions arising from financial instruments traded in active markets

Under IAS 39 rules concerning the measurement of derivatives traded in active markets, short positions are measured at bid price and long positions at asking price. This differs from French GAAP, under which an average rate was used.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 30 million.

In millions of euros at 1 January 2005	Measurement of financial instruments at fair value through profit or loss
ASSETS	
Financial assets at fair value through profit or loss	680
Loans and receivables due from customers	9
Current and deferred tax assets	248
Accrued income and other assets	(103)
Investments in associates	22
Total assets	856
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	1,392
Derivatives used for hedging purposes	35
Debt securities	4
Accrued expenses and other liabilities	(31)
Provisions for contingencies & charges	(84)
Shareholders' equity:	(437)
Retained earnings	(437)
Minority interests	(23)
Total liabilities & shareholders' equity	856

Structured derivatives: restatement of initial margin (day one profit)

Financial instruments held for trading account purposes are measured at fair value through profit or loss. Fair value is based on market prices if the instrument is listed on an active market, or on market parameters if the Group has to use valuation models.

If there are no observable parameters to measure the value of an instrument, its value is deemed to be the transaction price. Initial margin (day one profit) recognised in the profit and loss account on transactions yet to mature at 1 January 2005 has been reversed out if the transaction was measured on the basis of non-observable market parameters.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 501 million. The day one profit will be released to the profit and loss account over the period of non-observability of the market parameters used to measure the value of the instrument, or when the market parameters become observable.

In millions of euros at 1 January 2005	Day one profit on financial instruments
ASSETS	
Financial assets at fair value through profit or loss	56
Current and deferred tax assets	134
Total assets	190
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	660
Accrued expenses and other liabilities	31
Shareholders' equity:	(501)
Retained earnings	(501)
Total liabilities & shareholders' equity	190

Provisions for savings products at regulated rates of interest

Under IFRS, a provision for contingencies and charges is required to cover the interest rate risk arising on home savings (*Epargne-Logement*) contracts due to the differential between the regulated rate and the market rate for similar instruments during the two phases (savings and loan) of the contract.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 246 million.

In millions of euros at 1 January 2005	Provision for regulated savings products
ASSETS	
Loans and receivables due from customers	(28)
Current and deferred tax assets	129
Total assets	101
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	347
Shareholders' equity:	(246)
Retained earnings	(246)
Total liabilities & shareholders' equity	101

Net unrealised gains on the securities portfolio

The categories of securities which under French GAAP were recorded at the lower of cost or market (securities available for sale, participating interests, equity securities held for long-term investment, and some held-to-maturity securities) are now classified as "available-for-sale" and measured at fair value.

The remeasurement, amounting to EUR 3,329 million net of deferred taxes at 1 January 2005, has been taken to equity under "Unrealised or deferred gains and losses".

In millions of euros at 1 January 2005	Net unrealised gains on securities portfolio
ASSETS	
Available-for-sale financial assets	5,624
Investments in associates	350
Total assets	5,974
LIABILITIES & SHAREHOLDERS' EQUITY	
Current and deferred tax liabilities	677
Technical reserves of insurance companies	1,965
Shareholders' equity:	3,329
Unrealised or deferred gains and losses	3,329
Minority interests	3
Total liabilities & shareholders' equity	5,974

Net unrealised gains on derivative instruments designated as cash flow hedges

Derivative instruments contracted as cash flow hedges are recognised in the balance sheet at fair value under "Derivatives used for hedging purposes". Changes in the fair value of these instruments are taken to equity as "unrealised or deferred gains or losses".

The remeasurement of derivative instruments designated as cash flow hedges at 1 January 2005 had a positive impact of EUR 436 million net of deferred taxes.

In millions of euros at 1 January 2005	Net unrealised gains on derivatives used for hedging purposes
ASSETS	
Derivatives used for hedging purposes	548
Investments in associates	(2)
Total assets	546
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	67
Current and deferred tax liabilities	97
Accrued expenses and other liabilities	(47)
Shareholders' equity:	436
Unrealised or deferred gains and losses	436
Minority interests	(7)
Total liabilities & shareholders' equity	546

Financial instruments covered by fair value hedges

Financial instruments covered by fair value hedges are remeasured at fair value to the extent of the hedged risk, symmetrically with the designated hedging instrument. These hedging transactions have no effect on retained earnings at 1 January 2005.

Derivative instruments used to hedge the inherent interest rate risk of the demand deposit portfolio had a value of EUR 1,022 million at 1 January 2005.

In millions of euros at 1 January 2005	Fair value hedges
ASSETS	
Derivatives used for hedging purposes	1,631
Available-for-sale financial assets	168
Loans and receivables due from credit institutions	25
Loans and receivables due from customers	7
Current and deferred tax assets	(503)
Accrued income and other assets	(5)
Total assets	1,323
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	194
Due to credit institutions	95
Debt securities	6
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022
Current and deferred tax liabilities	(503)
Subordinated debt	509
Total liabilities & shareholders' equity	1,323

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS GROUP

2.a ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

Because IAS 32, IAS 39 and IFRS 4 were not applied to the comparative period (the year to 31 December 2004), in accordance with option allowed under IFRS 1, the accounting policies previously applied under French GAAP and described in Note 10 ("Financial statements prepared under French GAAP for the years ended 31 December 2003 and 2004) continued to apply in 2004 in the following areas:

- Consolidation method of insurance companies
- Interbank and money-market items, customer items (assets)
- Securities
- Interbank and money-market items, customer deposits (liabilities)
- Debt securities
- Country risk provisions
- Provisions for unforeseeable industry risks
- Forward financial instruments
- Recognition of revenue and expense
- Net additions to provisions for credit risks and country risks (cost of risk)

The areas in which IFRS apply with effect from 2004 are as follows:

CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, the consolidation of which is material to the Group. An enterprise is regarded as material if it contributes at least EUR 8 million to consolidated net banking income, EUR 4 million to consolidated gross operating income or net income before tax, or EUR 40 million to total consolidated assets. Entities that hold shares in consolidated enterprises are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

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

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

- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the risk exposure of outside investors is significantly reduced as a result of a guarantee from a Group company.

CONSOLIDATION METHODS

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

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

Enterprises under joint control are accounted for using the proportionate consolidation method. The Group exercises joint control when under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the board of directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

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

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

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain/loss on non-current assets".

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of the BNP Paribas Group are expressed in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

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

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

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders' equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

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

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

The BNP Paribas Group tests goodwill for impairment on a regular basis.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units, representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

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

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

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

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

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

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under "Depreciation, amortisation and impairment of property, plant & equipment and intangible assets".

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

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

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

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

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in "Depreciation, amortisation and impairment of property, plant & equipment and intangible assets".

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in "Net gain/loss on non-current assets".

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

LEASES

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

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

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

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

- Operating leases:

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

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

LESSEE ACCOUNTING:

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

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

- Operating leases:

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

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

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no "corridor" is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

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

- Post-employment benefits

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

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

Only defined benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

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

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

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

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

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. The Group applies the "corridor" method in accounting for actuarial gains and losses. Under this method, the Group is allowed to recognise, starting in the following period, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period. This amount is taken to profit or loss over the average remaining working life of the employees.

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

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

SHARE-BASED PAYMENT

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

IFRS 2 requires share-based payments to be recognised as an expense. The amount recognised is the value of the share-based payment made to the employee.

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment.

This expense, the credit entry for which is posted to shareholders' equity, is calculated on the basis of the overall plan value, determined at the grant date by the Board of Directors.

In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

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

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions offered to employees under the company savings plan

Share subscriptions offered to employees under the company savings plan (Plan d'Epargne Entreprise) do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of 5 years. This restriction is taken into account in measuring the benefit to the employees, which is reduced accordingly. The benefit equals the difference between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee at the subscription date, multiplied by the number of shares acquired.

PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

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

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

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

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

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

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

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

2.b ACCOUNTING POLICIES APPLIED WITH EFFECT FROM 1 JANUARY 2005

The accounting policies described below replace with effect from 1 January 2005 the policies previously applied to the areas listed in Note 2.a.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

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

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

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

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

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

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*comptes épargne-logement* – "CEL") and home savings plans (*plans d'épargne logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;

- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss comprise:

  - financial assets held for trading purposes;
  - financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39.

  Securities in this category are measured at fair value at the balance sheet date. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

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

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

- Held-to-maturity financial assets

  Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in “Interest income” in the profit and loss account.

- Available-for-sale financial assets

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

  Assets included in the available-for-sale category are recorded at fair value in the balance sheet, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity, "Unrealised or deferred gains or losses". On disposal, or on recognition of an impairment loss, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets".

  Gains and losses realised on disposal of available-for-sale financial assets are taken to the profit and loss account under "Net gain/loss on available-for-sale financial assets". The gain or loss on disposal is calculated using the first in, first out method.

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

- Date of and criteria for recognition

Securities classified in the three categories described above are recognised in the balance sheet on the date on which the transaction is entered into, and remain in the balance sheet until the rights of the Group to receive cash flows from the assets have been extinguished or until the Group has transferred substantially all the risks and rewards of ownership of the asset.

- Investments in associates

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

Goodwill on associates is also included in "Investments in associates".

- Repurchase agreements and securities lending/borrowing

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

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in "Financial assets at fair value through profit or loss".

Irrespective of the accounting classification, all repurchase agreements are initially recognised on the settlement date of the transaction.

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to

deliver the borrowed securities on maturity is recognised in the balance sheet under "Financial liabilities at fair value through profit or loss".

FOREIGN CURRENCY TRANSACTIONS

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

- Monetary assets and liabilities[6] expressed in foreign currencies

  Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

- Non-monetary assets and liabilities expressed in foreign currencies

  Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

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

IMPAIRMENT OF FINANCIAL ASSETS

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

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

[6] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under "Cost of risk".

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition. In the case of variable-income securities quoted in an active market, a prolonged or significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Impairment losses taken against fixed-income securities are recognised in "Cost of risk", and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line "Net gain/loss on financial instruments at fair value through profit or loss", and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

ISSUES OF DEBT SECURITIES

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

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

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

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

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

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

Equity instruments issued by subsidiaries under the exclusive control of BNP Paribas are in substance equivalent to equity instruments of the parent company. Consequently, when the Group acquires equity

instruments issued by such subsidiaries, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders.

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

- As equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued.
- As debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares.
- As derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

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

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

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

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

Under the so-called "carve-out" from IAS 39 adopted by the European Union, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- The risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits).
- The instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings (see Note 5c for the methods used to measure interest rate gaps, which include demand deposits based on behavioural modelling).
- The hedging instruments used consist exclusively of “plain vanilla” swaps.
- Prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

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

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in “Net gain/loss on financial instruments at fair value through profit or loss”, symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under “Remeasurement adjustment on interest rate risk hedged portfolios” in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders’ equity on a separate line, “Unrealised or deferred gains and losses”. The amounts taken to shareholders’ equity over the life of the hedge are transferred to the profit and loss account under “Net interest income” as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

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

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

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

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders’ equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part.

- Embedded derivatives

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

DETERMINATION OF FAIR VALUE

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

Method of determining fair value

Fair value is determined:

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

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market, bids and offers are matched, or instruments are traded that are very similar to the instrument being valued.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is applied to the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

    - Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity risk and credit risk.

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

- Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

  Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques or techniques that are based on data only partially observable on active markets.

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

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

- Unlisted equity securities

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

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;
- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;

- where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or when appropriate a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

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

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

INSURANCE

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

All other insurance company assets and liabilities are accounted for using the policies applied to the Group's assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

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

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

LIABILITIES

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

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

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

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

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

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

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period.

A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to "Policyholders' surplus" on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

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

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under "Income from other activities" and "Expenses on other activities".

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

2.c USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the Financial Statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the Financial Statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the Financial Statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the Financial Statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

The notes to the profit and loss account for the year ended 31 December 2005 are presented in accordance with EU IFRS. The figures for the comparative period (year ended 31 December 2004), initially published under French GAAP, have been restated to comply with IFRS as applicable during that period, referred to as "2004 IFRS".

3.a NET INTEREST INCOME

Under EU IFRS, the BNP Paribas Group includes in "Interest income" and "Interest expense" all income calculated using the effective interest method (interest, fees/commissions, transaction costs) on financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments. The change in fair value on these financial instruments (excluding accrued interest) is recognised in "Net gain/loss on financial instruments at fair value through profit or loss".

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item.

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Customer items	**14,269**	**(5,916)**	**8,353**	**11,955**	**(4,902)**	**7,053**
Deposits, loans and borrowings	13,279	(5,794)	7,485	10,952	(4,861)	6,091
Repurchase agreements	7	(83)	(76)	24	(41)	(17)
Finance leases	983	(39)	944	979	-	979
Interbank items	**3,548**	**(5,389)**	**(1,841)**	**3,716**	**(5,112)**	**(1,396)**
Deposits, loans and borrowings	3,378	(5,210)	(1,832)	3,509	(4,980)	(1,471)
Repurchase agreements	170	(179)	(9)	207	(132)	75
Debt securities issued	**-**	**(3,535)**	**(3,535)**	**-**	**(3,646)**	**(3,646)**
Cash flow hedge instruments	**1,801**	**(891)**	**910**	**-**	**-**	**-**
Interest rate portfolio hedge instruments	**424**	**(310)**	**114**	**-**	**-**	**-**
Trading book	**8,051**	**(8,313)**	**(262)**	**4,769**	**(3,665)**	**1,104**
Fixed-income securities	1,994	-	1,994	1,676	-	1,676
Repurchase agreements	6,022	(6,649)	(627)	3,093	(3,665)	(572)
Loans / Borrowings	35	(99)	(64)	-	-	-
Debt securities	-	(1,565)	(1,565)	-	-	-
Available-for-sale financial assets	**3,213**	**-**	**3,213**	**2,808**	**(78)**	**2,730**
Held-to-maturity financial assets	**781**	**-**	**781**	**1,709**	**-**	**1,709**
Total interest income/(expense)	**32,087**	**(24,354)**	**7,733**	**24,957**	**(17,403)**	**7,554**

Interest income on individually impaired loans amounted to EUR 201 million in 2005.

3.b NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This line includes all profit and loss items relating to financial instruments managed in the trading book and, with effect from 1 January 2005, to financial instruments that the Group has designated as fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (Note 3.a).

Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS
	Trading book	Assets designated at fair value through profit or loss	Total	Total
Fixed-income securities	63	82	145	190
Variable-income securities	10,423	(25)	10,398	4,164
of which dividends	*1,719*	*3*	*1,722*	*1,198*
Derivative instruments	(5,962)		(5,962)	(791)
Repurchase agreements	31	(4)	27	
Loans	5	37	42	
Borrowings	67	(80)	(13)	
Remeasurement of interest-rate risk hedged portfolios	59		59	
Remeasurement of currency positions	516		516	(197)
Total	**5,202**	**10**	**5,212**	**3,366**

3.c NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Under EU IFRS, this line includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Under 2004 IFRS, it comprises income from variable-income securities, and net gains arising on items included in the following French GAAP categories: securities available for sale (defined differently from under IFRS), investments in non-consolidated undertakings, other participating interests, and equity securities held for long-term investment.

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Fixed-income securities [(1)]	**93**	**168**
Gains and losses on disposals	93	168
Equities and other variable-income securities	**1,260**	**1,282**
Dividend income	293	329
Additions to impairment provisions	(71)	(269)
Reversals of impairment provisions		630
Gains and losses on disposals	1,038	592
Total	**1,353**	**1,450**

(1) Interest income from available-for-sale fixed-income securities is included in "Net interest income" (Note 3.a), and impairment losses related to potential issuer default are included in "Cost of risk" (Note 3.e).

Unrealised gains and losses recorded under "Unrealised or deferred gains and losses" at 1 January 2005 and taken to the profit and loss account during the year ended 31 December 2005 as a result of disposals amount to EUR 861 million.

3.d NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	16,875	(15,117)	1,758	12,931	(11,464)	1,467
Investment property	695	(229)	466	620	(241)	379
Assets leased under operating leases	3,433	(2,919)	514	2,389	(1,821)	568
Property development activities	121	(35)	86	173	(51)	122
Other	483	(298)	185	431	(341)	90
Total net income from other activities	**21,607**	**(18,598)**	**3,009**	**16,544**	**(13,918)**	**2,626**

Net income from insurance activities

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross premiums written	11,527	10,775
Movement in technical reserves	(7,329)	(4,820)
Claims and benefits expense	(5,442)	(5,423)
Reinsurance ceded, net	(7)	(14)
Change in value of admissible investments related to unit-linked business	2,953	942
Other income and expense	56	7
Total net income from insurance activities	**1,758**	**1,467**

"Claims and benefits expense" includes expenses arising from surrenders, maturities and claims relating to insurance contracts, and changes in the value of financial contracts (in particular unit-linked contracts). Interest paid on such contracts is recognised in "Interest expense".

Operating leases

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Future minimum lease payments receivable under non-cancellable leases	**2,972**	**2,185**
Payments receivable within less than 1 year	1,229	1,055
Payments receivable after more than 1 year but within less than 5 years	1,654	1,121
Payments receivable after more than 5 years	89	9

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

3.e COST OF RISK AND IMPAIRMENT LOSSES RECOGNISED FOR CREDIT AND COUNTERPARTY RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Additions to impairment provisions	(2,166)	(2,198)
Reversals of impairment provisions	1,651	1,552
Recoveries on loans and receivables previously written off	129	97
Irrecoverable loans and receivables not covered by impairment provisions	(224)	(136)
Total cost of risk for the period	**(610)**	**(685)**

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Loans and receivables due from credit institutions	10	8
Loans and receivables due from customers	(540)	(707)
Available-for-sale financial assets	9	1
Other assets	(2)	-
Off balance sheet commitments and other items	(87)	13
Total cost of risk for the period	**(610)**	**(685)**

Provisions for impairment: credit and counterparty risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Total impairment provisions at start of period	**11,328**	**11,705**
Additions to impairment provisions	2,166	2,198
Reversals of impairment provisions	(1,651)	(1,552)
Utilisation of impairment provisions	(1,468)	(1,497)
Effect of exchange rate movements and other items	719	(442)
Additions/reversals to provisions for impairment of interest on doubtful loans, recognised in net interest income		54
Total impairment provisions at end of period	**11,094**	**10,466**
Effect of adoption of IFRS applicable from 1 January 2005		862
of which impairment of loans and receivables due from customers		*860*
Total impairment provisions at 1 January 2005		**11,328**

Impairment provisions by asset type, in millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Impairment provisions deducted from assets		
Loans and receivables due from credit institutions	163	148
Loans and receivables due from customers	10,459	10,696
Available-for-sale financial assets	152	219
Other assets	20	-
Total impairment provisions against financial assets	**10,794**	**11,063**
Impairment provisions recognised as liabilities		
Impairment provisions for off balance sheet commitments		
- to credit institutions	2	6
- to customers	242	181
Other items subject to impairment	56	78
Total impairment provisions recognised as liabilities	**300**	**265**
Total impairment provisions	**11,094**	**11,328**

3.f CORPORATE INCOME TAX

Net corporate income tax expense

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Current tax expense for the period	(1,773)	(1,757)
Net deferred tax expense for the period (note 6.h)	(365)	(7)
Net corporate income tax expense	**(2,138)**	**(1,764)**

The tax saving arising from the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 45 million for the year ended 31 December 2005, compared with EUR 57 million for the year ended 31 December 2004.

The 2004 Amending Finance Act introduced a one-off tax on a portion of the special long-term capital gains tax reserve set up by French companies. The BNP Paribas Group recognised a tax expense of EUR 28 million in the year to 31 December 2004 corresponding to the unconditionally payable portion of this tax.

The reductions in the surtax rate and tax rate on long-term capital gains introduced respectively by the 2004 Amending Finance Act and the 2005 Finance Act in France generated a charge of EUR 21 million in the year ended 31 December 2004 as the result of a reduction in deferred tax assets.

Analysis of effective tax rate

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income	6,286	5,355
Corporate income tax expense	(2,138)	(1,764)
Effective tax rate	**25.4%**	**24.8%**
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-3.7%	-5.2%
Items taxed at reduced rate in France	-3.6%	-4.0%
Permanent timing differences	0.1%	1.9%
Other items	-0.7%	-1.2%
Effective tax rate	**25.4%**	**24.8%**

SEGMENT INFORMATION

The Group is composed of four core businesses:

- French Retail Banking
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services
- Corporate and Investment Banking, comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing)

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented includes agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance. Segment assets are determined by direct extraction from accounting data for each segment. Segment liabilities are determined on the basis of the normalised equity used for the capital allocation.

This capital allocation is made on the basis of risk exposure, taking account of various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

The geographical split of assets and income is based on the country in which the relevant activity is booked.

Information by business segment

- ### Income by business segment

In millions of euros,	French Retail Banking		IRBFS		AMS	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**5270**	**4,945**	**5,980**	**5,016**	**3,552**	**3,032**
Operating expense	(3,605)	(3,454)	(3,385)	(2,867)	(2,331)	(1,975)
Cost of risk	(195)	(222)	(559)	(445)	(8)	(6)
Operating income	**1,470**	**1,269**	**2,036**	**1,704**	**1,213**	**1,051**
Share of earnings of associates			112	123	1	4
Other non-operating items			39	16	52	7
Pre-tax net income	**1,470**	**1,269**	**2,187**	**1,843**	**1,266**	**1,062**

- ### Assets and liabilities by business segment

In millions of euros,	French Retail Banking		IRBFS		AMS	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**106,717**	**96,194**	**145,585**	**110,859**	**134,486**	**115,038**
- of which goodwill on acquisitions during the period	*25*		*994*	*994*	*175*	*185*
- of which investments in associates			*534*	*665*	*46*	*46*
Total segment liabilities	**101,376**	**91,236**	**132,511**	**100,348**	**128,913**	**110,380**

Information by geographic area

- ### Net banking income by geographic area

In millions of euros,	France		Other European countries		Americas	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**12,154**	**10,901**	**4,776**	**4,298**	**3,365**	**2,794**

- ### Assets and liabilities by geographic area

In millions of euros,	France		Other European countries		Americas	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**738,366**	**558,058**	**226,454**	**225,862**	**153,439**	**117,466**
Goodwill on acquisitions during the period	**173**	**320**	**67**	**8**	**835**	**902**

(1): including BNP Paribas Capital

Corporate & Investment Banking				Other Activities [1]		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
3,722	**3,392**	**2,700**	**2,292**	**630**	**692**	**21,854**	**19,369**
(2,577)	(2,340)	(1,134)	(1,021)	(337)	(386)	(13,369)	(12,043)
(1)	(9)	131	(49)	22	46	(610)	(685)
1,144	**1,043**	**1,697**	**1,222**	**315**	**352**	**7,875**	**6,641**
3	(6)			236	286	352	407
23	36	23	22	60	(10)	197	71
1,170	**1,073**	**1,720**	**1,244**	**611**	**628**	**8,424**	**7,119**

Corporate & Investment Banking		Other Activities [1]		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
827,919	**649,505**	**43,372**	**30,907**	**1,258,079**	**1,002,503**
7	*14*	*3*	*66*	*1,204*	*1,259*
11	*191*	*1,232*	*1,818*	*1,823*	*2,720*
818,607	**640,947**	**39,307**	**22,356**	**1,220,714**	**965,267**

Asia - Oceania		Other countries		Total	
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
927	**941**	**632**	**435**	**21,854**	**19,369**

Asia - Oceania		Other countries		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
127,450	**93,204**	**12,370**	**7,913**	**1,258,079**	**1,002,503**
8		**121**	**29**	**1,204**	**1,259**

RISK EXPOSURE AND HEDGING STRATEGIES

Organisation of the risk management function

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department, which is responsible for measuring, approving and controlling risks at Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM has a vocation to cover all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

The GRM function is organised with a differentiated approach by risk-type: Credit and Counterparty Risk, split into three sections (France, International, Banks and Financial Institutions); Market and Liquidity Risk; and Operational Risk. The GRM function also has specialist units involved in the analysis, summarising and reporting of data.

5.a CREDIT RISK

Credit risk is the risk of incurring a financial loss as the result of failure by a debtor to fulfil a contractual obligation. Credit risk is inherent in lending activities but may arise in other circumstances, for example when a counterparty to a market, investment or settlement transaction is in default.

Management of credit risk

General credit policy and credit control and provisioning procedures

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The key principles governing the policy include compliance with the Group's ethical standards, clear definition of responsibilities, and strict application of risk analysis procedures. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

- *Decision-making procedures*

A system of delegated lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management function. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may require consultation of an industry expert or of designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the Risk Director, has ultimate decision-making authority for all credit and counterparty risks.

- *Monitoring procedures*

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of delegated lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. This Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- *Impairment procedures*

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the realisation of collateral.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the Group Risk Director meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but where the customers in question have not been identified as in default (in which case, they would be covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the rating system described below.

Internal rating system

The Bank has a comprehensive rating system that already complies with the future requirements of the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. This system covers the majority of the Group, the exception being BancWest, which is scheduled to be brought within the scope of the rating system in 2007. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are 12 counterparty ratings. 8 cover excellent, good and average clients, 2 relate to clients in an uncertain situation subject to very close monitoring by GRM and 2 relate to clients in default. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. Adapted quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio policy

In addition to careful selection and evaluation of individual risks, BNP Paribas follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and guidelines. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses in crisis scenarios. BNP Paribas also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

Risk reduction techniques

- *Structuring of transactions*

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to reduce risk. BNP Paribas will not enter into commitments unless it has in-depth knowledge of the borrower's business plan and of all the structural issues related to the transaction, and is sure of its ability to monitor these issues going forward. Collateral and other security are taken into account at value in use, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment as primary debtors.

- *Netting agreements*

Netting is a technique used by the Bank to attenuate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

Credit risk exposure

The table below shows the credit risk exposure of all financial assets held by the BNP Paribas Group. Credit risk exposure, determined without taking account of unrecognised netting or collateral, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial assets at fair value through profit or loss (excluding variable-income securities)	582,201	448,825
Derivatives used for hedging purposes	3,087	2,581
Available-for-sale financial assets (excluding variable-income securities)	77,760	64,693
Loans and receivables due from credit institutions	45,009	40,983
Loans and receivables due from customers	301,196	244,228
Held-to-maturity financial assets	15,445	26,130
Balance sheet commitment exposure, net of impairment provisions	**1,024,698**	**827,440**
Financing commitments given	209,679	166,898
Guarantee commitments given	67,154	55,190
Provisions for off balance sheet commitments	(244)	(187)
Off balance sheet commitment exposure, net of provisions	**276,589**	**221,901**
Total net exposure	**1,301,287**	**1,049,341**

This exposure does not take account of the effect of master netting agreements in force at 31 December 2005 or of collateral on over-the-counter forward financial instruments, which (based on calculations prepared using the prudential method) would reduce the Group's credit risk exposure at 31 December 2005 by approximately EUR 133 billion (approximately EUR 113 billion at 1 January 2005).

Nor does this exposure take account of guarantees and collateral obtained by the Group in connection with its lending activities.

Due to its size, the Group may have important exposure in absolute terms to certain counterparties, geographic areas or industries. However, the concentration of financial assets with credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a geographic area or industry.

5.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- **Interest rate risk** covers potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- **Currency risk** is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- **Price risk** arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares, or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- **Credit spread risk on the trading book:** BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

  The Group also uses credit derivatives to hedge transactions exposed to credit or counterparty risk, or for position management purposes.

Market risks arise mainly on the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

Risk acceptance process

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to control certain specific risks not fully captured by GEaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Market Risk Committee. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- daily calculation of the risk and value of the Group's trading positions;
- daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database;

- periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria;
- a weekly report aggregating all significant positions by activity;
- the Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

Market risk on trading activities is measured and assessed using detailed sensitivity analysis of each type of position and global analyses, such as GEaR and stress tests, that measure aggregate exposures.

Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

GeaR

BNP Paribas operates an internal Value at Risk (VaR) system, approved by the banking authorities, to estimate the potential loss arising from an unfavourable change in market conditions – the key element in market risk measurement.

Potential losses are measured using "Gross Earnings at Risk" (GEaR). GEaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. GEaR calculation methods are continually being fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day GEaR.

The banking authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are:

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GEaR in 99% of cases);

- historical data covering one year (260 days) of trading.

For the year to 31 December 2005, total average Value at Risk was EUR 74 million (with a minimum of EUR 43 million and a maximum of EUR 114 million), after taking account of the effect of netting the different types of risk (EUR 58 million). These amounts break down as follows:

	Year to 31 Dec 2005			31 December 2005	1 January 2005
	Average	Minimum	Maximum		
Interest rate risk	71	49	115	80	57
Currency risk	6	1	21	13	8
Equity price risk	44	17	66	43	36
Commodity price risk	11	5	22	17	6
Effect of netting	*(58)*	*(29)*	*(84)*	*(63)*	*(46)*
TOTAL	**74**	**43**	**114**	**90**	**61**

5.c MARKET RISKS RELATED TO BANKING INTERMEDIATION ACTIVITIES AND INVESTMENTS

These risks relate mainly to retail banking activities in France and abroad, the specialised financing subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management function, part of the Asset/Liability Management & Treasury (ALM Treasury) Department.

ALM Treasury, which is part of Corporate & Investment Banking, is supervised by two committees chaired by the Group Senior Advisor or a Chief Operating Officer:

- the ALM Commercial Banking Committee, responsible for decisions on the mismatch and match funding principles applicable to the balance sheet of the commercial banking business and on the related interest rate risks;
- the ALM Investment Banking Committee, responsible for establishing the Group's financing and liquidity management policy, managing solvency ratios and structural currency risk, and monitoring market risks relating to the Treasury function.

Interest rate risk

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialised financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM Treasury, in the equity intermediation book.

Transactions initiated by the bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the net position of the entity.

Positions are measured and transfers to ALM Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM Treasury, and the business line ALM managers (who report operationally to ALM Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

Measurement of interest rate risk

Banking book interest rate gaps are measured each month, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For retail banking products, behavioural models are based on historical data and econometric studies. The models deal with early repayments, regulated savings accounts and

current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

In addition, a specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

During the year, the Market Risk Department continued to perform controls over risks arising from the use of behavioural and other models for Asset/Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in a specialist committee.

Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty on future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialised financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralisation of risks at ALM Treasury level. The residual risk is controlled by technical interest rate gap limits, monitored by the ALM committee of the relevant business line.

Sensitivity of the value of banking intermediation books

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes

into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately EUR 460,000 at 31 December 2005, compared with approximately EUR 819,000 at 31 December 2004.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 december 2005,under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	98	(1,005)	(1,174)	447	(201)	(1,835)
USD	79	96	(391)	588	1,182	1,554
GBP	(1)	5	(122)	(37)	(20)	(175)
Other currencies	1	(9)	(34)	12	26	(4)
TOTAL	**177**	**(913)**	**(1,721)**	**1,010**	**987**	**(460)**

In thousands of euros	1 January 2005,under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	17	(620)	(969)	1,360	(371)	(583)
USD	5	132	1,726	995	(2,907)	(49)
GBP	(1)	6	(108)	(42)	(36)	(181)
Other currencies	(2)	(13)	(17)	8	18	(6)
TOTAL	**19**	**(495)**	**632**	**2,321**	**(3,296)**	**(819)**

Currency risk

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management function is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on capital allocations and equity interests expressed in foreign currencies, financed by purchasing the currency in question.

Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

However, for most soft currencies, the investment is financed by purchasing the currency in question.

Hedging of interest rate and currency risks

The hedging relationships initiated by the Group are mainly intended to hedge interest rate or currency risk, in the form of swaps, options, forwards or futures.

Depending on the intention of the hedge, derivative financial instruments used for hedging purposes are designated as either fair value hedges, cash flow hedges, or net foreign investment hedges.

Without exception, each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed ex post facto by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

Cash flow hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of currency risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future non-euro revenue flows (especially interest and fee/commission income)

derived from its principal activities, subsidiaries and branches. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity band analyses.

The table below shows the amount of fully or partially hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Cash flows hedged	668	1,843	1,969	4,480	936	1,235	1,528	3,699

In the year ended 31 December 2005, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

5.d LIQUIDITY RISK

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the liquidity management policy are to secure a balanced financing mix to support the Group's development strategy; to ensure the Group is always in a position to discharge its obligations to its customers; to ensure that it does not trigger a systemic crisis solely by its own actions; to comply with the standards set by local banking regulators; to keep the cost of refinancing as low as possible; and to cope with liquidity crises.

Roles and responsibilities in liquidity risk management

The ALM Central Committee, acting on recommendations from ALM Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programmes. It is also informed of any crisis situation, deciding on the allocation of crisis management roles and approving emergency plans.

ALM Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM Central Committee, ALM Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

Local ALM committees implement at local level the strategy approved by the ALM Central Committee.

The Risk Department is involved in defining the principles of liquidity policy, approves the management systems and stress tests used, and monitors compliance with policies, limits and indicators.

Core principle of the Group's liquidity policy: centralisation of liquidity management, from intra-day to long-term, within the ALM Treasury function

ALM Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium/long-term financing. The Treasury function is responsible for financing and short-term issues (certificates of deposit, commercial paper, etc). The Asset/ Liability Management function is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc), preferred share issues, and loan securitisation programmes for the retail banking business.

ALM Treasury is also tasked with providing finance to core businesses and business lines, and reinvesting their surplus cash.

The medium/long-term financing origination process helps the Group meet its regulatory capital targets via issues of financial instruments falling within the various categories of regulatory capital.

Day-to-day liquidity management is based on a full range of internal standards and warning flags at various maturities

1. An overnight cap is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to all the currencies in which the Group does business.

2. The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- the one-year ratio for outstandings with contractual maturities represents the gap, at one year plus, of outstanding loans as compared with applications of funds;
- the one-year internal liquidity ratio on total outstandings is defined as the gap, at one year plus, of all balance sheet and off balance sheet contractual commitments with no maturity, which is capped at 25%;
- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year gap on commitments with contractual maturities, and is set at a minimum of 60%.

These three internal ratios are based on liquidity maturity schedules of balance sheet and off balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks – 100% weighted, and with customers – 30% weighted) or theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

Regulatory ratios: the final plank in the liquidity risk management system

The 1-month regulatory liquidity coefficient is calculated monthly (as are observation ratios). This ratio covers the parent company BNP Paribas SA (French operations and foreign branches). Other Group subsidiaries required to comply with this ratio calculate it independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than 5 years.

Foreign subsidiaries and branches may also be subject to local regulatory coefficient requirements.

NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2005

The notes to the balance sheet at 1 January 2005 are presented after restatement to comply with EU IFRS.

6.a INTERBANK AND MONEY-MARKET ITEMS

Loans and receivables due from credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	7,799	5,195
Loans	32,700	28,651
Repurchase agreements	4,673	7,285
Total loans and receivables due from credit institutions, before impairment provisions	**45,172**	**41,131**
Provisions for impairment of loans and receivables due from credit institutions	(163)	(148)
Total loans and receivables due from credit institutions, net of impairment provisions	**45,009**	**40,983**

Amounts due to credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	5,879	4,486
Borrowings	100,298	85,761
Repurchase agreements	12,716	9,941
Total due to credit institutions	**118,893**	**100,188**

6.b FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as fair value through profit or loss at the time of acquisition or issue.

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument. The nominal value of financial liabilities at fair value through profit or loss at 31 December 2005 was EUR 44,523 million (EUR 33,087 million at 1 January 2005).

The measurement of financial liabilities at fair value through profit or loss does not take account of any change in fair value attributable to issuer risk relating to the BNP Paribas Group itself, which is regarded as immaterial.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS						
Negotiable certificates of deposit	**58,275**	**535**	**58,810**	**54,143**	**281**	**54,424**
Treasury bills and other bills eligible for central bank refinancing	47,041	10	47,051	49,552	7	49,559
Other negotiable certificates of deposit	11,234	525	11,759	4,591	274	4,865
Bonds	**125,547**	**6,079**	**131,626**	**78,998**	**5,405**	**84,403**
Government bonds	72,585	271	72,856	37,590	25	37,615
Other bonds	52,962	5,808	58,770	41,408	5,380	46,788
Equities and other variable-income securities	**84,264**	**34,060**	**118,324**	**64,860**	**25,825**	**90,685**
Repurchase agreements	**200,040**	**69**	**200,109**	**165,184**	**2**	**165,186**
Loans	**86**	**1,042**	**1,128**	**68**	**430**	**498**
to credit institutions	*7*	*1,042*	*1,049*	*-*	*430*	*430*
to corporate customers	*63*		*63*	*68*	*-*	*68*
to private individuals customers	*16*		*16*	*-*	*-*	*-*
Trading book forward financial instruments	**190,528**		**190,528**	**144,314**	**-**	**144,314**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**658,740**	**41,785**	**700,525**	**507,567**	**31,943**	**539,510**
of which loaned securities	*29,587*	*422*	*30,009*	*14,818*	*-*	*14,818*
FINANCIAL LIABILITIES						
Borrowed securities and short selling	137,381		137,381	90,553	-	90,553
Repurchase agreements	222,292		222,292	182,359	-	182,359
Borrowings	240	1,468	1,708		1,038	1,038
Credit institutions		*614*	*614*		*690*	*690*
Corporate customers	*240*	*854*	*1,094*		*348*	*348*
Debt securities		42,933	42,933		31,963	31,963
Trading book forward financial instruments	206,367		206,367	151,213	-	151,213
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**566,280**	**44,401**	**610,681**	**424,125**	**33,001**	**457,126**

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions contracted to protect the Group's loan book.

The table below shows the notional amount and positive or negative fair value of derivative instruments classified in the trading book. The notional amounts of derivative instruments in this table are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments. The positive and negative fair values represent the replacement value of these instruments, which may fluctuate significantly in response to changes in market parameters, such as interest rates or exchange rates.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
Currency derivatives	940,461	34,423	33,963	688,465	11,480	11,382
Interest rate derivatives	17,467,636	102,502	102,328	17,969,779	110,954	110,793
Equity derivatives	1,124,518	64,489	49,829	523,065	26,535	19,671
Credit derivatives	967,293	868	586	413,487	1,737	1,910
Other derivatives	226,262	4,085	3,822	73,163	507	558
Total trading book derivatives	**20,726,170**	**206,367**	**190,528**	**19,667,959**	**151,213**	**144,314**

Derivatives traded on organised markets represent approximately half of the Group's trading account derivatives transactions.

6.c DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the notional amount and fair value of derivatives used for hedging purposes.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	409	-	1	3,003	1	-
Interest rate derivatives	111,800	837	2,527	90,835	338	2,011
Other derivatives	-	-	10	731	-	-
FAIR VALUE HEDGES	**112,209**	**837**	**2,538**	**94,569**	**339**	**2,011**
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	71,676	82	98	39,319	-	28
Interest rate derivatives	94,344	96	451	33,478	111	542
Other derivatives	-	-	-	5	-	-
CASH FLOW HEDGES	**166,020**	**178**	**549**	**72,802**	**111**	**570**
DERIVATIVES USED AS NET INVESTMENT HEDGE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	120	-	-	-	-	
NET INVESTMENT HEDGE	**120**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES USED FOR HEDGING PURPOSES	**278,349**	**1,015**	**3,087**	**167,371**	**450**	**2,581**

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

6.d AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying amount	*of which unrealised gains and losses*	Carrying amount	*of which unrealised gains and losses*
Negotiable certificates of deposit	**15,210**	**251**	**16,524**	**227**
Treasury bills and other bills eligible for central bank refinancing	9,275	197	9,520	224
Other negotiable certificates of deposit	5,935	54	7,004	3
Bonds	**62,550**	**2,629**	**48,169**	**2,630**
Government bonds	43,960	1,887	29,491	1,695
Other bonds	18,590	742	18,678	935
Equities and other variable-income securities	**16,311**	**4,501**	**12,696**	**2,767**
Total available-for-sale financial assets, before provisions	**94,071**	**7,381**	**77,389**	**5,624**
of which fixed-income securities	*77,760*	*2,880*	*64,693*	*2,857*
of which loaned securities	*584*	*-*	*60*	*-*
Provisions for impairment of available-for-sale financial assets	**(1,365)**		**(1,611)**	
Fixed-income securities	(152)		(219)	
Variable-income securities	(1,213)		(1,392)	
Total available-for-sale financial assets, net of provisions	**92,706**	**7,381**	**75,778**	**5,624**

6.e CUSTOMER ITEMS

Loans and receivables due from customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	20,539	18,938
Loans to customers	273,305	217,254
Repurchase agreements	734	2,563
Finance leases	17,077	16,169
Total loans and receivables due from customers, before impairment provisions	**311,655**	**254,924**
Impairment of loans and receivables due from customers	(10,459)	(10,696)
Total loans and receivables due from customers, net of impairment provisions	**301,196**	**244,228**

Detail of finance leases

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Gross investment	**18,637**	**17,905**
Receivable within less than 1 year	5,791	5,922
Receivable after more than 1 year but within less than 5 years	10,005	9,373
Receivable after more than 5 years	2,841	2,610
Unearned interest income	(1,560)	(1,736)
Net investment before impairment provisions	**17,077**	**16,169**
Receivable within less than 1 year	5,346	5,335
Receivable after more than 1 year but within less than 5 years	9,117	8,251
Receivable after more than 5 years	2,614	2,583
Impairment provisions	(344)	(375)
Net investment after impairment provisions	**16,733**	**15,794**

Due to customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand deposits	102,945	84,294
Term accounts	91,125	77,731
Regulated savings accounts	41,292	39,712
Retail certificates of deposit	9,358	6,713
Repurchase agreements	2,774	3,037
Total due to customers	**247,494**	**211,487**

6.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Debt securities at fair value through profit or loss (note 6.b)	**42,933**	**31,963**
Other debt securities	**84,629**	**77,597**
Negotiable certificates of deposit	68,476	66,048
Bond issues	16,153	11,549
Subordinated debt	**16,706**	**13,042**
Redeemable subordinated debt	14,811	11,217
Undated subordinated debt	1,895	1,825
TOTAL	**144,268**	**122,602**

Redeemable subordinated debt

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

Undated subordinated debt

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	31 December 2005	1 January 2005
Undated floating-rate subordinated notes (TSDIs)	887	812
Other undated notes	589	550
Undated participating subordinated notes	304	304
Issue costs and fees, accrued interest	115	159
TOTAL	**1,895**	**1,825**

- The TSDIs issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the

Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution. The TSDIs meet the definition of debt instruments.

The TSDIs issued by BNP Paribas contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, subject to the prior approval of the banking authorities. The TSDIs are not subject to any interest uplift clause. The various TSDI issues are as follows:

In millions of euros					
Issuer	Issue date	Currency	Original amount in issue currency	31 December 2005	1 January 2005
Paribas SA	September 1984	USD	24 million	20	17
BNP SA	October 1985	EUR	305 million	305	305
Paribas SA	July 1986	USD	165 million	140	122
BNP SA	September 1986	USD	500 million	422	368
			TOTAL	887	812

- The other undated notes issued by BNP Paribas between 1996 and 1998 may be redeemed at par prior to maturity on a date specified in the issue particulars, and are entitled to an uplift in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

In millions of euros						
Issuer	Issue date	Call option or interest uplift date	Currency	Original amount in issue currency	31 December 2005	1 January 2005
BNP SA	July 1996	July 2006	USD	20 million	17	15
BNP SA	December 1996	December 2006	USD	200 million	169	147
BNP SA	January 1997	January 2007	USD	50 million	42	37
BNP SA	January 1997	December 2006	USD	50 million	42	37
BNP SA	May 1997	May 2007	EUR	191 million	191	191
BNP SA	July 1997	July 2007	USD	50 million	42	37
BNP SA	November 1997	November 2007	EUR	9 million	9	9
BNP SA	April 1998	April 2008	EUR	77 million	77	77
				TOTAL	589	550

- The undated participating subordinated notes issued by BNP Paribas between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of the liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 219,742 notes were retired in 2004 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

The carrying amount of debt securities (except for negotiable certificates of deposit, regarded as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2006	2007	2008	2009	2010	2011-2015	After 2015	TOTAL at 31 Dec 2005
Total senior and subordinated debt	7,368	9,935	7,438	4,360	7,907	23,739	15,045	75,792

Maturity or call option date, in millions of euros (unless otherwise indicated)	2005	2006	2007	2008	2009	2010-2014	After 2014	TOTAL at 1 January 2005
Total senior and subordinated debt	**7,793**	**6,050**	**7,155**	**5,845**	**4,592**	**17,328**	**7,791**	**56,554**

6.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Negotiable certificates of deposit	**3,360**	**6,290**
Treasury bills and other bills eligible for central bank refinancing	3,276	3,294
Other negotiable certificates of deposit	84	2,996
Bonds	**12,085**	**19,840**
Government bonds	11,451	19,451
Other bonds	634	389
Total held-to-maturity financial assets	**15,445**	**26,130**

6.h CURRENT AND DEFERRED TAXES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Current taxes	1,147	1,052
Deferred taxes	988	1,088
Current and deferred tax assets	**2,135**	**2,140**
Current taxes	647	472
Deferred taxes	1,559	1,181
Current and deferred tax liabilities	**2,206**	**1,653**

Deferred taxes on temporary timing differences relate to the following items :

In millions of euros	1 January 2005, under EU IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	31 december 2005, under EU IFRS
Provisions for employee benefit obligations	586	(133)		196	649
Other provisions	325	(74)		72	323
Unrealised finance lease reserve	(461)	36		(51)	(476)
Available-for-sale financial assets	(554)	(11)		(233)	(798)
Other items	11	(183)		(97)	(269)
Net deferred taxes	**(93)**	**(365)**	**-**	**(113)**	**(571)**
of which					
Deferred tax assets	1,088				988
Deferred tax liabilities	(1,181)				(1,559)

In millions of euros	1 January 2004, under 2004 IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	1 January 2005, under EU IFRS
Provisions for employee benefit obligations	592	(40)		34	586
Other provisions	(20)	(18)	416	(53)	325
Unrealised finance lease reserve	(488)	39		(12)	(461)
Available-for-sale financial assets	70	62	(681)	(5)	(554)
Other items	(300)	(50)	248	113	11
Net deferred taxes	**(146)**	**(7)**	**(17)**	**77**	**(93)**
of which					
Deferred tax assets	2,375				1,088
Deferred tax liabilities	(2,521)				(1,181)

Carryforwards of tax losses accounted for EUR 96 million of total deferred tax assets at 31 December 2005 (EUR 65 million at 1 January 2005).

Unrecognised deferred tax assets amounted to EUR 338 million at 31 December 2005 (EUR 373 million at 1 January 2005).

The effects of first-time adoption of IAS 32, IAS 39 and IFRS 4 are described in Note 1.b.4. Restatement of specific credit risk impairment gives rise to an additional deferred tax asset of EUR 217 million, and the recognition of a provision for regulated savings products generates a deferred tax asset of EUR 129 million.

The other deferred tax effects of EUR 248 million are mainly a result of restatements related to financial instruments reclassified as fair value through profit or loss.

6.i ACCRUED INCOME/EXPENSE, OTHER ASSETS/LIABILITIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee deposits and bank guarantees paid	22,221	17,016
Settlement accounts related to securities transactions	16,010	4,226
Collection accounts	2,110	3,545
Reinsurers' share of technical reserves	2,283	2,075
Accrued income and prepaid expenses	1,836	1,830
Other debtors and miscellaneous assets	20,867	12,640
Total accrued income and other assets	**65,327**	**41,332**
Guarantee deposits received	11,183	6,260
Settlement accounts related to securities transactions	15,336	5,679
Collection accounts	414	4,799
Accrued expenses and deferred income	3,127	3,456
Other creditors and miscellaneous liabilities	18,386	13,862
Total accrued expenses and other liabilities	**48,446**	**34,056**

The movement in "Reinsurers' share of technical reserves" breaks down as follows:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Reinsurers' share of technical reserves at start of period	**2,075**	**1,029**
Increase in technical reserves borne by reinsurers	294	292
Amounts received in respect of claims and benefits passed on to reinsurers	(90)	(72)
Effect of changes in exchange rates	4	-
Effect of changes in scope of consolidation	-	826
Reinsurers' share of technical reserves at end of period	**2,283**	**2,075**

6.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method) are shown below, with individual investments in excess of EUR 100 million shown separately:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Erbe	1,013	746
Verner Investissement	221	184
Société de Paiement Pass	196	90
Finaxa	-	931
Cofinoga	-	232
Other associates	393	537
Investments in associates	**1,823**	**2,720**

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec 2005	Net banking income or net sales Year to 31 Dec 2005	Net income Year to 31 Dec 2005
Erbe [(1)]	1,615		139
Verner Investissement [(1)]	1,963	205	-
Société de Paiement Pass	2,751	364	51

(1) data as at 31 December 2004 or for the year then ended

6.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	**6,119**	**(864)**	**5,255**	**5,345**	**(794)**	**4,551**
Land and buildings	2,871	(840)	2,031	2,547	(734)	1,813
Equipment, furniture and fixtures	3,726	(2,457)	1,269	3,399	(2,247)	1,152
Plant and equipment leased as lessor under operating leases	7,931	(2,646)	5,285	6,819	(2,267)	4,552
Other property, plant and equipment	1,210	(582)	628	1,160	(518)	642
PROPERTY, PLANT AND EQUIPMENT	**15,738**	**(6,525)**	**9,213**	**13,925**	**(5,766)**	**8,159**
Purchased software	1,359	(1,021)	338	1,091	(799)	292
Internally-developed software	615	(326)	289	543	(236)	307
Other intangible assets	791	(193)	598	788	(212)	576
INTANGIBLE ASSETS	**2,765**	**(1,540)**	**1,225**	**2,422**	**(1,247)**	**1,175**

The main changes in investment property in the year to 31 December 2005 related to the acquisition of shopping centres by Klépierre for EUR 545 million. In addition, the acquisition of Commercial Federal Corporation generated an increase of approximately EUR 121 million in property, plant and equipment.

The main changes in investment property in the year to 31 December 2004 related to the acquisition of shopping centres by Klépierre for EUR 673 million. The main changes in property, plant and equipment related to the Union Safe Deposit Bank and Community First Bankshares acquisitions (approximately EUR 116 million) and disposals of computer equipment to a subsidiary set up jointly with IBM (EUR 76 million).

Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at historical cost at 31 December 2005 was EUR 8,747 million (EUR 6,818 million at 1 January 2005).

Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2005 was EUR 766 million (EUR 775 million for the year ended 31 December 2004).

Net reversals of impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2005 amounted to EUR 24 million, compared with a net increase of EUR 25 million in impairment losses in the year ended 31 December 2004.

6.1 GOODWILL

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross value at start of period	**6,328**	**5,578**
Accumulated impairment at start of period	**-**	**-**
Carrying amount at start of period	**6,328**	**5,578**
Acquisitions	1,204	1,259
Divestments	(30)	(61)
Impairment loss recognised during the period	(14)	-
Translation adjustments	589	(247)
Other movements	2	(201)
Gross value at end of period	**8,093**	**6,328**
Accumulated impairment recognised during the period	**(14)**	**-**
Carrying amount at end of period	**8,079**	**6,328**

As part of the impairment testing process for the relevant cash-generating unit, goodwill was tested for impairment at 1 January 2004, 31 December 2004 and 31 December 2005. The value tested was the new gross value at the reference date, net of accumulated amortisation and any impairment losses recognised at 31 December 2003 in accordance with IFRS 1. These impairment tests indicated no impairment of goodwill at either 1 January 2004 or 31 December 2004. At 31 December 2005, BNP Paribas recognised an impairment loss against goodwill related to the Peregrine sub-group in order to reflect prevailing market conditions in the Corporate Finance and Equity segments in Asia, where the sub-group's entities operate.

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2005	Carrying amount at 1 January 2005
International Retail Banking and Financial Services	**6,561**	**5,069**
of which BancWest Corp	*4,206*	*2,968*
of which Consumer Credit	*1,396*	*1,295*
of which Leasing with Services	*744*	*726*
Asset Management and Services	**1,221**	**962**
of which Cortal Consors	*385*	*385*
Corporate and Investment Banking	**84**	**84**
French Retail Banking	**23**	**-**
Other Activities	**190**	**213**
Total	**8,079**	**6,328**

6.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Liabilities related to insurance contracts	**64,406**	**48,228**
Gross technical reserves		
- Unit-linked contracts	26,146	18,925
- Other insurance contracts	38,260	29,303
Liabilities related to financial contracts	**8,892**	**14,252**
Liabilities related to financial contracts with discretionary participation feature	8,892	14,252
Policyholders' surplus	**3,225**	**2,038**
Total technical reserves of insurance companies	**76,523**	**64,518**
Liabilities related to unit-linked financial contracts [(1)]	4,090	5,525
Total liabilities related to contracts written by insurance companies	**80,613**	**70,043**

(1) Liabilities related to unit-linked financial contracts are included in "Due to customers" (Note 6.e) .

The deferred policyholders' surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

Movement in liabilities related to insurance contracts:

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Liabilities related to contracts at start of period	**70,043**	**61,121**
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	12,417	9,285
Claims and benefits paid	(5,063)	(4,414)
Contracts portfolio disposals	176	-
Effect of changes in scope of consolidation	-	1,015
Effect of movements in exchange rates	87	(20)
Effect of changes in value of admissible investments related to unit-linked business	2,953	942
Effect of adoption of IFRS applicable from 1 January 2005 (note 1.b.4)	-	2,114
Liabilities related to contracts at end of period	**80,613**	**70,043**

Refer to Note 6.i for details of reinsurers' share of technical reserves.

6.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Total provisions at start of period	**3,983**	**4,934**
Additions to provisions	1,047	1,052
Reversals of provisions	(585)	(1,126)
Provisions utilised	(620)	(204)
Effect of movements in exchange rates and other movements	25	(80)
Total provisions at end of period	**3,850**	**4,576**
Effect of adoption of IFRS applicable from 1 January 2005		(593)
Total provisions at 1 January 2005		**3,983**

At 31 December 2005, provisions for contingencies and charges mainly include provisions for post-employment benefits (Note 8.b), for impairment related to credit and counterparty risks (Note 3.e), for risks on regulated savings products and for litigation in connection with banking transactions.

The effect on the movement in provisions for contingencies and charges of adopting IFRS applicable at 1 January 2005 includes a reduction of EUR 758 million due to the reclassification of a portion of the impairment of at-risk loans and of provisions for country risk, now shown as a deduction from assets in the balance sheet as presented in Note 1.c.2, and an increase of EUR 165 million for the restatements mentioned in Note 1.b.4.

Provisions for regulated savings product risks

Deposits, loans and savings - home savings plans (PEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings plans	**16,432**	**16,420**
Aged more than 10 years	6,234	5,966
Aged more than 4 years but less than 10 years	8,484	7,057
Aged less than 4 years	1,714	3,397
Outstanding loans granted under home savings plans	**304**	**442**
Provisions recognised in respect of home savings plans	**350**	**305**
Aged more than 10 years	182	97
Aged more than 4 years but less than 10 years	135	84
Aged less than 4 years	33	124

Deposits, loans and savings - home savings accounts (CEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings accounts	**3,555**	**3,519**
Outstanding loans granted under home savings accounts	**499**	**596**
Provisions recognised in respect of home savings accounts	**38**	**70**

Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec 2005	
	Provisions recognised in respect of home savings plans	Provisions recognised in respect of home savings accounts
Total provisions at 1 January 2005	**305**	**70**
Additional provisions during the period	78	-
Reversals and utilisations	(33)	(32)
Total provisions at 31 December 2005	**350**	**38**

FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

7.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financing commitments given:		
- to credit institutions	18,165	17,805
- to customers:	191,514	149,093
Confirmed letters of credit	149,525	123,956
Other commitments given to customers	41,989	25,137
Total financing commitments given	209,679	166,898
Financing commitments received:		
- from credit institutions	54,894	32,418
- from customers	774	4,366
Total financing commitments received	55,668	36,784

Financing commitments given to customers mainly comprise documentary credits and other confirmed letters of credit.

Financing commitments received mainly comprise standby commitments.

7.b GUARANTEE COMMITMENTS

Financial instruments given and received as guarantees

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial instruments received as guarantees	15,800	11,060
Financial instruments given as guarantees	29,694	26,855

Guarantee commitments given

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee commitments given:		
to credit institutions	8,484	6,840
to customers:	58,670	48,350
- Property guarantees	1,191	965
- Sureties provided to tax and other authorities, other sureties	18,639	15,361
- Other guarantees	38,840	32,024
Total guarantee commitments given	67,154	55,190

7.c SECURITISATION

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities, which may be on behalf of customers (in some cases with a guarantee or liquidity facilities) or proprietary programs (in connection with the management of counterparty risk on certain portfolios or asset-liability management for certain subsidiaries). In these cases, the Group retains part of the risk by paying a guarantee deposit or subscribing to subordinated tranches. Special-purpose entities over which the Group does not exercise control are not consolidated.

Customer securitisation programmes

Short-term refinancing

At 31 December 2005, five non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on securitised receivables managed for customers by these entities up to an amount of EUR 629 million, and has granted liquidity facilities totalling EUR 12,176 million to these entities.

Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issue medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2005, BNP the Group had granted liquidity facilities totalling EUR 331 million to seven such funds (BEI-Iris 4, Tiepolo Finance, Telecom Italia SV, RCI-Renault, Camber 1, LFE 3 and Tenzing), representing EUR 2,600 million of securitised receivables.

Proprietary securitisation programmes

- For asset/liability management purposes, the subsidiary Centro Leasing has sold finance lease receivables to non-consolidated securitisation vehicles. Centro Leasing has given these vehicles a limited guarantee covering the default risk on the sold receivables. At 31 December 2005, the gross amount of securitised receivables was EUR 865 million (Ponte Vecchio Finance and Ponte Vecchio Finance 2, maturing 2007 and 2010 respectively).

- To reduce the credit risk on certain portfolios, BNP Paribas carries out synthetic securitisations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks.

Synthetic securitisation programmes via special purpose entities cover EUR 13 billion of consolidated assets, representing loans to major European and American companies. The risk retained by BNP Paribas relates to the equity instruments issued by the intermediate vehicles and acquired by the Group.

Synthetic securitisation (31 December 2005, EUR million)

Securitisation vehicle	Date launched	Life of the vehicle scheduled to end in	Gross counterparty risk before securitisation	Gross risk retained by the Group [(1)]
Consolidated vehicle				
Euroliberté (France)	2001	2008	2,001	184
Unconsolidated vehicle				
Global Liberté 1 to 2 (France)	2005	2010	10,517	496
			12,518	**680**

(1) This risk is retained by BNP Paribas because it holds equity instruments issued by entities that will bear the first losses incurred on the assets guaranteed by that entity.

SALARIES AND EMPLOYEE BENEFITS

8.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2005 came to EUR 7,903 million (EUR 7,163 million for the year to 31 December 2004).

Fixed and variable remuneration, incentive plans and profit-sharing amounted to EUR 5,935 million (EUR 5,179 million in 2004); retirement bonuses, pension costs and social security taxes to EUR 1,662 million (EUR 1,678 million in 2004); and payroll taxes to EUR 306 million (EUR 306 million in 2004).

8.b EMPLOYEE BENEFIT OBLIGATIONS

Post-employment benefits under defined-contribution plans

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan. The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2005 was approximately EUR 286 million (EUR 275 million for the year to 31 December 2004).

Post-employment benefits under defined-benefit plans

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised ; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2005 totalled EUR 1,378 million (EUR 1,782 million at 31 December 2004), comprising EUR 865 million for French plans and EUR 513 million for other plans.

1) Pension plans, employee welfare plans and other post-employment benefits

In France, the BNP and Paribas pension funds pay a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. These rights vested as a result of employer and employee contributions paid into these funds prior to 31 December 1993. The residual pension obligations are covered by a provision in the consolidated financial statements.

BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the

beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom)*, or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States)*. Some plans are top-up schemes linked to statutory pensions *(Norway)*. Some plans are managed by insurance companies *(Spain)* or by independent fund managers *(United Kingdom)*.

At 31 December 2005, 81% of the gross obligations under these plans were concentrated on 16 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 57% equities, 35% bonds, 8% other financial instruments.

Group employees also have rights under collective welfare benefit plans and miscellaneous contractual post-employment benefits such as bonuses payable on retirement. In 2005, BNP Paribas transferred to a third-party insurer contracts taken out to cover bonuses payable on retirement in France and defined-benefit pension plans, previously managed by French subsidiaries of BNP Paribas.

- *Reconciliation of assets and liabilities recognised in the balance sheet*

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Excess of obligations over plan assets of funded plans	**1,179**	**1,835**
Gross present value of obligations wholly or partially funded by plan assets	2,914	3,063
Fair value of plan assets	(1,735)	(1,228)
of which financial instruments issued by BNP Paribas	*3*	*3*
of which property and other assets used by BNP Paribas	*3*	*3*
Present value of unfunded obligations	**237**	**179**
Fair value of surplus assets	**(78)**	**-**
Fair value of segregated assets (1)	**(73)**	**(249)**
Cost not yet recognised in accordance with IAS 19	**(129)**	**(332)**
Past service cost	76	(194)
Net actuarial losses/gains	(205)	(138)
Other amounts recognised in the balance sheet	**41**	**36**
Net obligation recognised in the balance sheet for defined-benefit plans	**1,177**	**1,469**

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- *Movements in the net obligation in the balance sheet*

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net obligation at start of period	**1,469**	**1,664**
Pension cost recognised in profit or loss for the period	(10)	158
BNP Paribas contributions to plan assets	(140)	(176)
Benefits paid to recipients of unfunded benefits	(24)	(176)
Other movements	(118)	(1)
Net obligation at end of period	**1,177**	**1,469**

- *Components of pension cost*

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Service cost for the period	126	90
Expense arising on discounting of the obligation	133	155
Expected return on plan assets	(93)	(80)
Amortisation of actuarial gains and losses	28	1
Amortisation of past service cost	6	14
Effect of plan curtailments or settlements	(213)	(20)
Other items	3	(2)
Total expense recorded in "Salary and employee benefit expenses"	**(10)**	**158**

- *Effective rate of return on plan assets (including reimbursement rights)*

In %,	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Actual return on plan assets (1)	4.20%-5.00%	8.45%-14.12%	8.32%-19.49%	3.01%-7.90%	4.30%-4.90%	2.60%-7.63%	7.00%-9.50%	4.65%-9.66%

(1) Range of values, reflecting the existence of several plans within a single country or zone

- *Main actuarial assumptions used in employee benefit calculations at the balance sheet date*

In %	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	2,76%-3,59%	3,40%-3,82%	4.81%	5.50%	2.52%-4.21%	4.35%	5.20%-5.25%	5.75%
Expected return on plan assets (1)	4,00%-4,20%	2,52%-6,40%	5,40%-7,30%	7,00%-9,00%	4.30%-4.90%	4.50%-6.50%	5.40%-6.30%	7.00%-9.00%
Future rate of salary increases	2,50%-5,50%	2,00%-4,00%	3,75%-5,40%	4.00%	2.50%-5.50%	3.00%-4.50%	3.70%-4.50%	4.00%

(1) Range of values, reflecting the existence of several plans within a single country or zone

2) Post-employment healthcare plans

The Group has several healthcare benefit plans for retired employees, mainly in the United States. Provisions for obligations under these plans at 31 December 2005 amounted to EUR 50 million (EUR 45 million at 31 December 2004).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

Termination benefits

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans is provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 171 million at 31 December 2005 (EUR 201 million at 31 December 2004).

8.c SHARE-BASED PAYMENT

BNP Paribas has granted benefits to some employees in the form of share-based loyalty bonus plans and stock option plans.

1) Share-based loyalty bonus plans

As part of the Group's variable remuneration policy, some high-performing employees are awarded a loyalty bonus plan, entitling them to specific share-based remuneration over a three-year period subject to their remaining with the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights.

The Group recognises share-based deferred bonus entitlements linked to the performance of certain categories of employee in 2002 and 2003 as an expense over the remaining vesting period of the rights. The total recognised as an expense in the year ended 31 December 2005 was EUR 50 million (EUR 92 million in the year ended 31 December 2004).

2) Stock option plans

Various stock option plans have been granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas. All unexpired plans involve potential settlement in BNP Paribas shares.

Expense for the year

The expense recognised in the year to 31 December 2005 in respect of stock subscription option plans granted since November 2002 was EUR 32 million (EUR 23 million in the year to 31 December 2004).

Description of the plans

Under authorisations granted by the Shareholders' General Meeting, BNP Paribas grants a stock subscription option plan every year.

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2005:

Stock subscription option plans

Characteristics of the plan							Number of options exercised during the period (1)	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period (2)	Option expiry date	Exercise price (in euros)		Number of options	Remaining period until expiry of options (years)
BNP	22/05/1997	64	476,000	23/05/2002	22/05/2007	18.45	88,160	119,480	1
BNP	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	37.28	577,421	629,002	2
BNP	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.64	185,349	283,472	3
BNP (4)	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	45.16	1,287,612	3,197,668	4
BNP (4)	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.50	561,071	899,629	4
BNP Paribas SA (2)	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	49.00	62,511	5,743,489	5
BNP Paribas SA (2)	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	60.00	-	2,002,530	6
BNP Paribas SA (3)	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	37.10	5,000	6,501,400	7
BNP Paribas SA (3)	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.80	-	1,703,850	8
BNP Paribas SA (3)	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	55.1 (5)	-	4,307,650	7
							2,767,124	**25,388,170**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) The options are subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of BNP Paribas shares relative to the Dow Jones Euro Stoxx Bank index.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met.

(5) Rounded average of the opening quoted stock market prices for the twenty trading days preceding 25 March 2005.

Stock purchase option plans

Characteristics of the plan							Number of options exercised during the period	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period	Option expiry date	Exercise price (in euros) (1)		Number of options (1)	Remaining period until expiry of options (years)
Paribas (CFP)	20/01/1997	526	5,178,206	20/01/2002	20/01/2005	17.30	162,973	-	-
Paribas (CFP)	07/07/1997	4	77,125	07/07/2002	07/07/2005	19.47	8,678	-	-
Cetelem	22/09/1997	117	332,893	23/09/2002	21/09/2005	17.19	108,570	-	-
Paribas (CB)	30/09/1997	149	615,608	01/10/2002	29/09/2005	19.71	225,491	-	-
Paribas (CFP)	26/12/1997	319	6,370,545	26/12/2002	26/12/2005	23.47	1,811,881	-	-
Paribas	17/11/1998	975	7,255,377	17/11/2003	17/11/2006	20.41	1,133,590	1,481,847	1
Paribas	04/05/1999	1	30,850	04/05/2004	04/05/2007	31.88	8,342	22,508	1
							3,459,525	**1,504,355**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

- For Compagnie Bancaire, Compagnie Financière Paribas and Banque Paribas, based on the following conversion rates: 9 Paribas shares for 5 Compagnie Bancaire shares, 1 Paribas share for 1 Compagnie Financière Paribas share, 1 Paribas share for 1 Banque Paribas share, 3.085 BNP Paribas shares for 1 Paribas share.

- For Cetelem (fully consolidated Paribas subsidiary), the number of options and the exercise price are expressed in BNP Paribas shares calculated after the exchange: 1.791 Paribas shares for 1 Cetelem share, 3.085 BNP Paribas shares for 1 Paribas share.

The exercise price and number of options used in the preparation of this table were calculated on the basis of the exchange ratio after 1 July 2002.

(2) Exercise dates set at the time of grant. However, the BNP-Paribas merger agreement stipulates that grantees may not exercise their options until the 5th anniversary of the date of grant, as required under French tax rules, irrespective of the original exercise date.

Movements during the year

Stock subscription option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**24,359,164**	44.58	**23,960,398**	43.30
Options granted during the period	4,332,550	55.10	1,779,850	49.80
Options exercised during the period	(2,767,124)	41.69	(1,381,084)	28.79
Options expired during the period	(536,420)		-	
Options outstanding at 31 December	**25,388,170**	46.63	**24,359,164**	44.58
Options exercisable at 31 December (1)	**8,932,740**	45.38	**6,438,164**	42.27

(1) The number of options exercisable at 31 December 2005 does not take into account the tranche of the options granted on 15 May 2001 of which exercise is contingent upon the financial performance of the Group (1,940,000 options outstanding at the end of 2005). Because the minimum annual average performance requirement of 16% was not reached in the past reference period, the exercise period for this tranche is extended until the requirement is met over a rolling 3-year period.

The average quoted stock market price for the option exercise period in 2005 was EUR 59.11 (EUR 51.54 in 2004).

Stock purchase option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**4,963,880**	21.39	**8,624,313**	20.86
Options exercised during the period	(3,459,525)	21.74	(3,660,433)	20.14
Options outstanding at 31 December	**1,504,355**	20.58	**4,963,880**	21.39
Options exercisable at 31 December	**1,504,355**	20.58	**4,963,880**	21.39

The average quoted stock market price for the option exercise period in 2005 was EUR 58.76 (EUR 51.54 in 2004).

Value attributed to stock options

As required under IFRS 2, BNP Paribas attributes a value to stock options granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights) or to performance-linked conditions (return on equity).

The Group's stock option plans are valued by an independent specialist firm. Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of BNP Paribas shares relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

The value of options granted by BNP Paribas in 2005 was EUR 9.84 (EUR 11.41 euros in 2004).

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Quoted price of BNP Paribas shares at date of grant	55.60	48.23
Option exercise price	55.10	49.80
Implied volatility of BNP Paribas shares	20.0%	24.7%
Early exercise of options	7.5 years	8 years
Expected dividend on BNP Paribas shares (1)	3.6%	3.0%
Risk-free interest rate	3.7%	4.1%
Loss of rights rate	1.5%	2.0%

(1) The dividend rate shown above is an average of the series of annual dividends over the life of the option.

ADDITIONAL INFORMATION

9a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2003	**903,171,615**	**2**		
Increase in share capital by exercise of stock subscription options on 28 January 2004	443,989	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 17 May 2004	(25,000,000)	2	14 May 03	24 March 04
Exercise of stock subscription options on 6 July 2004	606,978	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,477,862	2	14 May 03	04 Feb 04
Number of shares outstanding at 31 December 2004	**884,700,444**	**2**		
Increase in share capital by exercise of stock subscription options on 25 January 2005	518,758	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 10 May 2005	(13,994,568)	2	28 May 04	23 March 05
Increase in share capital by exercise of stock subscription options on 20 July 2005	1,397,501	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,000,000	2	14 May 03	04 Febr 04
Reduction in share capital by cancellation of treasury shares on 29 November 2005	(39,374,263)	2	18 May 05	13 June 05
Number of shares outstanding at 31 December 2005	**838,247,872**	**2**		

At 31 December 2005, the share capital of BNP Paribas SA consisted of 838,247,872 fully-paid ordinary shares with a par value of 2 euros (compared with 884,700,444 ordinary shares at 1 January 2005). Under BNP Paribas stock subscription plans, 1,369,623 new shares with a par value of 2 euros each and ranking for dividend from 1 January 2005 were subscribed for by employees during the year ended 31 December 2005. These shares were issued on 23 January 2006.

The 11th and 12th resolutions of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by up to EUR 1.34 billion, representing 500,000,000 shares with pre-emptive rights and 170,000,000 securities without pre-emptive rights. The aggregate nominal value of debt securities giving immediate or future access to BNP Paribas shares under these authorisations is limited to EUR 10 billion in the case of shares, and EUR 8 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months. No securities had been issued pursuant to these authorisations as of 31 December 2005.

The 13th resolution of the Shareholders' General Meeting of 28 May 2004 also authorised the Board of Directors to increase the share capital by capitalising reserves up to a maximum aggregate par value of EUR 1 billion. This authorisation allows the successive or simultaneous capitalisation of some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital by the issuance and allotment of consideration-free shares, by raising the par value of the shares, or by a combination of these two methods. This authorisation was granted for a period of 26 months.

The 16th resolutions of the Shareholders' General Meetings of 28 May 2004 and 18 May 2005 authorised the Board of Directors to cancel, by means of a reduction in share capital, some or all of the own shares held or acquired under the authorisation granted by the Shareholders' General Meeting, up to a maximum of 10% of the share capital in any 24-month period. These authorisations were granted for a period of 18 months. In 2005, 53,368,831 shares were cancelled pursuant to these authorisations.

Preferred shares and equivalents

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the law of the United States, which do not dilute ordinary BNP Paribas shares. The shares pay a dividend of 7.738% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The proceeds of this issue are shown under "Minority interests" in the balance sheet, and the dividends are reported in "Minority interests" in the profit and loss account.

In 2000, a further USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a dividend of 9.003% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, a further two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over 5 years minimum, and shares in the second issue pay a dividend of 6.625% over 10 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7%.

Shares in the second issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, a further two undated non-cumulative preferred share issues, of EUR 660 million and EUR 650 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a dividend of 7.2% paid quarterly over 5 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

Shares in the second issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7.20%.

In January 2003, a further non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. Shares in this issue pay an annual dividend of 5.868%. The shares are redeemable after the end of a ten-year period, and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed dividend quarterly.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP US Funding	December 1997	USD	500 million	10 years	Weekly Libor + 2.8%
BNPP Capital Trust	October 2000	USD	500 million	10 years	3-month Libor + 3.26%
BNPP Capital Trust II	October 2001	EUR	350 million	5 years	7%
BNPP Capital Trust III	October 2001	EUR	500 million	10 years	3-month Euribor + 2.6%
BNPP Capital Trust IV	January 2002	EUR	660 million	10 years	3-month Euribor + 2.33%
BNPP Capital Trust V	June 2002	USD	650 million	5 years	7.20%
BNPP Capital Trust VI	January 2003	EUR	700 million	10 years	3-month Euribor + 2.48%

Undated Super Subordinated Notes, equivalent to preferred shares, issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 1,350 million. The issue pays a fixed annual remuneration of 5.186%. The notes are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2015, they will pay quarterly coupon at 3-month USD Libor plus 1.68%.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of EUR 1,000 million. The issue pays a fixed annual remuneration of 4.875%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 400 million. The issue pays a fixed annual remuneration of 6.250%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

The capital raised by this issue is included in “retained earnings” within shareholders’ equity in the balance sheet, with the remuneration on the notes treated as dividend.

Own equity instruments (shares issued by BNP Paribas shares and held by the Group)

The sixth resolution of the Shareholders' Meeting of 28 May 2004 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: stabilising the share price; allotting or selling shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; subsequent cancellation of the shares; sale, exchange or transfer of the shares; or pursuing balance sheet or financial management strategies.

The fifth resolution of the Shareholders' Meeting of 18 May 2005 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: cancellation of the repurchased shares on the terms approved by an extraordinary resolution of the shareholders; meeting obligations arising from (i) issuance of securities giving access to BNP Paribas shares, (ii) stock purchase option plans, (iii) allotment of consideration-free shares to employees and corporate officers or (iv) allotment or sale of shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; retention for future delivery in exchange or as payment for an acquisition; stabilising the share price by buying or selling shares in the light of market conditions.

In addition, a BNP Paribas subsidiary involved in market index trading and arbitrage activities carries out, as part of these activities, short selling of shares issued by BNP Paribas SA.

At 31 December 2005, the BNP Paribas Group held 4,724,282 BNP Paribas shares, representing an amount of EUR 165 million, deducted from shareholders' equity in the balance sheet. At 1 January 2005, a total of 54,512,739 BNP Paribas shares, representing an amount of EUR 2,661 million, were deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2003	44,818,443	1,905			44,818,443	1,905
Acquisitions	35,751,407	1,794			35,751,407	1,794
Reduction in share capital	(25,000,000)	(966)			(25,000,000)	(966)
Other movements	(457,241)	(40)	(599,870)	(32)	(1,057,111)	(72)
Shares held at 31 December 2004	55,112,609	2,693	(599,870)	(32)	54,512,739	2,661
Acquisitions	11,677,068	676			11,677,068	676
Reduction in share capital	(53,368,831)	(2,694)			(53,368,831)	(2,694)
Other movements	(4,360,827)	(214)	(3,735,867)	(264)	(8,096,694)	(478)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165

Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options granted are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income used to calculate basic and diluted earnings per share (in millions of euros) [(1)]	**5,822**	**4,939**
Weighted average number of ordinary shares outstanding during the year	**829,515,172**	**840,921,530**
Effect of potentially dilutive ordinary shares:		
number of potentially dilutive shares derived from exercisable stock subscription options	5,318,375	3,481,413
Weighted average number of ordinary shares used to calculate diluted earnings per share	**834,833,547**	**844,402,943**
Basic earnings per share (in euros)	**7.02**	**5.87**
Diluted earnings per share (in euros)	**6.97**	**5.85**

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes are treated as dividends.

A dividend of 2.00 euros per share was distributed in 2005 out of 2004 net income (compared with 1.45 euros paid in 2004 out of 2003 net income).

9.b SCOPE OF CONSOLIDATION

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
BNP Paribas SA					France	Full	100,00%	100,00%
French Retail Banking								
Banque de Bretagne					France	Full	100,00%	100,00%
BNP Paribas Developpement					France	Full	100,00%	100,00%
BNP Paribas Factor					France	Full	100,00%	100,00%
Catesienne de Participation		6			France			
IRBFS								
Retail Bankig - United States of America								
BancWest Corporation					U.S.A.	Full	100,00%	100,00%
Bank of the West					U.S.A.	Full	100,00%	100,00%
FHL Lease Holding Cy					U.S.A.	Full	100,00%	100,00%
First Hawaïan Bank					U.S.A.	Full	100,00%	100,00%
Union Safe Deposit Bank			6		U.S.A.			
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100,00%	99,96%
All In One Allemagne					Germany	Full	100,00%	99,96%
Antin Bail					France	Full	100,00%	100,00%
Aprolis Finance					France	Full	51,00%	50,98%
Avelingen Finance BV			1		Netherlands	Equity	50,00%	49,98%
Barloword Heftruck BV			1		Netherlands	Equity	50,00%	49,98%
BNP Paribas Lease Group					France	Full	99,96%	99,96%
BNP Paribas Lease Group BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group Holding SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group Netherlands BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group UK PLC					UK	Full	100,00%	99,96%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100,00%	99,96%
BNP Paribas Lease Group SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group (Rentals) Ltd ex Bureau Services Limited					UK	Full	100,00%	99,96%
BNP Paribas Leasing Gmbh					Germany	Full	100,00%	99,96%
Centro Leasing SPA					Italy	Equity	37,30%	37,28%
Claas Financial Services					France	Full	60,11%	60,09%
Claas Leasing Gmbh					Germany	Full	100,00%	60,09%
CNH Capital Europe					France	Full	50,10%	50,08%
CNH Capital Europe Limited					UK	Full	50,10%	50,08%
Commercial Vehicle Finance Limited					UK	Full	100,00%	99,96%
Diamond Finance UK Limited					UK	Full	60,00%	59,98%
Equipment Lease BV			1		Netherlands	Full	100,00%	99,96%
Evergo Finanzaria	6				Italy			
Finance et Gestion SA					France	Full	70,00%	69,97%
Geveke Rental BV			1		Netherlands	Equity	50,00%	49,98%
H.F.G.L Limited	2				UK	Full	100,00%	99,96%
HIH Management Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N°1 Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N° 4 Limited					UK	Full	100,00%	99,96%
Humberclyde Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Industrial Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Investments Limited	2				UK	Full	100,00%	99,96%
Humberclyde Management Services Limited					UK	Full	100,00%	99,96%
Humberclyde Spring Leasing Limited					UK	Full	100,00%	99,96%
Leaseco International BV			1		Netherlands	Full	100,00%	99,96%
Natiobail					France	Full	100,00%	99,96%
Natiocrédibail					France	Full	100,00%	99,96%
Natiocrédimurs					France	Full	100,00%	99,96%

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(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Leasing - Finance Leases (cont'd)								
Natioénergie					France	Full	100,00%	99,96%
Norbail Snc			5		France			
Norbail Location			5		France			
Paricomi					France	Full	100,00%	100,00%
S C A U			5		France			
SAS MFF			2		France	Full	51,00%	50,98%
Same Deutz-Fahr Finance					France	Full	99,97%	99,93%
Same Deutz Fahr Finance Limited					UK	Full	100,00%	99,96%
Socappa	6				France			
UFB Asset Finance Limited					UK	Full	100,00%	99,96%
United Care Group Limited					UK	Full	100,00%	99,96%
United Care (Cheshire) Limited					UK	Full	100,00%	99,96%
United Corporate Finance Limited					UK	Full	100,00%	99,96%
United Inns Management Limited					UK	Full	100,00%	99,96%
Consumer Credit								
Attijari Cetelem			1		Marocco	Full	100,00%	93,01%
Axa Banque Financement			5		France			
Banco Cetelem Argentine			5		Argentina			
Banco cetelem Portugal					Portugal	Full	100,00%	100,00%
Banco Cetelem SA					Spain	Full	100,00%	100,00%
Caisse d'Epargne Financement - CEFI					France	Equity	33,00%	33,00%
Carrefour Administration Cartos de Creditos - CACC					Brazil	Equity	40,00%	40,00%
Cetelem					France	Full	100,00%	100,00%
Cetelem America					Brazil	Full	100,00%	100,00%
Cetelem Bank Gmbh					Germany	Full	50,10%	50,10%
Cetelem Bank SA			2		Poland	Full	100,00%	100,00%
Cetelem Belgium					Belgium	Full	100,00%	100,00%
Cetelem Benelux BV					Netherlands	Full	100,00%	100,00%
Cetelem Brésil	9				Brazil	Full	100,00%	100,00%
Cetelem Capital Company Limited	5				South Korea			
Cetelem CR					Czech Rep.	Full	100,00%	100,00%
Cetelem Polska Expansion SA	9				Poland	Full	100,00%	100,00%
Cetelem Thailande					Thailand	Full	100,00%	100,00%
Cetelem UK (ex Halifax Cetelem Credit Limited)	7				UK	Full	100,00%	100,00%
Cofica Bail					France	Full	100,00%	100,00%
Cofidis France					France	Equity	15,00%	15,00%
Cofinoga					France	Prop.	0,00%	48,16%
Cofiparc					France	Full	100,00%	99,99%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce					France	Full	100,00%	100,00%
Credial		6			France			
Crédit Moderne Antilles					France	Full	100,00%	100,00%
Crédit Moderne Guyane					France	Full	100,00%	100,00%
Crédit Moderne Océan Indien					France	Full	97,81%	97,81%
Domofinance SA			2		France	Full	55,00%	55,00%
Effico Iberia			2		Spain	Full	100,00%	100,00%
Effico Soreco					France	Full	99,94%	99,94%
Eurocredito					Spain	Full	100,00%	100,00%
Facet					France	Full	99,69%	99,69%
Fidem					France	Full	51,00%	51,00%
Fimestic Expansion SA					Spain	Full	100,00%	100,00%
Findomestic					Italy	Prop.	50,00%	50,00%
Fortis Crédit				4	Belgium			
Laser				11	France	Prop.	48,16%	48,16%
Loisirs Finance					France	Full	51,00%	51,00%
Magyar Cetelem					Hungary	Full	100,00%	100,00%
Norrsken Finance	2				France	Full	51,00%	51,00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Consumer Credit (cont'd)								
Sa Leval 3	5				France			
Servicios Financieros Carrefour EFC					Spain	Equity	40,00%	40,00%
Société de Paiement Pass					France	Equity	40,01%	40,01%
Special Purpose Entities								
FCC Findomestic		3			Italy	Prop.		
FCC Master Dolphin		2			France	Prop.		
FCC Master Noria		3			France	Full		
FCC Retail ABS Finance				2	France	Full		
Property Loans								
Abbey National France			1	6	France			
Banca UCB SPA					Italy	Full	100,00%	100,00%
BNP Paribas Invest Immo		2			France	Full	99,99%	99,99%
SAS Prêts et Services					France	Full	100,00%	100,00%
Services et Prêts Immobiliers		6			France			
UCB					France	Full	100,00%	100,00%
UCB Hypotheken	2				Netherlands	Full	100,00%	100,00%
Union de Creditos Immobiliarios - UCI (Groupe)			10		Spain	Prop.	50,00%	50,00%
Special Purpose Entities					France	Full		
FCC Domos 2003					France	Full		
FCC Master Domos		3			France	Full		
FCC Master Domos 4		3			France	Full		
FCC Master Domos 5		3			France	Full		
FCC U.C.I 2-14 (ex FCC U.C.I 2-9)		3	10		Spain	Prop.		
Long term leasing with services								
Arius Finance				6	France			
Arius SA					France	Full	100,00%	99,99%
Arma Beheer BV		1			Netherlands	Full	100,00%	99,99%
Artegy Limited		2			UK	Full	100,00%	99,99%
Artegy SAS					France	Full	100,00%	99,99%
Arval Belgium					Belgium	Full	100,00%	99,99%
Arval BV (ex Arma Nederland)		1			Netherlands	Full	100,00%	99,99%
Arval Deutschland GmbH (ex Arval PHH Deutschland Gmbh)					Germany	Full	100,00%	99,99%
Arval ECL SAS					France	Full	100,00%	99,99%
Arval Limited					UK	Full	100,00%	99,99%
Arval Luxembourg					Luxembourg	Full	100,00%	99,99%
Arval Nederland				6	Netherlands			
Arval NV (ex Arma Belgique)		1			Belgium	Full	100,00%	99,99%
Arval PHH Buisiness Services Limited					UK	Full	100,00%	99,99%
Arval PHH Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Arval PHH Holding SAS					France	Full	100,00%	99,99%
Arval PHH Holdings Limited					UK	Full	100,00%	99,99%
Arval PHH Holdings UK Limited					UK	Full	100,00%	99,99%
Arval PHH Limited					UK	Full	100,00%	99,99%
Arval Portugal					Portugal	Full	100,00%	99,99%
Arval Schweiz AG (ex Leasing Handels und Service AG)					Switzerland	Full	100,00%	99,99%
Arval Service Lease					France	Full	100,00%	99,99%
Arval Service Lease Espagne					Spain	Full	99,98%	99,97%
Arval Service Lease Italia					Italy	Full	100,00%	99,99%
Arval Service Lease Polska SP					Poland	Full	100,00%	99,99%
BNP Paribas Fleet Holdings Limited					UK	Full	100,00%	99,99%
Dialcard Fleet Information Services Limited					UK	Full	100,00%	99,99%
Dialcard Limited					UK	Full	100,00%	99,99%
Gestion et Location Holding					France	Full	99,99%	99,99%

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Long term leasing with services (cont'd)								
Harpur Assets Limited			5		UK			
Harpur UK Limited					UK	Full	100,00%	99,99%
Overdrive Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Overdrive Credit Card Limited					UK	Full	100,00%	99,99%
PHH Financial services Limited					UK	Full	100,00%	99,99%
PHH Holdings (1999) Limited					UK	Full	100,00%	99,99%
PHH Investment Services Limited					UK	Full	100,00%	99,99%
PHH Leasing (N°9) Limited					UK	Full	100,00%	99,99%
PHH Treasury Services Limited					UK	Full	100,00%	99,99%
PHH Truck Management Services Limited					UK	Full	100,00%	99,99%
Pointeuro Limited					UK	Full	100,00%	99,99%
The Harpur Group UK Limited					UK	Full	100,00%	99,99%
Emerging and overseas markets								
Banque International Commerce et Industrie Burkina Faso					Burkina Faso	Full	51,00%	50,47%
Banque International Commerce et Industrie Cote d'Ivoire					Ivory Coast	Full	67,49%	67,32%
Banque International Commerce et Industrie Gabon					Gabon	Full	46,67%	46,67%
Banque International Commerce et Industrie Senegal					Senegal	Full	54,11%	53,89%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75,00%	75,00%
Banque Marocaine du Commerce et de l'Industrie					Marocco	Full	65,05%	65,05%
Banque Marocaine du Commerce et de l'Industrie Leasing					Marocco	Full	72,03%	46,86%
Banque Marocaine du Commerce et de l'Industrie Offshore					Marocco	Full	100,00%	65,05%
Banque pour le Commerce et l'Industrie de la Mer Rouge					Djibouti	Full	51,00%	51,00%
BNP Intercontinentale - BNPI					France	Full	100,00%	100,00%
BNP Paribas BDDI Participations					France	Full	100,00%	100,00%
BNP Paribas Cyprus Limited					Cyprus	Full	100,00%	100,00%
BNP Paribas El Djazair	1				Algeria	Full	100,00%	100,00%
BNP Paribas Guadeloupe					France	Full	100,00%	100,00%
BNP Paribas Guyane					France	Full	100,00%	100,00%
BNP Paribas Le Caire					Egypt	Full	95,19%	95,19%
BNP Paribas Martinique					France	Full	100,00%	100,00%
BNP Paribas Nouvelle Caledonie					France	Full	100,00%	100,00%
BNP Paribas Réunion					France	Full	100,00%	100,00%
Sifida					Luxembourg	Full	91,69%	94,68%
Société Financière pour pays d'Outre Mer - SFOM			5		Switzerland			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Groupe)			1		Turkey	Prop.	50,00%	50,00%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50,00%	50,00%
Union Tunisienne de Leasing					Tunisia	Full	70,48%	35,24%

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AMS								
Insurance								
Antarius		4			France			
Banque Financiere Cardif					France	Full	100,00%	100,00%
BNP Paribas Assurance					France	Full	100,00%	100,00%
Cardif Asset Management					France	Full	100,00%	100,00%
Cardif Assicurazioni SPA					Italy	Full	100,00%	100,00%
Cardif Assurance Vie Polska			2		Poland	Full	100,00%	100,00%
Cardif do Brasil Seguros					Brazil	Full	100,00%	100,00%
Cardif Leven					Belgium	Full	100,00%	100,00%
Cardif Levensverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Nederland Holding BV					Netherlands	Full	100,00%	100,00%
Cardif RD					France	Full	100,00%	100,00%
Cardif SA					France	Full	100,00%	100,00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Seguros de Vida	5				Chile			
Cardif Société Vie					France	Full	100,00%	100,00%
Centro Vita Assicurazioni					Italy	Prop.	49,00%	49,00%
Compagnie Bancaire Uk Fonds C					UK	Full	100,00%	100,00%
Compania de Seguros de Vida	5				Argentina			
Compania de Seguros Generales					Chile	Full	100,00%	100,00%
Cybele RE					France	Full	100,00%	100,00%
Darnell Limited	2				Ireland	Full	100,00%	100,00%
European Reinsurance	5				UK			
GIE BNP Paribas Assurance					France	Full	59,50%	59,50%
Investlife sa					Luxembourg	Full	100,00%	100,00%
Natio Assurance					France	Prop.	50,00%	50,00%
Natiovie				6	France			
Pinnacle Insurance PLC					UK	Full	100,00%	97,55%
Pinnacle Insurance Holding PLC					UK	Full	97,55%	97,55%
Pinnacle Insurance Management Services PLC					UK	Full	100,00%	97,55%
State Bank of India Insurance Company Limited	5				India			
Private Banking								
Bank von Ernst			1	6	France			
Bergues Finance Holding					Bahamas	Full	100,00%	99,99%
BNP Paribas Espana SA					Spain	Full	99,55%	99,55%
BNP Paribas Investment Services LLC					U.S.A.	Full	100,00%	100,00%
BNP Paribas Private Bank					France	Full	100,00%	100,00%
BNP Paribas Private Bank Monaco					France	Full	100,00%	99,99%
BNP Paribas Private Bank Switzerland					Switzerland	Full	100,00%	99,99%
BNP Paribas Private Banking Japan	4				Japan			
Conseil Investissement					France	Full	100,00%	100,00%
Nachenius				1	Netherlands	Full	100,00%	100,00%
Société Monégasque de Banque Privée			1	6	France			
United European Bank Switzerland					Switzerland	Full	100,00%	99,99%
United European Bank Trust Nassau					Bahamas	Full	100,00%	99,99%
Online Brokerage								
B*Capital					France	Full	99,96%	99,96%
Cortal Consors Belgique	5				Belgium			
Cortal Consors Espana SV		6			Spain			
Cortal Consors France					France	Full	100,00%	100,00%
Cortal Consors Internationa Holding GmbH		6			Germany			
Cortal Consors Luxembourg			6		Luxembourg			
FundQuest (ex Cortal Consors Fund Management)					France	Full	100,00%	100,00%

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Asset Management								
BNP PAM Group					France	Full	100,00%	100,00%
BNP Paribas Asset Management					France	Full	100,00%	100,00%
BNP Paribas Asset Management Brasil Limitada			2		Brazil	Full	100,00%	100,00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99,66%	99,66%
BNP Paribas Asset Management SGR Milan SPA			5		Italy			
BNP Paribas Asset Management UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Asset Servicing SAS			2		France	Full	100,00%	100,00%
BNP Paribas Epargne et Retraite Entreprise					France	Full	100,00%	100,00%
BNP Paribas Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
BNP Paribas Gestion Epargne Salariale	6				France			
Fauchier General Partners Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners Asset Management Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners LLP				2	UK	Prop.	100,00%	42,50%
Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
Fauchier Partners Management Limited			1		UK	Prop.	50,00%	50,00%
Fischer Francis Trees and Watts					U.S.A.	Equity	24,90%	81,42%
Fund Quest Incorporation				1	U.S.A.	Full	100,00%	100,00%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100,00%	100,00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100,00%	100,00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100,00%	100,00%
BNP Paribas Fund Services Holdings					UK	Full	100,00%	100,00%
BNP Paribas Fund Services UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Securities Services - BPSS					France	Full	100,00%	100,00%
BNP Paribas Securities Services International Holding SA					France	Full	100,00%	100,00%
Antin Vendôme					France	Full	96,77%	96,77%
Asset Partenaires				1	France	Full	99,95%	96,72%
Atis Real Expertise		1			France	Full	100,00%	100,00%
Atisreal Auguste-Thouard	1	9			France	Full	95,84%	95,84%
Atisreal Auguste-Thouard Habitat Foncier	1	9			France	Full	99,98%	95,98%
Atisreal Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Benelux SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Consult	1	9			France	Full	100,00%	100,00%
Atisreal Consult GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Espana SA	1	9			Spain	Full	100,00%	100,00%
Atisreal GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Holding Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Holding France	1	9			France	Full	100,00%	100,00%
Atisreal Holding GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal International	1	9			France	Full	100,00%	100,00%
Atisreal Limited	1	9			UK	Full	82,35%	82,35%
Atisreal Luxembourg SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Management GmbH	1	9		6	Germany			
Atisreal Netherlands BV	1	9			Netherlands	Full	100,00%	100,00%
Atisreal Property Management GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Property Management Services	1	9			Belgium	Full	100,00%	100,00%
Atisreal Proplan GmbH	1	9			Germany	Full	75,18%	75,18%
Atisreal Services	1	9			France	Full	96,04%	96,04%
Atisreal USA Inc.	1	9			U.S.A.	Full	100,00%	100,00%
Atisreal Weatheralls Financial Services Limited	1	9			UK	Full	82,35%	82,35%
Auguste-Thouard Fimorem	1	9		6	France			
Auguste-Thouard Residencial SL	1	9		6	Spain			
Banque Centrale de Données Immobilières	1	9		6	France			
BNP Paribas Immobilier					France	Full	100,00%	100,00%
BNP Paribas Participations Finance Immobilier					France	Full	100,00%	100,00%
BNP Paribas Immobilier Property Management (ex Sa Meunier Participation)					France	Full	100,00%	100,00%

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Property services (cont'd)								
BSA Immobilier				1	France	Full	100,00%	100,00%
Chancery Lane Management Services Limited	1	9			UK	Full	82,35%	82,35%
F G Ingenerie et Promotion Immobilière	1				France	Full	100,00%	100,00%
Immobiliere des Bergues					France	Full	100,00%	100,00%
Meunier Promotion					France	Full	100,00%	100,00%
Partenaires Gerance Soprofinance				1	France	Full	100,00%	96,77%
SA Comadim					France	Full	100,00%	100,00%
SA Gerer					France	Full	100,00%	100,00%
SA Procodis					France	Full	100,00%	100,00%
SAS Astrim					France	Full	100,00%	100,00%
SAS Meunier Developpements					France	Full	100,00%	100,00%
SAS Meunier Habitat					France	Full	100,00%	100,00%
SAS Meunier Immobilières d'Entreprises					France	Full	100,00%	100,00%
SAS Meunier Mediterranee					France	Full	96,50%	96,50%
SAS Meunier Rhône Alpes					France	Full	100,00%	100,00%
Sinvim				6	France			
Sofiane				1	France	Full	100,00%	100,00%
SNC Cezanne			5		France			
SNC Comadim Residences Servives					France	Full	100,00%	99,97%
SNC Espaces Immobiliers					France	Full	100,00%	100,00%
SNC Lot 2 Porte d'Asnières		2			France	Full	100,00%	100,00%
SNC Matisse			4		France			
SNC Meunier Gestion					France	Full	100,00%	100,00%
Soprofinance				1	France	Full	100,00%	96,77%
Weatheralls Consultancy Services Limited	1	9			UK	Full	82,35%	82,35%

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Corporate & Investment Banking								
FRANCE								
BNP Paribas Arbitrage					France	Full	100,00%	100,00%
BNP Paribas Equities France					France	Full	99,96%	99,96%
BNP Paribas Equity Strategies France					France	Full	100,00%	100,00%
BNP Paribas Peregrine Group	2				France	Full	100,00%	100,00%
BNP Paribas Stratégies Actions					France	Full	100,00%	100,00%
Capstar Partners Sas					France	Full	93,33%	93,33%
Paribas Dérivés Garantis Snc					France	Full	100,00%	100,00%
Parifergie	2				France	Full	100,00%	100,00%
Parilease					France	Full	100,00%	100,00%
Sas Esomet			2		France	Full	100,00%	100,00%
EUROPE								
BNP AK Dresdner Bank AS			4		Turkey			
BNP AK Dresdner Financial Kiralama			4		Turkey			
BNP Capital Finance ltd					Ireland	Full	100,00%	100,00%
BNP Factor					Portugal	Full	100,00%	100,00%
BNP Ireland Limited					Ireland	Full	100,00%	100,00%
BNP Paribas (Bulgaria) AD					Bulgaria	Full	100,00%	100,00%
BNP Paribas Bank (Hungaria) RT					Hungary	Full	100,00%	100,00%
BNP Paribas Bank (Polska) SA					Poland	Full	100,00%	100,00%
BNP Paribas Bank NV					Netherlands	Full	100,00%	100,00%
BNP Paribas Capital Investments Limited					UK	Full	100,00%	100,00%
BNP Paribas Capital Markets Group Limited					UK	Full	100,00%	100,00%
BNP Paribas Commodity Futures Limited					UK	Full	100,00%	100,00%
BNP Paribas E & B Limited					UK	Full	100,00%	100,00%
BNP Paribas Equities Italia SIM SPA	5				Italy			
BNP Paribas Finance plc					UK	Full	100,00%	100,00%
BNP Paribas Fixed Assets Limited					UK	Full	100,00%	100,00%
BNP Paribas Guernesey Limited	5				UK			
BNP Paribas Luxembourg sa					Luxembourg	Full	100,00%	100,00%
BNP Paribas Net Limited					UK	Full	100,00%	100,00%
BNP Paribas Services					Switzerland	Full	100,00%	99,99%
BNP Paribas Sviluppo					Italy	Full	100,00%	100,00%
BNP Paribas Suisse SA					Switzerland	Full	99,99%	99,99%
BNP Paribas UK Holdings Limited					UK	Full	100,00%	100,00%
BNP Paribas UK Limited					UK	Full	100,00%	100,00%
BNP PUK Holding Limited					UK	Full	100,00%	100,00%
BNP Paribas ZAO					Russia	Full	100,00%	100,00%
Dealremote Limited					UK	Full	100,00%	100,00%
ISIS Factor SPA					Italy	Full	100,00%	100,00%
Paribas Management Service Limited					UK	Full	100,00%	100,00%
Paribas Trust Luxembourg SA					Luxembourg	Full	100,00%	100,00%
Robin Flight Limited			2		Ireland	Full	100,00%	100,00%
Swalow Flight Limited			2		Ireland	Full	100,00%	100,00%
Utexam Limited	2				Ireland	Full	100,00%	100,00%
AMERICAS								
BNP Andes					Perou	Full	100,00%	100,00%
BNP Paribas Asset Management Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Brasil SA					Brazil	Full	100,00%	100,00%
BNP Paribas Brokerage Services Incorporated			6		U.S.A.			
BNP Paribas Canada					Canada	Full	100,00%	100,00%
BNP Paribas Capstar Partners Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Commodities Futures Incorporated					U.S.A.	Full	100,00%	100,00%

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AMERICAS (cont'd)								
BNP Paribas Leasing Corporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas North America Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas RCC Incorporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas Securities Corporation					U.S.A.	Full	100,00%	100,00%
Capstar Partners LLC					U.S.A.	Full	93,00%	93,00%
Cooper Neff Advisors Incorporated					U.S.A.	Full	100,00%	100,00%
Cooper Neff Group Incorporated					U.S.A.	Full	100,00%	100,00%
French American Banking Corporation - F.A.B.C					U.S.A.	Full	100,00%	100,00%
Paribas North America					U.S.A.	Full	100,00%	100,00%
Petits Champs Participaçoes e Serviços SA					Brazil	Full	100,00%	100,00%
ASIA - OCEANIA								
BNP Equities Asia Limited					Malaysia	Full	100,00%	100,00%
BNP Paribas (China) Limited					China	Full	100,00%	100,00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Asia Equities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Equities Group Australia Limited	5				Australia			
BNP Paribas Equities Hong Kong	5			12	Hong-Kong		100,00%	100,00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100,00%	100,00%
BNP Paribas Peregrine (Malaisie) Limited	5				Malaysia			
BNP Paribas Peregrine (Singapour) Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Peregrine Capital Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Futures Limited	5				Hong-Kong			
BNP Paribas Peregrine Investment Limited	5				Hong-Kong			
BNP Paribas Peregrine Securities (Thailande) Limited					Thailand	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Korea Company Limited					South Korea	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Pte Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Securities Australia Limited	5				Australia			
BNP Paribas Securities (Taiwan) Co Limited			2		Taiwan	Full	100,00%	100,00%
BNP Paribas Peregrine Services Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Securities Limited					Hong-Kong	Full	100,00%	100,00%
Credit Agricole Indosuez Securities Limited				1	Japan	Full	100,00%	100,00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100,00%	99,99%
PT BNP Lippo Utama Leasing			5		Indonesia			
PT BNP Paribas Peregrine	9				Indonesia	Full	99,00%	99,00%
Special Purpose Entities								
54 Lombard Street Investments Limited		1			UK	Full		
APAC Finance Limited				2	New Zeland	Full		
APAC Investments Limited				2	New Zeland	Full		
APAC NZ Holdings Limited (ex BNP Paribas (New Zealand) Finance Limited)		2			New Zeland	Full		
ARV International Limited			2		Cayman Islds	Full		
Altels Investment Limited			2		Cayman Islds	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A.	Full		
BNP Paribas New Zealand Limited					New Zeland	Full		
BNP Paribas Principal Incorporated					U.S.A.	Full		
Bougainville BV		1			Netherlands	Full		
China Lucie Finance 1				2	France	Full		
China Lucie Finance 2				2	France	Full		
China Lucie Finance 3				2	France	Full		
China Samantha Finance 1			2		France	Full		
China Samantha Finance 2			2		France	Full		

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Special Purpose Entities (cont'd)								
China Samantha Finance 3			2		France	Full		
China Samantha Finance 4				2	France	Full		
China Samantha Finance 5				2	France	Full		
China Samantha Finance 6				2	France	Full		
China Samantha Finance 7				2	France	Full		
China Samantha Finance 8				2	France	Full		
China Samantha Finance 9				2	France	Full		
Crisps Limited					Cayman Islds	Full		
Eliopée Limited		3		5	Jersey			
Epimetheus Investments Limited					Cayman Islds	Full		
Epsom Funding Limited				2	Cayman Islds	Full		
Euroliberté PLC		3			Ireland	Full		
European Hedged Equity Limited	2				Cayman Islds	Full		
Fidex PLC					UK	Full		
Filip Partnership	5				UK			
Forsete Investments SA					Luxembourg	Full		
Global Guaranteed Cliquet Investment					Cayman Islds	Full		
Global Guaranteed Equity Limited	2				Cayman Islds	Full		
Global Hedged Equity Investment Limited					Cayman Islds	Full		
Global Protected Alternative Investments Limited	2				Cayman Islds	Full		
Global Protected Equity Limited	2				Cayman Islds	Full		
Harewood Investments N°1 Limited		2			UK	Full		
Harewood Investments N°2 Limited			2		UK	Full		
Harewood Investments N°3 Limited			2		UK	Full		
Harewood Investments N°4 Limited			2		UK	Full		
Harewood Investments N°5 Limited			2		Cayman Islds	Full		
Henaross PTY Limited					Australia	Full		
Iliad Investments PLC			2		Cayman Islds	Full		
Joconde SA					Luxembourg	Full		
Laffitte Participation 2	2				France	Full		
Laffitte Participation 10				2	France	Full		
Laffitte Participation 12				2	France	Full		
Liquidity Trust			2		Cayman Islds	Full		
Lock-In Global equity Limited		2			Cayman Islds	Full		
Marc Finance Limited			2		Cayman Islds	Full		
Mexita Limited N° 2				5	Cayman Islds	Full		
Mexita Limited N° 3					Cayman Islds	Full		
Mexita Limited N° 4					Cayman Islds	Full		
Mistral Investments SA					Luxembourg	Full		
Olan 2 Enterprises PLC		3			Ireland	Full		
Optichamps			2		France	Full		
Paregof					France	Full		
Parritaye Property Pty Limited					Australia	Full		
Robin Flight Limited			2		Ireland	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS	2				France	Full		
Sirocco Investments SA					Luxembourg	Full		
Snc Atargatis			2		France	Full		
Snc Méditerranéa			2		France	Full		
St Maarten CDO Limited			2		Cayman Islds	Full		
Starbird Funding Corporation		3		5	U.S.A.			
Sunny Funding Limited			2		Cayman Islds	Full		
Swalow Flight Limited			2		Ireland	Full		
Tender Option Bond Municipal program					U.S.A.	Full		
Thésée Limited		3		5	Jersey			
Thunderbird Investments PLC			2		Ireland	Full		

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OTHER BUSINESS UNITS								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque					France	Full	99,99%	99,99%
Carbonne Lorraine		3	4		France			
Claireville					Belgium	Full	100,00%	100,00%
Cobema					Belgium	Full	100,00%	100,00%
Cobepa Technology					Belgium	Full	100,00%	100,00%
Compagnie Benelux Paribas - COBEPA (Groupe)	8		4		Belgium			
Compagnie Financière Ottomane					Luxembourg	Full	96,62%	96,62%
Erbe		3			Belgium	Equity	47,01%	47,01%
Evialis		3			France	Full	63,32%	63,32%
Gepeco					Belgium	Full	100,00%	100,00%
NHG Guyomarc'h		6			France			
Paribas Participation Limitée					Canada	Full	100,00%	100,00%
Sagal		6			France			
Klépierre								
Akciova Spolocnost Arcol					Slovakia	Full	100,00%	53,30%
Belarcol	5				Belgium			
Besloten Vennotschap Capucine BV					Netherlands	Full	100,00%	53,30%
Cinneo	6				Italy			
GIE Klepierre Services					France	Full	100,00%	46,90%
I G C SPA					Italy	Prop.	50,00%	26,65%
ICD SPA					Italy	Full	100,00%	45,31%
Klecar Italia SPA					Italy	Full	100,00%	44,24%
Klefin Italia SPA					Italy	Full	100,00%	53,30%
Klepierre Krakow Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Poznan Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Sadyba Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Krakow Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Plaza Center Management Poland Sp. z.o.o				1	Poland	Full	100,00%	39,98%
Ruda Slaska Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
SA Brescia					France	Full	100,00%	53,30%
SA Cinéma de l'Esplanade					Belgium	Full	100,00%	53,30%
SA Coimbra					Belgium	Full	100,00%	53,30%
SA Delcis Cr					Czech Rep.	Full	100,00%	53,30%
SA Devimo Consult					Belgium	Equity	35,00%	13,86%
SA Duna Plaza		1			Hungary	Full	100,00%	53,30%
SA Finascente				1	Portugal	Prop.	50,00%	26,65%
SA Foncière de Louvain la Neuve					Belgium	Full	100,00%	53,30%
SA Galiera Parque Nascente					Portugal	Prop.	50,00%	26,65%
SA Gondobrico					Portugal	Prop.	50,00%	26,65%
SA Klecar Foncier Espana					Spain	Full	100,00%	44,24%
SA Klecar Foncier Iberica					Spain	Full	100,00%	44,24%
SA Klelou Immobiliare					Portugal	Full	100,00%	53,30%
SA Klenord Immobiliaria					Portugal	Full	100,00%	53,30%
SA Klepierre					France	Full	53,52%	53,30%
SA Klepierre Athinon AE					Greece	Full	100,00%	44,24%
SA Klépierre Foncier Makedonia					Greece	Full	100,00%	44,24%
SA Klepierre NEA Efkarpia AE					Greece	Full	100,00%	44,24%
SA Klepierre Peribola Patras AE					Greece	Full	100,00%	44,24%
SA Klepierre Portugal SGPS					Portugal	Full	100,00%	53,30%
SA Klepierre Vallecas		2			Spain	Full	100,00%	53,30%
SA Klepierre Vinaza					Spain	Full	100,00%	53,30%
SA Kletel Immobiliaria					Portugal	Full	100,00%	53,30%

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Klépierre (cont'd)								
SA Place de l'acceuil				1	Belgium	Full	100,00%	53,30%
SA Poznan Plaza				1	Poland	Full	100,00%	53,30%
SA Sadyba Center				1	Poland	Full	100,00%	53,30%
SA Sogecaec					Portugal	Full	100,00%	39,98%
SARL Assago		2			Italy	Equity	100,00%	53,30%
SARL Collegno	1				Italy	Full	100,00%	53,30%
SARL Csepel 2002		1			Hungary	Full	100,00%	53,30%
SARL Debrecen 2002		1			Hungary	Full	100,00%	53,30%
SARL Effe Kappa	1				Italy	Prop.	50,00%	26,65%
SARL Galiera Commerciale Cavallino				1	Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Klepierre			2		Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Solbiate				1	Italy	Full	100,00%	53,30%
SARL Gyor 2002		1			Hungary	Full	100,00%	53,30%
SARL Immobiliare Magnolia					Italy	Full	100,00%	45,31%
SARL Kanizsa 2002		1			Hungary	Full	100,00%	53,30%
SARL Kaposvar 2002		1			Hungary	Full	100,00%	53,30%
SARL Klepierre Pologne				1	Poland	Full	100,00%	53,30%
SARL Miskolc 2002		1			Hungary	Full	100,00%	53,30%
SARL Novate					Italy	Full	100,00%	45,31%
SARL Nyiregyhaza Plaza		1			Hungary	Full	100,00%	53,30%
SARL P S G					Italy	Prop.	50,00%	19,72%
SARL Plaza Center Management		1			Hungary	Prop.	100,00%	39,98%
SARL Szeged Plaza		1			Hungary	Full	100,00%	53,30%
SARL Szolnok Plaza		1			Hungary	Full	100,00%	53,30%
SARL Uj Alba		1			Hungary	Full	100,00%	53,30%
SARL Zalaegerszeg Plaza		1			Hungary	Full	100,00%	53,30%
SAS 192 avenue Charles De Gaulle					France	Full	100,00%	53,30%
SAS 21 Kleber					France	Full	100,00%	53,30%
SAS 21 la Perouse					France	Full	100,00%	53,30%
SAS 43 Grenelle					France	Full	100,00%	53,30%
SAS 43 Kleber					France	Full	100,00%	53,30%
SAS 46 Notre-Dame des victoires					France	Full	100,00%	53,30%
SAS 5 Turin					France	Full	100,00%	53,30%
SAS Baudot Massy			6		France			
SAS Cande					France	Full	100,00%	53,30%
SAS CB Pierre					France	Full	100,00%	53,30%
SAS Cecobil					France	Prop.	50,00%	26,65%
SAS Cecoville					France	Full	100,00%	53,30%
SAS Centre Jaude Clermont					France	Full	100,00%	53,30%
SAS Concorde Puteaux					France	Full	100,00%	53,30%
SAS Doumer Caen					France	Full	100,00%	53,30%
SAS du 23 avenue Marignan					France	Full	100,00%	53,30%
SAS Espace Cordeliers					France	Prop.	50,00%	26,65%
SAS Espace Dumont D'Urville					France	Full	100,00%	53,30%
SAS Espace Kleber					France	Full	100,00%	53,30%
SAS Flandre					France	Full	100,00%	53,30%
SAS Holding Gondomar 1					France	Full	100,00%	53,30%
SAS Holding Gondomar 3					France	Full	100,00%	53,30%
SAS Issy Desmoulins					France	Full	100,00%	53,30%
SAS KLE 1 (ex SAS Klepierre Transactions)					France	Full	100,00%	53,30%
SAS Kleber Levallois					France	Full	100,00%	53,30%
SAS Klecar Participations Italie					France	Full	100,00%	44,24%
SAS Klemurs					France	Full	100,00%	53,30%
SAS Klepierre Finance					France	Full	100,00%	53,30%
SAS Klepierre Hongrie		1			France	Full	100,00%	53,30%
SAS Le Havre Capelet					France	Full	100,00%	53,30%
SAS Le Havre Tourneville					France	Full	100,00%	53,30%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Klépierre (cont'd)								
SAS Leblanc Paris 15					France	Full	100,00%	53,30%
SAS Louis David		6			France			
SAS LP7					France	Full	100,00%	53,30%
SAS Marseille Le Merlan					France	Full	100,00%	53,30%
SAS Melun Saint-Peres					France	Full	100,00%	53,30%
SAS Odysseum Place de France					France	Full	100,00%	37,31%
SAS Oise Cergy		6			France			
SAS Opale					France	Full	100,00%	53,30%
SAS Poitiers Alienor					France	Full	100,00%	53,30%
SAS Saint-Andre Pey berland					France	Full	100,00%	53,30%
SAS Segecar	6				France			
SAS Soaval					France	Prop.	50,00%	19,72%
SAS Socoseine					France	Full	100,00%	50,10%
SAS Strasbourg La Vigie					France	Full	100,00%	53,30%
SAS Suffren Paris 15					France	Full	100,00%	53,30%
SAS Toulouse Mermoz		2	6		France			
SAS Tours Nationale					France	Full	100,00%	53,30%
SC Antin Vendome			5		France			
SC Centre Bourse					France	Full	100,00%	53,30%
SC Solorec					France	Full	100,00%	42,64%
SCI 8 rue du Sentier		6			France			
SCI Aurora		1	6		France			
SCI Bassin Nord					France	Prop.	50,00%	26,65%
SCI Beausevran				1	France	Full	100,00%	44,24%
SCI Bègles Papin		2			France	Full	100,00%	53,30%
SCI Chaptal Alun		6			France			
SCI La Plaine du Moulin à vent				2	France	Prop.	50,00%	26,65%
SCI Noble Cafetaria		1	6		France			
SCI Noble Galerie		1	6		France			
SCI Noble Restauration		1	6		France			
SCI Orengal		1	6		France			
SCI Secovalde					France	Full	100,00%	21,32%
SCI Tour Marcel Brot					France	Full	100,00%	53,30%
SCS Begles Arcins					France	Prop.	50,00%	26,65%
SCS Klecar Europe Sud					France	Full	100,00%	44,24%
SCS Ségécé					France	Full	100,00%	54,98%
Ségécé Hellas Réal Estate Management		2	2		Greece	Full	100,00%	39,98%
Seravalle SPA		1			Italy	Full	100,00%	53,30%
SL Centros Shopping Gestion		7			Italy	Full	100,00%	39,98%
SNC Angoumars				2	France	Full	100,00%	53,30%
SNC Fonciere Saint Germain					France	Full	100,00%	53,30%
SNC Galae					France	Full	100,00%	46,37%
SNC General Leclerc 11-11bis Levallois					France	Full	100,00%	53,30%
SNC Jardins des Princes					France	Full	100,00%	53,30%
SNC KC1					France	Full	100,00%	44,24%
SNC KC10					France	Full	100,00%	44,24%
SNC KC11					France	Full	100,00%	44,24%
SNC KC12					France	Full	100,00%	44,24%
SNC KC2					France	Full	100,00%	44,24%
SNC KC20					France	Full	100,00%	44,24%
SNC KC3					France	Full	100,00%	44,24%
SNC KC4					France	Full	100,00%	44,24%
SNC KC5					France	Full	100,00%	44,24%
SNC KC6					France	Full	100,00%	44,24%
SNC KC7					France	Full	100,00%	44,24%
SNC KC8					France	Full	100,00%	44,24%
SNC KC9					France	Full	100,00%	44,24%

(A) Movements for 6 months to 30 June 2004	
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(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Klépierre (cont'd)								
SNC Kleber la Perouse					France	Full	100,00%	53,30%
SNC Klecar France					France	Full	100,00%	44,24%
SNC Klegestion					France	Full	100,00%	53,30%
SNC Klepierre Conseil					France	Full	100,00%	53,30%
SNC Kletransactions		2			France	Full	100,00%	53,30%
SNC Le Barjac Victor					France	Full	100,00%	53,30%
SNC Le Havre Lafayette					France	Prop.	50,00%	26,65%
SNC Le Havre Vauban					France	Prop.	50,00%	26,65%
SNC SCOO (ex Sas Secmarne)					France	Full	100,00%	62,70%
SNC Ségécé Loisirs Transactions					France	Full	100,00%	39,98%
SNC Soccendre					France	Full	100,00%	39,98%
SNC Sodevac					France	Full	100,00%	53,30%
SRO F M C Central europe					Czech Rep.	Full	100,00%	29,85%
SRO Klepierre CZ				1	Czech Rep.	Full	100,00%	53,30%
Vignate	6				Italy			
Zobel Investment BV	5				Netherlands			
Property companies (property used in operations)								
Capefi					France	Full	100,00%	100,00%
Compagnie Immobiliere de France					France	Full	100,00%	100,00%
Ejesur					Spain	Full	100,00%	100,00%
SAS 5 Kleber					France	Full	100,00%	100,00%
SAS Foncière de la Compagnie Bancaire					France	Full	100,00%	100,00%
SCI Immobilière Marché Saint-Honoré					France	Full	100,00%	100,00%
SCI Rueil Caudron	2				France	Full	100,00%	99,98%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100,00%	100,00%
Investment companies and other subsidiaries								
Antin Participation 4					France	Full	100,00%	100,00%
Antin Participation 5					France	Full	100,00%	100,00%
Axa Re-finance	4				France			
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100,00%	100,00%
BNP Paribas Emergis					France	Full	100,00%	100,00%
BNP Paribas International BV					Netherlands	Full	100,00%	100,00%
BNP Paribas Partners for Innovation (Groupe)	1				France	Equity	50,00%	50,00%
BNP Paribas UK Treasury Limited					UK	Full	100,00%	100,00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer					France	Full	99,99%	99,99%
Compagnie d'Entreprises Industrielles et Commerciales		5			France			
Compagnie Bancaire Uk Fonds B					UK	Full	100,00%	100,00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100,00%	100,00%
Financière BNP Paribas					France	Full	100,00%	100,00%
Financière Marché Saint Honoré					France	Full	100,00%	100,00%
Finaxa				4	France			
GIE Groupement Auxiliaire et de Moyens - GAM	2				France	Full	100,00%	100,00%
Kle 65					France	Full	100,00%	100,00%
Kle 66					France	Full	100,00%	100,00%
Luxpar-Ré					Luxembourg	Full	100,00%	100,00%
Omnium Gestion Developpement Immobilier					France	Full	100,00%	100,00%
Paribas International					France	Full	100,00%	100,00%
Placement, Gestion, Finance Holding - Plagefin					Luxembourg	Full	99,99%	99,99%
Quatch					France	Full	99,96%	99,96%
Sagip					Belgium	Full	100,00%	100,00%
Sas Klefinances					France	Full	100,00%	100,00%
SNC Bincofi			5		France			
Société Auxiliaire de Construction Immobilière - SACI		2			France	Full	100,00%	100,00%
Société Centrale d'Investissement					France	Full	100,00%	100,00%
Societe Française Auxiliaire - S.F.A.					France	Full	100,00%	100,00%

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(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Investment companies and other subsidiaries								
Société Jovacienne de Participations					France	Full	100,00%	100,00%
UCB Bail					France	Full	100,00%	100,00%
UCB Entreprises					France	Full	100,00%	100,00%
UCB Group Limited		5			UK			
UCB Locabail immobilier					France	Full	100,00%	100,00%
Verner Investissements (Groupe)	1				France	Equity	43,00%	43,00%
Special Purpose Entities								
Antin Participation 7					France	Full		
Antin Participation 13					France	Full		
BNP Paribas Capital Trust LLC 1					U.S.A.	Full		
BNP Paribas Capital Trust LLC 2					U.S.A.	Full		
BNP Paribas Capital Trust LLC 3					U.S.A.	Full		
BNP Paribas Capital Trust LLC 4					U.S.A.	Full		
BNP Paribas Capital Trust LLC 5					U.S.A.	Full		
BNP Paribas Capital Trust LLC 6					U.S.A.	Full		
BNP Paribas US Medium Term Notes Program					U.S.A.	Full		
BNP Paribas US Structured Medium Term Notes LLC					U.S.A.	Full		
BNP US Funding LLC					U.S.A.	Full		

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
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9.c BUSINESS COMBINATION

Business combinations in the year ended 31 December 2005

Acquisition of TEB Mali (International Retail Banking and Financial Services)

In February 2005, BNP Paribas acquired a 50% interest in the holding company TEB Mali, which owns 84.25% of the Turkish bank Turk Ekonomi Bankasi (TEB). The Colakoglu group retained a 50% interest in TEB Mali.

TEB is a mid-sized universal bank which, via its subsidiaries, offers corporate and retail customers a full range of financial services and products including export financing, leasing, factoring, consumer credit, deposit-taking, treasury and asset management, insurance, investment banking and brokerage. On the acquisition date, TEB had a network of 85 branches and also owned two banks outside Turkey.

The assets and liabilities of TEB Mali, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 1,476 million (BNP Paribas share : EUR 738 million);
- Liabilities: customer deposits of EUR 1,781 million (BNP Paribas share : EUR 891 million).

The acquisition price was USD 252 million, or an equivalent value of EUR 198 million at the acquisition date. A price adjustment contingent on the future profitability of TEB, payable at the start of 2008, was agreed by the parties. Acquisition costs of EUR 6 million were incurred. Goodwill on this acquisition was provisionally measured at an equivalent value of EUR 121 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the highly favourable growth prospects of TEB. In addition, the acquisition by BNP Paribas of an interest in the TEB Group's holding company provides an opportunity to forge many operational alliances in a wide variety of fields such as export financing and commodities, consumer credit, mortgage lending, leasing and retail banking, thereby enhancing the TEB group's expertise and product range.

TEB Mali has been consolidated with effect from the acquisition date, and contributed EUR 28 million to consolidated net income for the year ended 31 December 2005. The acquisition generated a net cash inflow of EUR 42 million for the BNP Paribas Group.

Acquisition of Nachenius Tjeenk & Co NV (Asset Management and Services)

In July 2005, BNP Paribas Private Bank, a subsidiary of BNP Paribas, paid EUR 45 million in cash for the entire share capital of Nachenius, Tjeenk & Co NV, a Dutch private bank with over EUR 1.3 billion of assets under management for high net worth individuals, not-for-profit organisations and trusts.

The assets and liabilities of Nachenius, Tjeenk & Co NV, recognised at fair value as of the acquisition date, mainly comprised:

- assets: loans to other banks totalling EUR 111 million;
- liabilities: customer deposits totalling EUR 162 million.

Goodwill on this acquisition was provisionally measured at EUR 40 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill reflects the opportunity offered by this unique platform for expansion into the Dutch private banking market and the existence of a brand with a strong reputation, especially among customers seeking wealth management services.

Nachenius, Tjeenk & Co NV has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash inflow of EUR 52 million for the BNP Paribas Group in 2005.

Acquisition of Fund Quest Inc (Asset Management and Services)

In August 2005, Paribas North America, a subsidiary of BNP Paribas, paid USD 100 million in cash for the entire share capital of Fund Quest Inc., based in the United States, an open-architecture turnkey platform dedicated to management and advisory services for institutional investors.

The assets and liabilities of Fund Quest Inc. were recognised at fair value as of the acquisition date, with total assets amounting to EUR 6 million.

Goodwill on this acquisition, provisionally measured at USD 98 million (equivalent to EUR 82 million), at 31 December 2005, has been recognised as an asset in the balance sheet. The value of this goodwill is supported by the strong growth prospects for the open architecture market and by the fundamental qualities of FundQuest Inc., an acknowledged managed accounts expert in the United States with a flexible but robust architecture that can be rolled out to the European market.

FundQuest Inc. has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash outflow of EUR 73 million for the BNP Paribas Group in 2005.

Acquisition of Commercial Federal Corporation by BancWest (International Retail Banking and Financial Services)

On 2 December 2005, Bank of the West, a BNP Paribas subsidiary, paid USD 1,329 million in cash for the entire share capital of Commercial Federal Corporation, which provides a full range of commercial and retail banking services and operates mainly in Colorado, Missouri and Nebraska. At the acquisition date, Commercial Federal Corporation had 198 branches.

The assets and liabilities of Commercial Federal Corporation, recognised at fair value as of the acquisition date, mainly comprised:

- assets : customer loans of EUR 6,609 million;
- liabilities : customer deposits of EUR 5,052 million.

Goodwill arising on the absorption of this company into Bank of the West was provisionally measured at EUR 793 million at 31 December 2005, and recognised as an asset in the balance sheet. The value of this goodwill is supported by the growth prospects in the States where Commercial Federal operates and by the significant synergies achievable from its integration with Bank of the West, especially in terms of pooled resources and cross-selling.

Commercial Federal Corporation has been consolidated with effect from the acquisition date, and contributed a loss of EUR 29 million to consolidated pre-tax net income for the year ended 31 December 2005 (including the effect of restructuring costs recognised in the final quarter of 2005). The acquisition generated a net cash outflow of EUR 998 million for the BNP Paribas Group in 2005.

Business combinations in the year ended 31 December 2004

Acquisition of Atis Real International (Asset Management and Services)

On 27 January 2004, Atis Real and BNP Paribas Immobilier signed an agreement under which the latter acquired a 49.9% interest in the capital of Atis Real International SAS, the remaining 50.1% being retained by the

Vendôme Rome group and Crédit Lyonnais Private Equity. In October 2004, BNP Paribas Immobilier acquired the remaining 50.1%.

Atis Real International is the property services arm of Atis Real, providing estate agency, consultancy, and international property management services. The business trades as Atis Real Auguste Thouard, ATHF and Expertim in France, as Atis Real Weatheralls in the United Kingdom and as Atis Real Müller in Germany, and also through Atis Real offices in Spain and the Benelux countries.

The assets and liabilities of Atis Real International, recognised at fair value as of the acquisition date, mainly comprised:

- Assets : trade receivables of EUR 36 million and cash of EUR 23 million. These items are reported in "Accrued income and other assets" in accordance with the financial statement presentation applicable to banks.
- Liabilities : tax and employee-related liabilities of EUR 55 million and debt of EUR 23 million, (both reported in "Accrued expenses and other liabilities" in accordance with the financial statement presentation applicable to banks), and provisions for contingencies and charges amounting to EUR 17 million.

Acquisitions of Community First Bankshares and Union Safe Deposit Bank by BancWest (International Retail Banking and Financial Services)

Acquisition of Community First Bankshares

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Community First Bankshares group. Community First Bankshares operates in the western United States and offers a wide range of commercial and retail banking services, as well as having interests in property, insurance brokerage, savings products and private banking.

The assets and liabilities of Community First Bankshares, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 2,654 million;
- Liabilities: customer deposits of EUR 3,527 million.

Community First Bankshares was acquired for USD 1,200 million in cash, or an equivalent value in euros of EUR 938 million at the acquisition date. Goodwill on this acquisition was measured at USD 948 million, or an equivalent value in euros of EUR 801 million at 31 December 2005.

Acquisition of Union Safe Deposit Bank

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Union Safe Deposit Bank group, which operates in California. The group is active in personal loans (mortgages and other types of consumer credit) and commercial loans (mortgages, construction loans, industrial loans, agricultural loans, and leasing).

The assets and liabilities of Union Safe Deposit Bank, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 524 million ;
- Liabilities: customer deposits of EUR 700 million.

Union Safe Deposit Bank was acquired for USD 245 million in cash, or an equivalent value in euros of EUR 192 million at the acquisition date. Goodwill recognised on this acquisition was measured at USD 174 million, or an equivalent value in euros of EUR 147 million at 31 December 2005.

The value of the goodwill recognised on Community First Bankshares and Union Safe Deposit Bank is based on the intrinsic return on equity of the two companies, the strategic and geographic fit with the Bank of the West network, the strong growth prospects in the local markets in which the two companies operate, and the synergies expected from pooling resources, know-how and the Bank of the West product range across the combined entities.

The contribution made by Community First Bankshares and Union Safe Deposit Bank to BNP Paribas pre-tax net income for the year ended 31 December 2004 was not material, given the restructuring costs incurred by the two companies. The acquisition of the two companies generated an estimated net cash outflow of EUR 945 million for the BNP Paribas Group in the year ended 31 December 2004.

9.d ADDITIONAL INFORMATION ON THE GALERIES LAFAYETTE TRANSACTION

On 29 March 2005, BNP Paribas acquired 29.5% of the shares of Galeries Lafayette under an agreement the terms of which included arrangements for joint control of Cofinoga. Under the terms of the agreement, BNP Paribas transferred these shares in the second half of 2005 to Motier SAS, the holding company controlling the Galeries Lafayette group, in which BNP Paribas now owns an interest of 37%. Also under the terms of the agreement, a shareholders' agreement was signed on 19 July 2005 stipulating terms regarding the liquidity of the interest held by BNP Paribas. In substance, these terms require half of the BNP Paribas interest to be accounted for as a loan, and the other half to be accounted for as an available-for-sale asset.

The inception of joint control by Galeries Lafayette and BNP Paribas over LaSer (the company which owns Cofinoga) resulted in the signature of a shareholders' agreement dated 20 September 2005 and effective from 1 October 2005, setting out operating arrangements and shared decision-making rules. Based on the terms of this agreement, the LaSer-Cofinoga group has been accounted for using the proportionate consolidation method with effect from the final quarter of 2005.

9.e ADDITIONAL INFORMATION ON THE AXA – FINAXA TRANSACTION

On 12 September 2001, Axa group companies (Axa, Finaxa, and the Axa mutual insurance companies) and BNP Paribas signed an agreement[7], later amended on 26 October 2004, to maintain a minimum level of cross-shareholdings and to grant (i) mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and (ii) a reciprocal call option in the event of a change in control of either party. The Axa group also agreed to guarantee the liquidity of the BNP Paribas stake in Finaxa by allowing BNP Paribas to substitute Axa shares for its Finaxa shares at any time.

The merger of Finaxa into Axa on 16 December 2005 enabled BNP Paribas to take possession of Axa shares in exchange for its existing holding of Finaxa shares, as it was already entitled to do under the agreement mentioned above. Because this exchange had no commercial substance for BNP Paribas, the difference between the carrying amount of the Finaxa shares in the consolidated financial statements and the fair value of the Axa shares (recorded in "Available-for-sale financial assets") has been retained in shareholders' equity under "Unrealised and deferred gains and losses".

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[7] The agreement was disclosed in a notice issued by the *Conseil des Marchés Financiers* on 28 September 2001, and the amendment was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 28 October 2004.

The merger of Finaxa into Axa led to the signature of a new agreement between Axa group companies (excluding the Axa mutual insurance companies) and BNP Paribas, effective from 16 December 2005, to maintain a minimum level of cross-shareholdings and to grant a reciprocal call option in the event of a hostile change in majority control of either party. This agreement was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 21 December 2005.

9.f RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees[8], and key executive officers of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

A) Relations between consolidated companies

A list of companies consolidated by BNP Paribas is provided in Note 9b. Because transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

Related-party balance sheet items:

[8] Except for multi-employer and multi-industry schemes

In millions of euros	31 December 2005		1 January 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans and receivables				
Demand accounts	-	6	-	-
Loans	2,472	1,493	1,123	1,115
Finance leases	-	16	-	73
Other assets	2	8	1	1
Total	**2,474**	**1,523**	**1,124**	**1,189**
LIABILITIES				
Borrowings				
Demand accounts	1	82	1	32
Other borrowings	45	-	-	168
Subordinated debt	39	-	-	-
Other liabilities	-	1	-	-
Total	**85**	**83**	**1**	**200**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	103	16	-	508
Guarantee commitments given	7	-	15	-
Total	**110**	**16**	**15**	**508**

Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2005		Year to 31 Dec 2004	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	58	31	27	36
Interest expense	(1)	(1)	-	-
Commissions income	2	1	1	-
Commissions expense	(1)	-	-	-
Rendering of services	1	20	-	1
Receiving of services	(1)		-	-
Leases income	1	1	-	-
Total	**59**	**52**	**28**	**37**

B) Entities managing post-employment benefit plans offered to Group employees

The main post-employment benefits of the BNP Paribas Group are top-up funded pension plans, retirement bonus plans, and other top-up defined-benefit and defined-contribution plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds (*Caisses de retraite*) and the BNP welfare benefit fund (*Caisse de Prévoyance*). Some Group companies – principally BNP Paribas Asset Management, BNP Paribas Securities Services and BNP Paribas SA – play a role in the management of these benefits, especially in the areas of fund management, custody, and banking services. Top-up pension plans are also contracted out to insurance companies, in particular BNP Assurance, which manage the plans.

In other countries, post-employment benefit plans are generally managed by independent firms or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank).

At 31 December 2005, the fair value of plan assets managed by Group companies was EUR 1,231 million (EUR 1,371 million at 1 January 2005). Services provided by Group companies in the year to 31 December 2005 totalled EUR 3 million, mainly management and custody fees (2004: EUR 3 million).

As regards healthcare benefits, in 2004 the Group made a lump-sum payment of EUR 152 million to the BNP Paribas mutual insurance plan (*Mutuelle BNP Paribas*) in full and final settlement of the Group's post-employment healthcare benefit obligations to retired employees.

In September 2004, the BNP pension fund repaid in full a EUR 21 million advance made to it by the Group.

At 31 December 2005, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a debit balance of EUR 785,257 (compared with a credit balance of EUR 1,681,521 at 1 January 2005).

C) Relations with key executive officers

Remuneration of corporate officers

Remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers

The remuneration paid to corporate officers is determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

This remuneration comprises both a fixed and a variable component, the levels of which are determined on the basis of benchmarks established by firms specialising in surveys of executive remuneration in the European banking sector.

The fixed portion is determined in the light of market rates of pay for positions carrying equivalent responsibilities.

The variable portion is determined partly as a basic bonus established by reference to market practices, and partly on the basis of criteria linked to the Group's financial performance and the attainment of personal objectives. Performance-linked criteria (70% of the basic bonus) relate to growth in consolidated net income and core business pre-tax net income, and to fulfilment of gross operating income budgets at consolidated and core business level. Personal objective-based criteria (30% of the basic bonus) relate to the Group's strategy and preparing its future.

Previously, a portion of the variable remuneration of corporate officers was deferred in accordance with the terms of the BNP Paribas deferred bonus plan. However, the entire amount of variable remuneration payable in respect of a financial year will now be paid during the next financial year, starting with payments in 2006 in respect of the 2005 financial year. This change is designed to facilitate year-on-year comparison.

The tables below show (i) gross remuneration payable to corporate officers in respect of the year ended 31 December 2005, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2005, including benefits in kind and directors' fees.

In euros, year to 31 December 2005	Remuneration		Directors' fees (3)	Benefits in kind (4)	TOTAL Remuneration
	Fixed (1)	Variable (2)			
Michel Pébéreau Chairman of the Board of Directors					
2005	700,000	1,081,601	29,728	4,816	1,816,145
(2004)	*(700,000)*	*(1,036,303)*	*(22,868)*	*(4,781)*	(1,763,952)
Baudoin Prot Chief Executive Officer					
2005	788,333	1,878,895	91,024	4,930	2,763,182
(2004)	*(730,000)*	*(1,469,774)*	*(22,868)*	*(4,895)*	(2,227,537)
Georges Chodron de Courcel Chief Operating Officer					
2005	491,667	1,405,477	89,230	4,303	1,990,677
(2004)	*(450,000)*	*(1,182,486)*	*(6,468)*	*(4,271)*	(1,643,225)
Jean Clamon Chief Operating Officer					
2005	455,000	681,598	92,297	4,703	1,233,598
(2004)	*(430,000)*	*(537,983)*	*(47,013)*	*(4,845)*	(1,019,841)

(1) Salary actually paid in 2005.
(2) Variable remuneration payable in respect of 2005, to be paid in 2006.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than BNP Paribas SA (and Erbé for the Chief Executive Officer).
Georges Chodron de Courcel receives fees in his capacity as Director of BNP Paribas Suisse, BNP Paribas Holdings UK Ltd and Erbé. Jean Clamon receives fees in his capacity as Director of Cetelem, BNP Paribas Lease Group, Paribas International and Erbé.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

	Remuneration			Directors' fees	Benefits in kind	TOTAL Remuneration
	Fixed	Variable	Deferred			
Michel Pébéreau Chairman of the Board of Directors						
2005	700,000	831,553	342,062	29,728	4,816	1,908,159
(2004)	*(700,000)*	*(839,119)*	*(358,312)*	*(22,868)*	(4,781)	*(1,925,080)*
Baudoin Prot Chief Executive Officer						
2005	788,333	1,171,274	234,982	91,024	4,930	2,290,543
(2004)	*(730,000)*	*(801,952)*	*(218,103)*	*(22,868)*	(4,895)	*(1,777,818)*
Georges Chodron de Courcel Chief Operating Officer						
2005	491,667	943,518	258,985	89,230	4,303	1,787,703
(2004)	*(450,000)*	*(707,810)*	*(252,613)*	*(6,468)*	(4,271)	*(1,421,162)*
Jean Clamon Chief Operating Officer						
2005	455,000	406,970	102,640	92,297	4,703	1,061,610
(2004)	*(430,000)*	*(286,169)*	*(100,572)*	*(47,013)*	(4,845)	*(868,599)*

(5) Non-deferred portion of variable remuneration due in respect of 2004, paid in 2005.
(6) Transfer of the final third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares, of the second third of the deferred bonus awarded in 2002 in the form of BNP Paribas shares and of the first third of the deferred bonus awarded in 2003 in the form of BNP Paribas shares.

(7) Georges Chodron de Courcel's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 6,468 corresponding to directors' fees received in 2004.
(8) Jean Clamon's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 47,013 corresponding to directors' fees received in 2004.
(9) The average rate of social security taxes on this remuneration in 2005 was 35.8% (30% in 2004).

Neither the Chairman of the Board of Directors nor the Chief Executive Officer receives any remuneration from any other Group company. Nor do they receive directors' fees from Group companies, other than in their capacities as directors of BNP Paribas SA and, for the Chief Executive Office, as director of Erbé. These last directors' fees received in 2005 by the Chief Executive Officer will be deducted from its variable remuneration paid in 2006.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 9,673 (EUR 9,520 in 2004). They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the top-up plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent infirmity. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 10,696 (EUR 9,441 in 2004).

Remuneration of employee-elected directors

Total remuneration paid in 2005 to employee-elected directors during their term of office amounted to EUR 104,604 (EUR 102,785 in 2004), excluding directors' fees. The total amount of directors' fees paid in 2005 to employee-elected directors was EUR 97,360 (EUR 73,752 in 2004). These sums were paid directly to their trade union bodies.
Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 1,152 (EUR 1,095 in 2004).

Loans, advances and guarantees

The total amount outstanding on loans contracted by directors as of 31 December 2005 was EUR 3,717,763 (EUR 404,206 as of 1 January 2005).

Directors' fees

Directors of BNP Paribas S.A. receive directors' fees. The overall amount of directors' fees allocated in respect of the year ended 31 December 2005 was EUR 780,000, in accordance with the 12th resolution approved by the Shareholders' General Meeting of 18 May 2005. The previous annual overall amount of EUR 600,000 was set by the Shareholders' General Meeting of 23 May 2000.

On the recommendation of the Compensation and Nominations Committee, the Board has changed how the overall amount of fees is allocated between individual directors, although the underlying principle has been retained that half of the fees allocated to each director are contingent upon attendance at Board and Committee meetings.

The amount of directors' fees allocated to each director for the year ended 31 December 2005 was set at EUR 29,728 (compared with EUR 22,868 per year since 2000, a rise in line with the overall amount of fees).

The fixed portion of the fee allocated to the chairmen of the Financial Statements Committee and the Internal Control and Risk Management Committee has been raised to EUR 15,000 to reflect their responsibilities and workload. The fixed portion of the fee allocated to the chairman of the Compensation and Nominations Committee for 2005 is set at EUR 9,909, and the fixed portion of the fee allocated to members of Board Committees is

EUR 5,946. Directors not resident in France receive, on the same terms, an additional allocation equal to half the standard fee.

Directors' fees, 2005 and 2004

BNP Paribas : Directors' fees paid, in euros	2005	2004
M. PEBEREAU	29,728	22,868
P. AUGUSTE	35,674	27,442
C. BEBEAR	29,233	23,669
JL. BEFFA	31,215	23,669
G. CROMME	40,134	20,010
J. DELAGE	-	3,430
M. FRANCOIS-PONCET (†)	2,973	21,439
J. FRIEDMANN	31,564	33,845
J.M. GIANNO	33,444	17,152
F. GRAPPOTTE	38,020	25,556
MC. HAMONIC	-	2,858
A. JOLY	32,700	29,728
D. KESSLER	33,940	25,841
JF. LEPETIT	30,471	10,005
JM. MESSIER	-	1,886
J. MORIO	-	5,718
L. OWEN-JONES	22,296	15,722
D. PEAKE	-	15,608
L. DE PALACIO	19,496	-
H. PLOIX	33,693	27,442
B. PROT	29,728	22,868
L. SCHWEITZER	46,710	30,530
JF. TRUFELLI	28,242	17,152
TOTAL	**549,261**	**424,438**

In accordance with section 243 bis of the French General Tax Code, directors' fees received by members of the Board do not qualify for the 50% reduction applicable to individual shareholders resident in France for tax purposes, as provided for by 158-3 of the French General Tax Code.
Total directors' fees paid in 2003 amounted to EUR 476,662 and EUR 476,511 in 2002.

Post-employment benefits

Compensation for loss of office

Corporate officers are not entitled to any contractual compensation for loss of office.

Retirement bonuses

Michel Pébereau is not entitled to any retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers), and the employee-elected directors are entitled under their contracts of employment to the standard retirement bonus benefits enjoyed by all BNP Paribas employees. Under this plan, employees receive a bonus on retirement from the Group of up to 11.66 months' final basic salary, depending on their initial contractual position and length of service at retirement.
The total present value of the obligations in respect of these retirement bonuses as at 31 December 2005 was EUR 471,285 (EUR 425,685 at 31 December 2004).

Pension plans

- **Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers**

The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

A similar procedure was applied to Michel Pébereau (now Chairman of the Board of Directors), Baudouin Prot (now Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (now Chief Operating Officers). Consequently, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being employed by the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of subsequent vesting of rights.

The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes[1], is capped at 50% of the amount of remuneration calculated as described in the preceding paragraph.

These amounts will be revalued from 1 January 2002 to the actual payment date of the benefit based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined by means of these calculations, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

If the specified conditions were to be met, the total present value of the obligations arising under these schemes would be approximately EUR 30 million, compared with EUR 27.5 million in 2004, the difference being due to adjustments to actuarial assumptions. These obligations were covered by provisions recorded in the books of BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an insurance company outside the Group.

If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive an insurance payout. The premium payable under the related insurance policy is paid by the Group and treated in accordance with the rules applicable to employers' contributions to top-up welfare schemes in France. The total annual amount involved for 2005 was EUR 214,343.

[1] The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of these corporate officers was EUR 1,329 (EUR 1,308 in 2004).

- **Employee-elected directors**

The employee-elected directors belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 769 (2004: EUR 807). They are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

Stock subscription option plans

BNP Paribas normally issues a stock subscription option plan every year, under an authorisation granted by the Shareholders' Extraordinary General Meeting (EGM).

These plans are intended to give various categories of executive an interest in creating value for the Group, thereby creating goal congruence between Group executives and the shareholders. The executives chosen for these plans represent the best of the Group's talents, including the next generation of leaders: executives in key management positions, line managers and technical experts, high-potential executives, and high-performing young managers with good career development prospects.

The number of options granted to corporate officers is decided by the Board of Directors on the recommendation of the Compensation and Nominations Committee.

The exercise price of these plans is determined at the time of issue in accordance with the terms of the authorisation granted by the EGM. No discount is offered. Some plans impose vesting conditions relating to the Group's financial performance or to the performance of BNP Paribas shares relative to the stock market. These conditions may apply to some or all of the options granted (see Note 8c).

The table below shows stock options granted to and/or exercised by corporate officers in 2005.

Stock options granted to/exercised by corporate officers

Options granted to and exercised by corporate officers	Number of options granted/exercised	Exercise price (in euros)	Date of grant	Plan expiry date
OPTIONS GRANTED IN 2005				
Michel PEBEREAU	100,000	55.1	25/03/2005	22/03/2013
Baudouin PROT	150,000	55.1	25/03/2005	22/03/2013
Georges CHODRON DE COURCEL	60,000	55.1	25/03/2005	22/03/2013
Jean CLAMON	40,000	55.1	25/03/2005	22/03/2013
OPTIONS EXERCISED IN 2005				
Michel PEBEREAU	50,000	18.45	22/05/1997	22/05/2007
Georges CHODRON DE COURCEL	60,000	45.16	22/12/1999	22/12/2009
Georges CHODRON DE COURCEL	19,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	27,125	23.47	26/12/1997	26/12/2005
Jean CLAMON	22,550	20.4	17/11/1998	17/11/2006
OPTIONS GRANTED IN 2004	-			
OPTIONS EXERCISED IN 2004				
Michel FRANCOIS-PONCET (†)	177,650	23.47	26/12/1997	26/12/2005
Georges CHODRON DE COURCEL	50,000	37.28	13/05/1998	13/05/2008
Georges CHODRON DE COURCEL	5,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	50,000	23.47	26/12/1997	26/12/2005
Jean CLAMON	37,020	17.3	20/01/1997	20/01/2005

The table below shows the number of outstanding options held by corporate officers at 31 December 2005.

Originating company	BNP Paribas	BNP Paribas	BNP Paribas	BNP	BNP	BNP	Paribas	BNP	Total
Date of grant	23/05/2005	21/03/2003	15/05/2001	22/12/1999	03/05/1999	13/05/1998	17/11/1998	22/05/1997	
Number of options outstanding at end of 2005	350,000	560,000	500,000	410,000	5,000	190,000	70,000	100,000	2,185,000

9.g BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

In millions of euros, at 31 December 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		7,115						7,115
Financial assets at fair value through profit or loss	700,525							700,525
Derivatives used for hedging purposes	3,087							3,087
Available-for-sale financial assets	15,098		6,675	6,838	10,641	18,571	34,883	92,706
Loans and receivables due from credit institutions		10,760	11,047	8,817	5,847	3,342	5,196	45,009
Loans and receivables due from customers		20,529	40,959	23,865	43,267	97,202	75,374	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)							(61)
Held-to-maturity financial assets			74	597	272	1,127	13,375	15,445
Financial assets by maturity	**718,649**	**38,404**	**58,755**	**40,117**	**60,027**	**120,242**	**128,828**	**1,165,022**
Due to central banks and post office banks		742						742
Financial liabilities at fair value through profit or loss	567,706		1,684	1,069	3,642	21,529	15,051	610,681
Derivatives used for hedging purposes	1,015							1,015
Due to credit institutions		27,442	52,613	16,160	13,179	6,935	2,564	118,893
Due to customers		132,466	68,916	24,181	10,113	2,426	9,392	247,494
Debt securities			29,234	19,862	15,263	10,975	9,295	84,629
Subordinated debt	1,871		679	284	516	1,953	11,403	16,706
Remeasurement adjustment on interest-rate risk hedged portfolios	901							901
Financial liabilities by maturity	**571,493**	**160,650**	**153,126**	**61,556**	**42,713**	**43,818**	**47,705**	**1,081,061**

In millions of euros, at 1 January 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		6,888						6,888
Financial assets at fair value through profit or loss	539,510							539,510
Derivatives used for hedging purposes	2,581							2,581
Available-for-sale financial assets	11,304		9,513	9,262	7,635	16,792	21,272	75,778
Loans and receivables due from credit institutions		9,480	14,485	5,185	3,766	5,270	2,797	40,983
Loans and receivables due from customers		20,952	58,680	24,093	29,627	64,015	46,861	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios								-
Held-to-maturity financial assets			3,313	6,486	2,352	1,284	12,695	26,130
Financial assets by maturity	**553,395**	**37,320**	**85,991**	**45,026**	**43,380**	**87,361**	**83,625**	**936,098**
Due to central banks and post office banks		256						256
Financial liabilities at fair value through profit or loss	426,473		892	1,549	2,639	15,659	9,914	457,126
Derivatives used for hedging purposes	450							450
Due to credit institutions		8,905	49,277	17,651	9,640	9,944	4,771	100,188
Due to customers		117,559	54,343	18,991	7,517	8,819	4,258	211,487
Debt securities			25,581	23,916	14,074	7,014	7,012	77,597
Subordinated debt	2,685		667	593	333	2,578	6,186	13,042
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022							1,022
Financial liabilities by maturity	**430,630**	**126,720**	**130,760**	**62,700**	**34,203**	**44,014**	**32,141**	**861,168**

9.h FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2005. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	45,009	45,014	40,983	41,009
Loans and receivables due from customers	301,196	302,916	244,228	246,611
Held-to-maturity financial assets	15,445	16,813	26,130	26,963
FINANCIAL LIABILITIES				
Due to credit institutions	118,893	119,663	100,188	100,298
Due to customers	247,494	247,502	211,487	211,501
Debt securities	84,629	84,531	77,597	77,777
Subordinated debt	16,706	17,041	13,042	13,419

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 2, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.

10 FINANCIAL STATEMENTS PREPARED UNDER FRENCH GAAP FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

The consolidated financial statements for the years to 31 December 2003 and 31 December 2004 were prepared under French generally accepted accounting principles and published in the Document de Référence filed with the Autorité des Marchés Financiers on 25 February 2005 as no. D.05-0151.

The principal accounting policies used in the preparation of the profit and loss account for the year to 31 December 2004 and of the balance sheet as at that date, which form the basis for the transition schedules provided in Notes 1a and 1b, are reproduced below.

CONSOLIDATED BALANCE SHEET

A S S E T S

In millions of euros, at 31 December	2004	2003
Interbank and money market items :		
Cash and amounts due from central banks and post office banks	6,843	5,287
Treasury bills and money market instruments	128,400	106,671
Due from credit institutions	180,443	162,950
Total interbank and money market items	**315,686**	**274,908**
Customer items :		
Due from customers	237,508	201,611
Leasing receivables	20,572	20,362
Total customer items	**258,080**	**221,973**
Bonds and other fixed income instruments	**66,899**	**55,005**
Equities and other variable income instruments	**72,254**	**52,506**
Insurance company investments	**69,501**	**62,275**
Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment		
Investments in non-consolidated undertakings and other participating interests	2,609	2,160
Equity securities held for long-term investment	3,514	4,612
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**6,123**	**6,772**
Investments in companies carried under the equity method:		
Financial sector companies	737	1,436
Non-financial sector companies	1,024	195
Total investments in companies carried under the equity method	**1,761**	**1,631**
Tangible and intangible assets	**9,582**	**9,008**
Goodwill	**6,244**	**5,578**
Accrued income and other assets	**99,808**	**93,420**
Total assets	**905,938**	**783,076**

COMMITMENTS GIVEN

	2004	2003
Financing commitments given	172,641	156,287
Guarantees and endorsements given	66,148	56,865
Commitments related to securities to be delivered	8,241	7,389
Insurance company commitments	466	1,297
Commitments incurred on forward and options contracts	20,556,393	18,356,809

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	**2004**	**2003**
Interbank and money market items :		
Due to central banks and post office banks	256	60
Due to credit institutions	244,707	191,194
Total interbank and money market items	**244,963**	**191,254**
Customer items	**237,712**	**210,621**
Debt securities:		
Retail certificates of deposit	6,712	4,933
Interbank market securities	1,175	1,025
Negotiable certificates of deposit	83,844	67,014
Bonds, including short-term portion	11,094	9,952
Other debt instruments	1,141	177
Total debt securities	**103,966**	**83,101**
Technical reserves of insurance companies	**69,378**	**61,808**
Accrued expenses and other liabilities	**198,128**	**184,820**
Badwill	**15**	**18**
Provision for contingencies and charges	**3,764**	**4,045**
Subordinated debt	**12,242**	**13,226**
Reserve for general banking risks	**752**	**843**
Minority interests in consolidated subsidiaries	**4,824**	**5,019**
Shareholders' equity :		
Share capital	1,769	1,806
Additional paid-in capital in excess of par and premium on acquisition	10,340	11,017
Retained earnings	13,417	11,737
Net income	4,668	3,761
Total shareholders' equity	**30,194**	**28,321**
Total liabilities and shareholders' equity	**905,938**	**783,076**
COMMITMENTS RECEIVED		
Financing commitments received	35,251	43,976
Guarantees and endorsements received	50,212	42,951
Commitments related to securities to be received	9,570	7,852
Insurance company commitments	1,807	2,801

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	2004	2003
Interest income	*28,332*	*27,174*
Interest expense	*(22,213)*	*(20,663)*
Net interest income	6,119	6,511
Income on equities and other variable income instruments	294	283
Commission income	*7,098*	*6,319*
Commission expense	*(2,411)*	*(2,026)*
Net commission income	4,687	4,293
Net gains on trading account securities	4,713	4,407
Net gains on securities available for sale	453	190
Other banking income	*1,005*	*970*
Other banking expenses	*(904)*	*(880)*
Net other banking income	101	90
Underwriting result and net investment income of insurance companies	1,919	1,658
Net income from other activities	537	503
Net banking income	**18,823**	**17,935**
Operating expense:		
Salaries and employee benefits, including profit-sharing	(6,872)	(6,763)
Other administrative expenses	(3,965)	(3,764)
Total operating expense	(10,837)	(10,527)
Depreciation, amortisation and provisions on tangible and intangible assets	(755)	(758)
Gross operating income	**7,231**	**6,650**
Net additions to provisions for credit risks and country risks	(678)	(1,361)
Operating income	**6,553**	**5,289**
Share of earnings of companies carried under the equity method	194	131
Gains on long-term investments and changes in provisions	843	912
Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks	**7,590**	**6,332**
Net non-recurring expense	(389)	(494)
Corporate income tax	(1,830)	(1,481)
Amortisation of goodwill	(384)	(399)
Movements in the reserve for general banking risks	88	147
Minority interests	(407)	(344)
Net income	**4,668**	**3,761**
Basic earnings per share, in euros (1)	**5.55**	**4.31**
Diluted earnings per share, in euros (2)	**5.53**	**4.28**

(1) After the two-for-one share-split in 2002.
(2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 "Earnings per share". Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.

ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with French generally accepted accounting principles applicable in the banking industry.

YEAR-ON-YEAR COMPARISONS

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

PRINCIPLES AND BASIS OF CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.
Entities over which a Group company exercises de facto control, by virtue of contractual provisions or the entity's articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

De facto control is considered as being exercised when more than one of the following three criteria are met:

- The Group has decision-making powers, with or without management powers, over the routine operations or the assets of the entity, as evidenced in particular by the power to wind up the business, amend its articles of association or formally oppose any such amendments;

- The Group is entitled to all or the majority of the entity's economic benefits, whether distributed or appropriated to reserves, and has the right to sell one or several assets and to benefit from any assets remaining after the entity has been liquidated;

- The Group is exposed to the majority of the risks relating to the entity. This is the case if a Group company gives a guarantee to external investors, in order to substantially reduce those investors' risk.

In cases where the Group does not hold an interest in the capital, an entity is consolidated when two of the above three criteria are met. In accordance with standard CRC 2004-04, the first of these three criteria is critical to assessing whether de facto control is exercised over entities set up in connection with the sale of proprietary loan portfolios, including fonds communs de créances (securitization funds) governed by French law and foreign entities offering equivalent guarantees to those existing in France. Retaining the majority of risks and rewards related to sold loans is equivalent to presuming that a substantial portion of decision-making powers has been retained.

Entities whose shares have been acquired exclusively with a view to their subsequent disposal are not consolidated. This is the case of shares which are intended to be sold in connection with the active management of the portfolio held by BNP Paribas Capital. Additionally, if the Group's ability to control the operating policies and assets of a subsidiary or affiliate is severely and permanently restricted, the subsidiary or affiliate is not consolidated. Shares in these companies are recorded in the consolidated balance sheet under "Investments in non-consolidated undertakings and other participating interests".

CONSOLIDATION METHODS

- **Fully-consolidated Companies**

Subsidiaries over which the Group exercises exclusive control are fully consolidated, including subsidiaries whose financial statements are presented in a different format and which are engaged in a business that represents an extension of the Group's banking and financial services businesses or a related business, including insurance, real estate investment, real estate development and data processing services.

Exclusive control is considered as being exercised in cases where the Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business, as a result of :

- direct or indirect ownership of the majority of voting rights of the subsidiary; or
- the designation in two successive years of the majority of the members of the Board of Directors, Supervisory Board or equivalent. This is considered to be the case if a Group company holds over 40% of the voting rights during the two-year period and no other shareholder holds a larger percentage, directly or indirectly; or
- the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or the articles of association, provided that the Group company exercising the dominant influence is a shareholder or partner of the subsidiary. Dominant influence is considered as being exercised in cases where the Group company is in a position to use or decide on the utilisation of the subsidiary's assets, liabilities or off balance sheet items as if they were its own. In the absence of contractual provisions or provisions of the articles of association, a Group company is considered as exercising dominant influence over a credit institution in cases where it holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a larger percentage.

- **Proportionally-consolidated Companies**

Jointly-controlled companies are consolidated by the proportional method. Joint control is considered as being exercised in cases where the concerned company is managed jointly by a limited number of shareholders or partners which together determine the company's financial and operating policies.

- **Companies Accounted for by the Equity Method**

Companies in which the Group exercises significant influence over financial and operating policies without having control are accounted for by the equity method. Significant influence may be exercised through representation on the Board of Directors, Supervisory Board or equivalent, or participation in strategic decisions, or as a result of significant business dealings with the company, or exchanges of management personnel or technical dependence. Significant influence over financial and operating policies is considered as being exercised in cases where the Group holds at least 20% of the voting rights, directly or indirectly.

Companies that are less than 20% owned are not consolidated except in cases where they constitute a strategic investment and the Group effectively exercises significant influence. This is the case of companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions affecting the company as a member of the Board of Directors, Supervisory Board or equivalent, exercises influence over the company's operational management by supplying management systems or decision-making aids, and provides technical assistance to support the company's development.

CONSOLIDATION PRINCIPLES

Cost of Shares in Consolidated Companies, Goodwill, Valuation Adjustments

- **Cost of Shares in Consolidated Companies**

The cost of shares in consolidated companies is equal to the purchase price paid to the vendor by the buyer plus material transaction costs, net of the corresponding tax savings.

- **Goodwill**

Goodwill, corresponding to the difference between the cost of shares in consolidated companies and the Group's equity in the assets, liabilities and off balance sheet items of the company at the date of acquisition, after valuation adjustments, is amortised by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortisation period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Where there is an indication that the recoverable value of goodwill could be lower than its net carrying value, an impairment test is carried out in order to assess whether an impairment loss should be recorded. The impairment test may be based on several different methods, depending on the business concerned, including discounted future cash flows estimated using the company's medium-term business plan.

- **Valuation Adjustments**

Valuation adjustments, corresponding to the difference between the amount of assets, liabilities and off balance sheet items of the acquired company as restated according to Group accounting policies and their book value in the accounts of the acquired company, are recorded in the consolidated balance sheet in accordance with generally accepted accounting principles applicable to the items concerned.

Valuation adjustments of assets and liabilities of companies accounted for under the equity method are included in "Investments in companies carried under the equity method".

Change in Percent Interests in Consolidated Companies

In the case of an increase in the Group's percent interest in a consolidated company, additional goodwill is recorded and amortised by the method described above. If the Group's percent interest is reduced without resulting in the subsidiary being deconsolidated, a corresponding percentage of the unamortised goodwill is written off. This is the case, in particular, following a capital transaction that has the effect of diluting the interest of the company holding the shares.

Intercompany Balances and Transactions

Income and expenses on material intercompany transactions involving fully or proportionally consolidated companies or companies accounted for by the equity method are eliminated in consolidation. Intercompany receivables, payables, commitments, income and expenses between fully or proportionally consolidated companies are also eliminated.

Lease Financing

Finance leases where the Group is lessor are recorded in the consolidated balance sheet under "Leasing receivables" in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts determined in accordance with legal and tax rules. Lease payments are analysed between amortisation of the net investment and interest income.

Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortisation of the net investment in the lease. This difference is recorded under "Shareholders' equity" net of deferred taxes.

Foreign Currency Translation

All monetary and non-monetary assets and liabilities of foreign subsidiaries and branches that are denominated in foreign currencies are translated at the year-end exchange rate. Differences arising from the translation of profit and loss account items of foreign subsidiaries at the average rate for the period and the period-end rate are recorded in shareholders' equity, under "Cumulative translation adjustment", net of minority interests. The same accounting treatment is applied to differences arising from the translation of capital made available to foreign branches. Differences arising from the translation of the results of foreign branches are treated as operating positions that can be repatriated and are therefore recognised in the consolidated profit and loss account.

BNP Paribas Shares Held Within the Group

BNP Paribas shares held within the Group are valued and accounted for as follows:

- Shares acquired in order to stabilise the share price or in connection with index trading and arbitrage transactions are recorded under "Trading account securities" at their market price.

- Shares held for allocation to employees are recorded at the lower of cost and market price under "Securities available for sale". Where appropriate, a provision is booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired specifically for any of the above purposes or that are intended to be cancelled are deducted from consolidated shareholders' equity at cost. If the shares are subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax are posted to retained earnings.

Consolidation of Insurance Companies

The specific accounting principles and valuation rules applicable to insurance companies are also used for BNP Paribas consolidation purposes. The balance sheet, profit and loss account and off balance sheet items of fully consolidated insurance subsidiaries are included under similar captions in the consolidated financial statements, with the exception of the following items:

- **Insurance Company Investments**

The investments of insurance companies include admissible assets related to unit-linked business, as well as property investments and various other investments, including shares in related companies, concerning life and other business. Property investments are stated at cost, excluding transaction costs. Buildings are depreciated over their estimated useful lives. Admissible assets related to unit-linked business are stated at the realisable value of the underlying assets at the year-end.

Fixed or variable income marketable securities are stated at cost. Fixed income securities are valued and accounted for using the same method as debt securities held to maturity. However, when the market value of listed variable income securities consistently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months, an analysis is carried out to ascertain whether or not it is necessary to record a provision for permanent impairment in value. If such a provision is considered necessary, it is calculated based on the realisable value of the securities concerned. Realisable value is determined using a multi-criteria approach including the discounted future cash flows and net asset value methods, as well as analysis of ratios commonly used to assess future yields and exit opportunities. The valuation is performed separately for each line of securities, taking into account the planned holding period. Securities held for sale are written down to their probable realisable value, based on stock market prices, where appropriate.

The realisable value of buildings is calculated when the valuation performed by professional qualified valuers is more than 20% below the net book value, and is based on the discounted future cash flows expected to be generated by each building over the planned holding period. A provision is recorded when necessary, on a building-by-building basis, to cover the difference between the net book value and the realisable value. In the case of buildings held for sale, provisions are calculated based on the valuation performed by the professional qualified valuers.

- **Technical Reserves of Insurance Companies**

Technical reserves correspond to the insurance company's commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer's commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following period or periods) and outstanding claims reserves, which include reserves for claims handling costs.

In the individual statutory accounts of Group insurance companies, a capitalisation reserve is set up at the time of sale of amortisable securities, in order to defer part of the net realised gain and thus maintain the yield-to-maturity of the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified under "Policyholders' surplus".

Policyholders' surplus also includes the funds set aside to top up the return offered to holders of life insurance policies in future years, as necessary.

- **Underwriting Result and Net Investment Income of Insurance Companies**

This caption mainly includes earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interbank and Money Market items, Customer Items

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer accounts in debit and other loans.

Outstanding loans and confirmed credit facilities are classified into sound loans – including sound restructured loans – and doubtful loans. The same classification is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks on outstanding loans and confirmed credit facilities are monitored using an internal rating system, based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are 12 counterparty ratings, ten covering sound loans and two corresponding to doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the bank considers that there is a risk of borrowers being unable to honour all or part of their commitments. This is considered to be the case of all loans on which one or more instalments are more than three months overdue (six months in the case of real estate loans and twelve months for loans to local governments), as well as loans for which legal collection procedures have been launched. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

A provision is booked on these loans, for an amount corresponding to the portion of the outstanding principal that is not expected to be recovered plus unpaid interest. In all cases, the provision at least covers the total amount of accrued interest, unless the value of the guarantees held by the bank covers the principal and all or part of the interest due. Guarantees include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses.

In the case of doubtful loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are met. If a restructured loan reclassified as sound is not at market terms, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the new interest rate and the lower rate between the original rate of interest and the market rate prevailing at the time of the restructuring. If any instalments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Small loans to private individuals in France which have been the subject of a “Neiertz Act” restructuring (loans to consumers who have accumulated unmanageable levels of debt) are reclassified as sound only when the account manager is satisfied that the client will be able to fulfil his or her repayment commitments until the entire loan has been repaid. No discount is applied to loans that are reclassified as sound, mainly by the specialised credit companies. However, a statistical provision is recorded, based on the estimated risk of losses. This provision is at least equal to the sum of the discounts that would have been deducted from the loans’ carrying value.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in doubtful loans, no reclassification as sound loans is foreseeable, loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering substantially all of the amount due.

Irrecoverable loans are written off when all legal and other avenues open to the Bank to secure payment of the amounts due have been exhausted.

Interbank and customer items are stated at their nominal value plus accrued interest. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortised over the remaining life of the loan by the yield-to-maturity method.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions related to off balance sheet commitments, provisions for losses on interests in real estate development programmes, provisions for claims and litigation, provisions for unidentified contingencies and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions, bad debts written off, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under “Net additions to provisions for credit risks and country risks”, with the exception of additions to provisions for accrued interest on non-performing loans which are included in net banking income together with the interest accrual. Amortisation of discounts on restructured loans, calculated by the yield-to-maturity method, is included in net banking income along with the interest on the loans.

Accrued interest is recorded periodically on sound loans – including restructured loans – and on doubtful loans that are not classified as irrecoverable. Interest on doubtful loans classified as irrecoverable is recorded in the profit and loss account on a cash basis.

Securities

The term “securities” covers interbank market securities (mainly promissory notes and mortgage notes); Treasury bills and negotiable certificates of deposit; bonds and other fixed income instruments (whether fixed- or floating-rate); and equities and other variable income instruments.

In application of standard CRC 2000-02, securities are classified as “Trading account securities”, “Securities available for sale”, “Equity securities available for sale in the medium-term”, “Debt securities held to maturity”, “Equity securities held for long-term investment”, “Other participating interests”, and “Investments in non-consolidated undertakings”. Investments in companies carried under the equity method are recorded on a separate line of the consolidated balance sheet.

Where a credit risk has occurred, fixed income securities held in the “available for sale” or “held to maturity” portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.
Variable income securities may also be classified as doubtful if an issuer default risk has occurred. This is the case, in particular, where the issuer has filed for bankruptcy.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in “Provisions for credit risks and country risks”.

- **Trading Account Securities**

Securities held for up to six months are recorded under "Trading account securities" and valued individually at market. Changes in market values are posted to income.

- **Securities Available for Sale**

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed income instruments are valued at the lower of cost (excluding accrued interest) and probable market value, which is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed income instruments".

The difference between cost and the redemption price of fixed income securities purchased on the secondary market is prorated over the life of the securities and posted to the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost and probable market value, which is generally determined on the basis of stock market prices, for listed equities, or the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

The cost of sold securities available for sale is determined on a first in, first out (FIFO) basis. Disposal gains or losses and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Net gains on sales of securities available for sale".

- **Equity Securities Available for Sale in the Medium-Term**

This category corresponds to investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. "Equity securities available for sale in the medium-term" include venture capital investments.

"Equity securities available for sale in the medium-term" are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general development outlook and the planned holding period. The fair value of listed stocks corresponds primarily to the average stock market price determined over an appropriately long period.

- **Debt Securities Held to Maturity**

Fixed income securities (mainly bonds, interbank market securities, Treasury bills and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect the BNP Paribas Group's intention of holding them on a long-term basis, in principle to maturity. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is posted to income under "Interest income on bonds and other fixed income instruments".

A provision is made when a decline in the credit standing of an issuer jeopardises redemption at maturity.

- **Equity Securities Held for Long-Term Investment**

This category includes shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

"Equity securities held for long-term investment" are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Gains and losses on sales of equity securities held for investment and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

- **Non-Consolidated Undertakings and Other Participating interests**

This category includes affiliates in which the Group exercises significant influence over management and investments considered strategic to the Group's business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

Investments in non-consolidated undertakings and other participating interests are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Disposal gains and losses and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends are posted to "Income on equities and other variable income instruments" when they have been declared by the issuers' shareholders or on a cash basis when the shareholders' decision is not known.

- **Investments in Companies Carried under the Equity Method**

Changes in net assets of companies carried under the equity method are posted to assets under "Investments in companies carried under the equity method" and to consolidated reserves under "Retained earnings".

Valuation adjustments to these companies' assets and liabilities, recorded at the time of acquisition, are included in "Investments in companies carried under the equity method".

Goodwill arising on the acquisition of companies carried under the equity method is recorded in "Goodwill".

FIXED ASSETS

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialised subsidiaries. These buildings are intended to be held on a long-term basis. The revaluation arising from this transaction has been posted to consolidated shareholders' equity net of the related deferred tax effect and a provision for deferred taxes has been recorded. Effective from 1994, the resulting unrealised capital gain is being written back to the consolidated profit and loss account in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what appeared to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above real estate in 1997. The impact of this adjustment, net of the related deferred tax effect, was posted to consolidated shareholders' equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France's appropriation laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these legal revaluations, are included in share capital.

Assets leased by the Bank from specialised subsidiaries are recorded as buildings, equipment and other under "Tangible and intangible assets".

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight-line method. Depreciation of other fixed assets is computed using the straight-line method over their estimated useful lives.

BNP Paribas and its French subsidiaries depreciate tangible assets by the accelerated method in their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straight-line method) to write off the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Depreciation of assets leased from Group leasing subsidiaries is reflected in the profit and loss account under "Depreciation, amortisation and provisions on tangible and intangible assets".

The capitalised cost of software purchased or developed for internal use is recorded under "Intangible assets" and amortised by the straight-line method over the probable period of use of the software, not to exceed five years.

Trade marks identified by the Group which have been acquired in a business combination are tested for impairment when there is an indication that they may be impaired.

INTERBANK AND MONEY-MARKET ITEMS AND CUSTOMER DEPOSITS

Amounts due to credit institutions are classified into demand accounts and time deposits and borrowings. Customer deposits are classified into regulated savings accounts and other customer deposits. These captions include securities and other assets sold under repurchase agreements. Accrued interest is recorded on a separate line.

DEBT SECURITIES

Debt securities are classified into retail certificates of deposit, interbank market securities, negotiable certificates of deposit, bonds and other debt instruments. This caption does not include subordinated notes which are recorded under "Subordinated debt".

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised by the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised by the straight-line method over the life of the bonds.

COUNTRY RISK PROVISIONS

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries. Country risk provisions and writebacks are reflected in the profit and loss account under "Net additions to provisions for credit risks and country risks".

PROVISIONS FOR UNFORESEEABLE INDUSTRY RISKS

The Group records provisions for unforeseeable industry and other risks in order to cover losses and expenses that are not certain of being incurred and the amount of which cannot be reliably estimated. These provisions are reversed and replaced by specific provisions in cases where the loss or expense becomes certain and can be reliably estimated.

RESERVE FOR GENERAL BANKING RISKS

The BNP Paribas Group has set up a reserve for general banking risks in accordance with the principle of prudence.

Specific additions to, and deductions from, this reserve are reflected in the profit and loss account under "Movements in the reserve for general banking risks".

PROVISIONS NOT SET UP IN CONNECTION WITH BANKING OR BANKING-RELATED TRANSACTIONS

The Group records provisions for clearly identified risks and charges, of uncertain timing or amount. In accordance with current regulations, these provisions which are not connected with banking or banking-related transactions may only be recorded if the Group has an obligation to a third party at the year-end and no equivalent economic benefits are expected from that third party.

FORWARD FINANCIAL INSTRUMENTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

- **Market Value of Financial Instruments**

Financial instruments are measured based on their market value when they are listed, or based on internal models where no organised market exists. The value determined by applying these models is adjusted to take into account inherent model and liquidity risks.

The market value of financial instruments for which a quoted price is not directly available is determined on the basis of the price of transactions carried out close to the year-end or prices obtained from brokers or counterparties, backed up by qualitative analyses.

- **Forward Interest Rate Instruments**

Interest rate futures and options contracts forming part of the trading portfolio and traded on organised exchanges are marked to market at the balance sheet date. Realised and unrealised gains and losses are taken to income under "Net gains (losses) on sales of trading account securities".

Gains and losses on certain OTC contracts representing isolated open positions are taken to income either when the contracts are unwound or on an accruals basis, depending on the nature of the instruments. Provisions for contingencies are booked to cover unrealised losses on a contract by contract basis, taking into account potential gains and losses on related specific hedges.

Income and expenses on interest rate contracts designated at the outset as hedging operations are recognised on a symmetrical basis with the income or expense on the underlying instrument.

- **Forward Currency Instruments**

Options contracts are marked to market and the resulting unrealised gains and losses are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the spot rate prevailing at the end of the year. Differences between the spot and forward rates (contango and backwardation) for hedged forward currency transactions are recognised on an accruals basis and posted to the profit and loss account over the life of the hedged transaction.

- **Equity And Equity Index Derivatives**

The BNP Paribas Group buys and sells equity and equity index options for trading and hedging purposes. In the case of trading transactions, unrealised gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on equity and equity index contracts designated as hedges are recognised on a symmetrical basis with the gain or loss on the underlying hedged instrument.

- **Composite Instruments**

Composite instruments (synthetic combinations of instruments recorded as a single instrument) are valued by aggregating the individual values of each basic instrument included in the composite. However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated profit and loss account.

- **Credit Risk Management Instruments**

Instruments intended to protect loan portfolios against counterparty risks are treated as guarantees received. Credit derivatives purchased and sold in connection with trading transactions and structured product sales are valued using internal models, based on market data where available. The revenue determined by applying these models is adjusted to take into account inherent model and liquidity risks.

CORPORATE INCOME TAX

BNP Paribas Group companies are subject to corporate income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard corporate income tax rate is 33 1/3%. Long-term capital gains are currently taxed at a rate of 19%. Under the French Finance Act passed at the end of 2004, long-term capital gains will be taxed at 15% as from 2005 and gains on disposals of certain investments in non-consolidated undertakings will be taxed at 8% in 2006 and at 0% thereafter. Dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% and which are covered by the parent-subsidiary tax regime are non-taxable.

The French government imposed a 3% surtax on corporate income for financial years 2002 to 2004 in addition to the 3.3% surtax levied on corporate income since 1 January 2000. The 2005 French Finance Act has reduced this surtax to 1.5% in 2005 and will eliminate it as of 2006. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned.

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. BNP Paribas Group companies recognise deferred taxes based on all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method, as well as future applicable tax rates once these have been approved. Recognition of deferred tax assets depends on the probability of recovery.

PROFIT-SHARING

As required by French law, BNP Paribas and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in "Operating expense" in the consolidated profit and loss account.

PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

Provision is made for long-service awards, supplementary pension benefits and other awards payable to active and retired employees, except where employer contributions are in full discharge of any future liabilities, in which case the contributions are charged to the profit and loss account in the period of payment.

PENSION OBLIGATIONS TOWARDS RETIRED EMPLOYEES

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

In France, retired employees of the BNP Paribas Group's banking subsidiaries and affiliates are entitled to the following pension benefits starting 1 January 1994, pursuant to an industry-wide agreement on pensions signed in September 1993 between the *Association Française des Banques* and employee representatives:

– retirees receive pension benefits from the social security system and two nation-wide organisations, which are financed by contributions received from employers and employees. The systems operate on a pay-as-you-go basis.

– retirees receive additional benefits relative to services rendered prior to 1 January 1994, from the pension fund of the BNP Paribas Group and the banking industry pension funds with which certain French subsidiaries are affiliated. Funding for these additional benefits is provided by transfers from the pension funds' existing reserves and, if necessary, by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The contributions paid by BNP Paribas to these schemes are recorded in expenses for the period.

The working capital contributions made to the two nation-wide pension organisations in 1994 are treated as prepaid expenses and amortised over the average number of years left to retirement of BNP SA participating employees, which is currently twenty years. For Paribas employees, the contribution has been deducted from the reserves of the Paribas pension fund.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, the Group records provisions for benefit obligations where the present value of the obligation exceeds the market value of the plan assets. Benefit obligations are determined on an actuarial basis at each year end. The year-on-year increase or decrease in the net funded obligation, corresponding to actuarial differences arising from changes in demographic and financial assumptions or in estimated yields on plan assets, is recognised over the expected average remaining service lives of employees covered by the plans, net of an amount equal to a certain percentage of the discounted benefit obligation, set by convention at 10%. In the interest of prudence, the deferred portion of the actuarial difference is limited in all cases to an amount equivalent to that of the net change in the benefit obligation over the year.

For defined contribution plans, the Group records the contributions as an expense in the period they are paid.

OTHER EMPLOYEE BENEFITS

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees in France and in most of the countries in which the Group does business.

Each year, BNP Paribas estimates the net present value of these commitments and adjusts the related provision, applying the same method as for pension benefits.

RECOGNITION OF REVENUE AND EXPENSES

Interest and fees and commissions qualified as interest are recognised on an accruals basis. Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed.

NET ADDITIONS TO PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

Net additions to provisions for credit risks and country risks include expenses arising from the identification of counterparty risks, including country risks, litigation and fraud inherent to banking operations conducted with third parties. Net movements in provisions for contingencies and charges that do not fall under the category of such risks are classified in the profit and loss account according to their type.

FOREIGN CURRENCY TRANSACTIONS

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recorded in the profit and loss account.

Exchange differences arising from the conversion at the year-end exchange rate of assets denominated in foreign currencies that are held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches and other foreign equity investments, are not recognised in the profit and loss account.

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