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

Dated as of June 1, 2012

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FORWARD-LOOKING STATEMENTS

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

INCORPORATION BY REFERENCE

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

Our audited consolidated financial statements for the year ended December 31, 2011 included in the English-language version of our 2011 Registration Document (*Document de référence*) filed with the AMF (reference number D.12-0145), as well as Chapter 5 of such English-language Registration Document; our consolidated financial statements for the year ended December 31, 2010 included in the English-language version of our 2010 Registration Document (*Document de référence*) filed with the AMF (reference number D.11-0116) and Chapter 3 of the English-language version of the First Update to such Registration Document (*Actualisation du document de référence*) filed with the AMF (reference number D.11-0116-A01) are incorporated by reference in this information statement. Each Registration Document may also be consulted on our website at http://invest.bnpparibas.com. Other information contained on our website is not a part of this information statement.

EXCHANGE RATE AND CURRENCY INFORMATION

In this information statement, references to “euro”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. Most of the financial data presented in this information statement are presented in euros. References to “USD”, “$”, “U.S.$” and “U.S. dollars” are to United States dollars. References to “cents” are to United States cents. On May 30, 2012, the exchange rate as published by Bloomberg at approximately 12:30 p.m. (New York time) was $1.24 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 2012 (through May 25, 2012)	1.25	1.29	1.32	1.25
April 2012	1.32	1.32	1.33	1.31
March 2012	1.33	1.32	1.33	1.30
February 2012	1.34	1.32	1.35	1.31
January 2012	1.31	1.29	1.32	1.27
December 2011	1.30	1.32	1.35	1.29
November 2011	1.35	1.36	1.38	1.32
October 2011	1.39	1.37	1.42	1.33
Year **U.S. dollar/Euro**				
2011	1.30	1.39	1.49	1.29
2010	1.32	1.33	1.38	1.30
2009	1.43	1.39	1.51	1.25
2008	1.39	1.47	1.60	1.24
2007	1.47	1.38	1.49	1.29
2006	1.32	1.26	1.33	1.19

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

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

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 have been prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union.

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

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

RISK FACTORS

Risks Related to the Bank and its Industry

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

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

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

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

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

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

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

The new measures that have been or may be proposed and adopted include more stringent capital and liquidity requirements, taxes on financial transactions, restrictions and taxes on employee compensation over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and, potentially, investment banking activities more generally), restrictions on certain types of financial products such as derivatives, and the creation of new and strengthened regulatory bodies.

Certain measures that have been or are in the process of being adopted and will be applicable to the Bank, such as the Basel 3 and Capital Requirements Directive 4 prudential frameworks, the requirements in relation to them announced by the European Banking Authority and the designation of the Bank as a systemically important financial institution by the Financial Stability Board, will increase the Bank's regulatory capital and liquidity requirements and may limit its permissible leverage. The Bank has announced certain measures in relation to these requirements; ensuring and maintaining compliance with them in the future may lead the Bank to take various measures, such as further reducing its balance sheet or bolstering its capital base, that could weigh on its profitability and adversely affect its financial condition and results of operations.

Some of the new regulatory measures are proposals that are under discussion and that are subject to revision, and would in any case need adapting to each country's regulatory framework by national regulators. As a result, it is not possible to predict which proposed new measures will ultimately be adopted, what their final form will be or what impact they will have on the Bank. Depending on the nature and scope of regulatory measures that are ultimately adopted, they could (in addition to having the effects noted above) affect the Bank's ability to conduct (or impose limitations on) certain types of activities, its ability to attract and retain talent (particularly in its investment banking and financing businesses) and more generally its competitiveness and profitability, which would in turn have an adverse effect on its business, financial condition, and results of operations. Finally, it is difficult to predict what impact these measures might have on financial market conditions. It is conceivable that they could trigger or exacerbate future financial crises, particularly if they required significantly enhanced disclosure of risks or problem loan exposures that could be misinterpreted by investors, hence heightening their concern about banks and therefore restricting their sources of financing.

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

The Euro-zone sovereign debt crisis as well as the general macroeconomic environment adversely affected the availability and cost of funding for European banks in 2011. This was due to several factors, including a sharp increase in the perception of bank credit risk due to their exposure to sovereign debt in particular, credit rating downgrades of sovereigns and of banks, and debt market speculation. Many European banks, including the Bank, experienced restricted access to wholesale debt markets and to the interbank market, as well as a general increase in their cost of funding. Accordingly, reliance on direct borrowing from the European Central Bank increased substantially. Were such adverse credit market conditions to persist for an extended period or worsen due to factors relating to the economy or the financial industry in general or to the Bank in particular (such as ratings downgrades), the effect on the liquidity of the European financial sector in general and the Bank in particular could be materially adverse.

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

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

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

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in unlisted securities, real estate and other asset classes. These positions could be adversely affected by volatility in financial and other markets, i.e., the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. There can be no assurance that the extreme volatility and market disruptions experienced during the height of the 2008/2009 financial crisis will not return in the future and that the Bank will not incur substantial losses on its capital market activities as a result. Moreover, volatility trends that prove substantially different from the Bank's expectations may lead to losses relating to a broad range of other products that the Bank uses, including swaps, forward and future contracts, options and structured products.

To the extent that the Bank owns assets, or has net long positions, in any of those markets, a market downturn could result in losses from a decline in the value of its positions. Conversely, to the extent that the Bank has sold assets that it does not own, or has net short positions in any of those markets, a market upturn could expose it to potentially unlimited losses as it attempts to cover its net short positions by acquiring assets in a rising market. The Bank may from time to time have a trading strategy of holding a long position in one asset and a short position in another, from which it expects to earn 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.

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

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

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

In some of the Bank's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Bank cannot close out deteriorating positions in a timely way. This is particularly true for assets that are intrinsically illiquid. Assets that are not traded on stock exchanges or other public trading markets, such as 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 revenues or profitability.

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

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

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

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

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

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

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

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

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

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

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

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

The Bank is exposed to regulatory compliance risk, such as the inability to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. Besides damage to the Bank's reputation, non-compliance could lead to fines, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of operating licenses. This risk is exacerbated by continuously increasing regulatory oversight. This is the case in particular with respect to money laundering, the financing of terrorist activities or transactions with countries that are subject to economic sanctions. For example, U.S. laws require compliance with the rules administered by the Office of Foreign Assets Control relating to certain foreign countries, nationals or others that are subject to economic sanctions.

In addition to the measures described above, which were taken or proposed specifically in response to the financial crisis, the Bank is exposed to the risk of legislative or regulatory changes in all of the countries in which it operates, including, but not limited to, the following:

- monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investors' decisions, particularly in the markets in which the Group operates;
- general changes in regulatory requirements applicable to the financial industry, such as rules relating to applicable capital adequacy and liquidity frameworks;
- changes in tax legislation or the application thereof;
- changes in the competitive environment and prices;
- changes in accounting norms;
- changes in financial reporting requirements; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership.

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

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

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

The Bank's hedging strategies may not prevent losses.

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

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

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

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

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

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

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group as of December 31, 2011, 2010, 2009, 2008 and 2007 and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

The selected financial data for the Group as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2011, 2010 and 2009 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2011 and for the year ended December 31, 2011, and as of December 31, 2010 and for the year ended December 31, 2010, including comparative columns for the year ended December 31, 2009, incorporated by reference herein.

BNP Paribas Group	**Year ended December 31,** ***(in millions of euros)***				
Income Statement (EU-IFRS)	**2011**	**2010**	**2009**	**2008**	**2007**
Net interest income	23,981	24,060	21,021	13,498	9,708
Net commission income	8,419	8,486	7,467	5,859	6,322
Net gain on financial instruments at fair value through profit or loss	3,733	5,109	6,085	2,693	7,843
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	280	452	436	464	2,507
Net income from other activities	5,971	5,773	5,182	4,862	4,657
Revenues	**42,384**	**43,880**	**40,191**	**27,376**	**31,037**
Operating expense and depreciation	(26,116)	(26,517)	(23,340)	(18,400)	(18,764)
Gross operating income	**16,268**	**17,363**	**16,851**	**8,976**	**12,273**
Cost of risk	(6,797)	(4,802)	(8,369)	(5,752)	(1,725)
Operating income	**9,471**	**12,561**	**8,482**	**3,224**	**10,548**
Share of earnings of associates	80	268	178	217	358
Net gain on non-current assets	206	269	87	481	153
Change in value of goodwill	(106)	(78)	253	2	(1)
Income taxes	(2,757)	(3,856)	(2,526)	(472)	(2,747)
Minority interests	844	1,321	642	431	(489)
Net income attributable to equity holders	**6,050**	**7,843**	**5,832**	**3,021**	**7,822**

BNP Paribas Group Balance Sheet (EU-IFRS)	**At December 31, 2011**	**At December 31, 2010**	**At December 31, 2009**	**At December 31, 2008**	**At December 31, 2007**
	(in millions of euros)				
Assets					
Cash and amounts due from central banks and post office banks	58,382	33,568	56,076	39,219	18,542
Financial assets at fair value through profit or loss	820,463	832,945	828,784	1,192,271	931,706
Derivatives used for hedging purposes	9,700	5,440	4,952	4,555	2,154
Available-for-sale financial assets	192,468	219,958	221,425	130,725	112,594
Loans and receivables due from credit institutions	49,369	62,718	88,920	69,153	71,116
Loans and receivables due from customers	665,834	684,686	678,766	494,401	445,103
Remeasurement adjustment on interest-rate risk hedged portfolios	4,060	2,317	2,407	2,541	(264)
Held-to-maturity financial assets	10,576	13,773	14,023	14,076	14,808
Current and deferred tax assets	11,570	11,557	12,117	6,055	2,965
Accrued income and other assets	93,540	83,124	103,361	82,457	60,608
Policyholders' surplus reserve	1,247	-	-	531	-
Investments in associates	4,474	4,798	4,761	2,643	3,333
Investment property	11,444	12,327	11,872	9,920	6,693
Property, plant and equipment	18,278	17,125	17,056	14,807	13,165
Intangible assets	2,472	2,498	2,199	1,810	1,687
Goodwill	11,406	11,324	10,979	10,918	10,244
Total Assets	**1,965,283**	**1,998,158**	**2,057,698**	**2,075,551**	**1,694,454**
Liabilities and Shareholders' Equity					
Due to central banks and post office banks	1,231	2,123	5,510	1,047	1,724
Financial liabilities at fair value through profit or loss	762,795	725,105	709,337	1,054,802	796,125
Derivatives used for hedging purposes	14,331	8,480	8,108	6,172	1,261
Due to credit institutions	149,154	167,985	220,696	186,187	170,182
Due to customers	546,284	580,913	604,903	413,955	346,704
Debt securities	157,786	208,669	211,029	157,508	141,056
Remeasurement adjustment on interest-rate risk hedged portfolios	356	301	356	282	20
Current and deferred tax liabilities	3,489	3,745	4,762	3,971	2,475
Accrued expenses and other liabilities	81,010	65,229	72,425	83,434	58,815
Technical reserves of insurance companies	133,058	114,918	101,555	86,514	93,320
Provisions for contingencies and charges	10,480	10,311	10,464	4,388	4,738
Subordinated debt	19,683	24,750	28,209	18,323	18,641
Minority interests in consolidated subsidiaries	10,256	10,997	10,843	5,740	5,594
Shareholders' equity (group share)	75,370	74,632	69,501	53,228	53,799
Total Liabilities and Shareholders' Equity	**1,965,283**	**1,998,158**	**2,057,698**	**2,075,551**	**1,694,454**

BNP Paribas Group Capital Ratios (EU-IFRS)[1]	**At December 31,**			
	2011	**2010**	**2009**	**2008**
Total ratio	14.0%	14.5%	14.2%	11.1%
Tier 1 ratio	11.6%	11.4%	10.1%	7.8%
Risk-weighted assets (in billions of euros)	614	601	621	535

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

CAPITALIZATION OF THE GROUP

The following table sets forth the consolidated capitalization of the Group as of March 31, 2012 and December 31, 2011.

Except as set forth in this section, there has been no material change in the capitalization of the Group since March 31, 2012.

(in millions of euros)	As of March 31, 2012	As of December 31, 2011
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	32,028	30,492
Other debt securities	70,229	70,014
Subordinated debt	12,522	13,347
Total Medium- and Long-Term Debt	**114,779**	**113,853**
Shareholders' Equity		
Issued capital[2]	2,415	2,415
Additional paid-in capital	23,034	23,263
Preferred shares and equivalent instruments[3]	7,261	7,261
Retained earnings	46,034	42,395
Unrealized or deferred gains and losses attributable to Shareholders	1,179	(1,394)
Undated participating subordinated notes[4]	227	224
Undated subordinated FRNs[5]	2,815	4,314
Total Shareholders' Equity	**82,965**	**78,478**
Minority interests[6]	7,999	9,957
Total Capitalization	**205,743**	**202,288**

Notes:

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

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

Euro against foreign currency as of December 31, 2011, CAD = 1.3174, GBP = 0.8353, CHF = 1.2167, HKD = 10.0688, JPY = 99.7649, USD = 1.2959

Euro against foreign currency as March 31, 2012, CAD = 1.3298, GBP = 0.8335, CHF = 1.2038, HKD = 10.3512, JPY = 110.4772, USD = 1.3333

2) At December 31, 2011, the Bank's share capital stood at €2,415,491,972 divided into 1,207,745,986 shares with a par value of €2 each.

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

2011, the Bank launched an offer to exchange these notes for new unsubordinated bonds. Following completion of this tender offer, $1,070 million of the undated deeply subordinated non-cumulative notes remain outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Undated participating subordinated notes issued by BNP SA between 1984 and 1988 for a total amount of €337 million are redeemable only in the event of the liquidation of the Bank, but may be redeemed in accordance with the terms specified in the French law of January 3, 1983. Under this option, 434,267 of the 2,212,761 notes originally issued were redeemed and subsequently cancelled between 2004 and 2007. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Ordinary General Meeting of shareholders held to approve the financial statements notes that there is no income available for distribution.

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

of the CASHES holders (*i.e.*, the remainder, following the conversion of the CASHES acquired by the Bank as described below, of the 125,313,283 Fortis Units that Fortis Bank SA/NV acquired on the date of issuance of the CASHES).

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

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

As of December 31, 2011, the remaining subordinated debt included €465 million of undated floating-rate subordinated notes (TSDIs), €1,931 million of other undated subordinated notes and €893 million of undated subordinated debt.

6) 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 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 plus a margin equal to 2.33%.

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 plus a margin equal to 2.48%.

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

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

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

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

The following discussion and analysis relates to the results of operations and financial condition of the Group for the year ended and as of December 31, 2011 as compared to the year ended and as of December 31, 2010, and for the year ended and as of December 31, 2010 as compared to the year ended December 31, 2009. 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, 2011 and 2010 and as of and for the years ended December 31, 2010 and 2009.

Economic Conditions

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

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

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

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

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

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

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

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

has also contributed to a shifting political landscape with opposition parties winning elections based on anti-austerity platforms.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. The dollar demonstrated growth during the first quarter of 2009, but weakened during the course of the year, ending at 1.43 dollars per one euro. The dollar strengthened during 2010, ending at 1.34 dollars per one euro. The dollar strengthened in 2011, ending at 1.30 dollars per one euro. The average rate in 2011 was 1.39 per one euro.

Basis of Presentation

General

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 3 to the Group's audited consolidated financial statements as of and for the year ended December 31, 2011 for further segment information.

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

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

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

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

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

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

Overview

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**42,384**	**43,880**	**-3.4%**
Operating expenses and depreciation	(26,116)	(26,517)	-1.5%
Gross operating income	**16,268**	**17,363**	**-6.3%**
Cost of risk	(6,797)	(4,802)	+41.5%
Operating income	**9,471**	**12,561**	**-24.6%**
Share of earnings of associates	80	268	-70.1%
Other non-operating items	100	191	-47.6%

Non-operating items	**180**	**459**	**-60.8%**
Pre-tax income	**9,651**	**13,020**	**-25.9%**
Corporate income tax	(2,757)	(3,856)	-28.5%
Net income attributable to minority interests	(844)	(1,321)	-36.1%
Net income attributable to equity holders	**6,050**	**7,843**	**-22.9%**
Cost/income ratio	61.6%	60.4%	+1.2%

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

In this exceptional environment, the Group generated €42,384 million in revenues[5], down 3.4% compared to 2010. Operating expenses came to €26,116 million (-1.5%)[6] and gross operating income was down 6.3% to €16,268 million. Due to the Greek sovereign debt provision (-€3,241 million), the cost of risk was up 41.5% to €6,797 million. Excluding this effect, it was down 25.9% to €3,556 million. After the impact of the Greek sovereign debt impairment in the insurance partnerships (-€213 million), pre-tax income was down 25.9% to €9,651 million. After the corporate tax charge (-€2,757 million) and minority interests (-€844 million), net income attributable to equity holders came to €6,050 million, down 22.9% compared to 2010.

Despite this exceptionally challenging environment, the Group has confirmed its expertise in corporate integration. The successful integration of BNP Paribas Fortis and BGL BNP Paribas with the Group due to the dedication of teams in all of the Bank's territories and business units produced €1,127 million in synergies in 2011, an amount close to the €1,200 million target set for 2012. An additional €300 million per year planned to be achieved starting in 2012 should bring the total amount of synergies to €1,500 million compared to €900 million initially planned. The corresponding residual restructuring costs are expected to total €300 million in 2012.

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

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

Results of Operations by Division

Retail Banking

All of the retail banking business units had very strong business performances, driven in part by deposit and loan volume growth. The cost of risk contraction in all the business units enabled Retail Banking to generate pre-tax income[7] increasing by 22.8% compared to 2010, after allocating one-third of French, Italian and Belgian Private Banking's net income to the Investment Solutions division, which equates to a 23% pre-tax return on equity, a four point jump for the period.

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

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

7 Excluding PEL/CEL effects.

French Retail Banking (FRB)

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

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

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

Thanks to these solid sales and marketing efforts, revenues[8] grew to €6,968 million (+1.7% compared to 2010): net interest income (+2.3%) was driven by volume growth and the favorable structural trend in deposits while fee growth was limited to 0.9%.

At €4,573 million, operating expenses[8] edged up 1.3%, affected by exceptional profit-sharing and bank levies. Excluding this effect, their growth was contained at 0.4%. This good operating performance helped FRB generate 2.6% gross operating income[8] growth and a further 0.3 point improvement in cost/income ratio, bringing it to 65.6%. The cost of risk[8], at 22 basis points of outstanding customer loans, was particularly low for the whole year, down 13 basis points compared to 2010.

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

BNL Banca Commerciale (BNL bc)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**3,140**	**3,060**	**+2.6%**
Operating expenses and depreciation	(1,829)	(1,798)	+1.7%
Gross operating income	**1,311**	**1,262**	**+3.9%**
Cost of risk	(795)	(817)	-2.7%
Operating income	**516**	**445**	**+16.0%**
Non-operating items	(0)	(2)	n.s.

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

Pre-tax income	**516**	**443**	**+16.5%**
Income attributable to Investment Solutions	(14)	(11)	+27.3%
Pre-tax income of BNL bc	**502**	**432**	**+16.2%**
Cost/income ratio	58.2%	58.8%	-0.6 pt
Allocated equity (in billions of euros)	5.0	4.8	+3.8%
Including 100% of Italian Private Banking for revenues to pre-tax income line items			

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

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

Revenues[9], at €3,140 million, were up 2.6% compared to 2010, with a balanced contribution of net interest revenues (+2.4%) driven by volumes, and fee growth (+2.9%), due to solid business with individuals and companies, especially flow products (cash management, factoring, fixed income).

Even though 27 new branches and 19 Small Business Centers were opened in 2011, operating expenses[9] rose only 1.7%. Excluding bank levies, the growth was contained at +0.9%. This excellent operating performance is reflected in 3.9% gross operating income[9] growth at €1,311 million and a further 0.6 point improvement in the cost/income ratio at 58.2%. Since BNL bc was integrated into the Bank in 2006, the Italian network has regularly improved its operating efficiency, positioning it now among the best comparable banks.

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

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

BeLux Retail Banking (BeLux RB)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)[10]**
Revenues	**3,555**	**3,388**	**+4.9%**
Operating expenses and depreciation	(2,509)	(2,420)	+3.7%
Gross operating income	**1,046**	**968**	**+8.1%**
Cost of risk	(170)	(219)	-22.4%
Operating income	**876**	**749**	**+17.0%**
Non-operating items	12	4	n.s.
Pre-tax income	**888**	**753**	**+17.9%**
Income attributable to Investment Solutions	(69)	(64)	+7.8%
Pre-tax income of BeLux Retail Banking	**819**	**689**	**+18.9%**
Cost/income ratio	70.6%	71.4%	-0.8 pt
Allocated equity (in billions of euros)	3.1	2.9	+7.8%
Including 100% of Belgian Private Banking for revenues to pre-tax income line items			

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

9 With 100% of Italian Private Banking.

10 At constant scope.

(+7.5%) with a favorable structural effect, the gathering of demand deposits (+8.9%) and savings accounts (+7.5%) being greater than term deposits gathered (+5.2%).

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

Revenues[11], which came to €3,555 million, were up 4.9% compared to 2010, driven by net interest income growth as a result of volume growth.

With the hiring of sales and marketing staff, operating expenses[11] were up 3.7% compared to 2010. As a result, BeLux Retail Banking posted gross operating income[11] up 8.1% for the period at €1,046 million, and the cost/income ratio improved a further 0.8 point to 70.6%.

The cost of risk[11], at 19 basis points of outstanding customer loans, was maintained at an especially low level throughout 2011, down 7 basis points compared to 2010.

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

Europe-Mediterranean

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**1,586**	**1,682**	**-5.7%**
Operating expenses and depreciation	(1,277)	(1,303)	-2.0%
Gross operating income	**309**	**379**	**-18.5%**
Cost of risk	(268)	(346)	-22.5%
Operating income	**41**	**33**	**+24.2%**
Share of earnings of associates	50	51	-2.0%
Other non operating items	20	2	n.s.
Pre-tax income	**111**	**86**	**+29.1%**
Cost/income ratio	80.5%	77.5%	+3.0 pts
Allocated equity (in billions of euros)	2.6	2.5	+6.9%

In 2011, Europe-Mediterranean continued its selective business development as illustrated by the solid deposit growth (+11.6%[12]) achieved in most countries, especially in Turkey, and loan growth (+7.3%[12]). In Turkey, the integration of the two entities is ahead of the schedule announced: the operational merger was successfully achieved and the streamlining of the network has been completed.

Revenues totaled €1,586 million, up slightly (+0.7%[12]) compared to 2010. Excluding Ukraine, revenues rose 2.1%[12] as growth in the Mediterranean was vigorous (+10.6%[12]).

Operating expenses rose 4.5%[12] to reach €1,277 million after the opening of 46 branches in the Mediterranean, of which 32 were in Morocco. Thanks to cost of risk contraction, at 115 basis points compared to 146 basis points in 2010, operating income was €41 million.

As a result of capital gains (+€25 million) from the sale of the Madagascar network in the third quarter of the year, Europe-Mediterranean posted €111 million in pre-tax income, up 66.5%[12] compared to 2010.

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[11] With 100% of Belgian Private Banking.

[12] At constant scope and exchange rates.

BancWest

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

In 2011, BancWest benefited from the gradual improvement of the U.S. economy. It managed to grow its core deposits substantially and on a regular basis, thereby achieving an average growth of +10.6%[13] compared to 2010 and bringing the growth of all deposits to +6.6%[13]. Loans were down 0.8%[13] on average compared to 2010 due to lower outstanding mortgages (-6.7%[13]), but up in the second half of the year due to a rebound in corporate loans (+3.3%[13] in the fourth quarter of 2011 compared to the previous quarter).

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

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

As a result, the cost/income ratio was 56.7%, up two points during the period, and remained quite competitive. Gross operating income, which came to €946 million, was down -8.5% compared to 2010 (-3.9%[13]).

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

Accordingly, despite the impact of the new regulations on operating performance, BancWest's pre-tax income soared to €691 million (+26.7%[13] compared to 2010).

Personal Finance

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

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

Allocated equity (in billions of euros)	4.0	3.9	+2.3%

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

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

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

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

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

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

Equipment Solutions

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

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

Investment Solutions

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

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

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

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

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

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

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

Wealth and Asset Management

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

Insurance

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

Securities Services

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

Corporate and Investment Banking (CIB)

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

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

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

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

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

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

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

Advisory and Capital Markets

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

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

Fixed Income's revenues were down 18.8%, excluding losses from sovereign bond sales, due in part to the reduced level of activity and high volatility in the markets because of concerns over the Euro-zone in the second half of the year. Against this backdrop, the business unit is pursuing its strategy to service its client in the markets, confirming its leading position in bond issues in euros and being ranked fourth for international bonds in all currencies.[14]

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

Financing Businesses

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

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

[14] Thomson Reuters Bookrunner Rankings, 2011.

Corporate Center

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

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

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

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

Results of Operations by Nature of Income or Expense

Revenues

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

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

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

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

- net interest income from loans and receivables, including the interest, transaction costs, fees, and commissions included in the initial value of the loan; these items are calculated using the effective interest method and recognized in the profit and loss account over the life of the loan;

- net interest income from fixed-income securities held by the Group which are classified as "Financial assets at fair value through profit or loss" (for the contractual accrued interest) and "Available-for-sale financial assets" (for the interest calculated using the effective interest method);

- interest income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and

- net interest income from cash flow hedges, which are used in particular to hedge interest rate risk on variable-rate assets and liabilities. Changes in the fair value of cash flow hedges are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are recognized as profit or loss in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The growth in net income from insurance activities in 2011 can mainly be attributed to an increase in technical reserves, which shifted from a negative €7,608 million in 2010 to a positive €1,572 million in 2011. This primarily reflects a decline in the value of admissible investments related to unit-linked contracts, which swung from a net gain of €1,412 million in 2010 to a net loss of €1,597 million in 2011. Gross premiums written fell from €18,691 million in 2010 to €16,288 million in 2011. The claims and benefits expense rose from €8,996 million in 2010 to €12,484 million in 2011.

Operating Expenses, Depreciation and Amortization

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

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

Gross Operating Income

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

Cost of Risk

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

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

The increase in the cost of risk in 2011 can be attributed to a €3,421 million impairment loss recognized on the Group's Greek sovereign debt holdings.

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

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

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

Net Income Attributable to Equity Holders

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

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

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

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

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

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

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

Financial Condition

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

Assets

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

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

by an increase in the replacement value of trading book derivatives due to changes in market parameters.

The above were partially offset by:

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

- a 13%, or €10.4 billion, rise in accrued income and other assets to €93.5 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities (excluding shareholders' equity)

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

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

The above were partially offset by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Shareholders' Equity Attributable to the Group

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

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

Off-Balance Sheet Items

Financing Commitments

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

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

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

Guarantee Commitments

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

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

Year ended December 31, 2010 as compared with year ended December 31, 2009

The following discussion presents the financial condition of the Group as of December 31, 2010 as compared to December 31, 2009, as well as the results of operations for the Group for the year ended December 31, 2010 as compared to the year ended December 31, 2009. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

Overview

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**43,880**	**40,191**	**+9.2%**
Operating expenses and depreciation	(26,517)	(23,340)	+13.6%
Gross operating income	**17,363**	**16,851**	**+3.0%**
Cost of risk	(4,802)	(8,369)	-42.6%
Operating income	**12,561**	**8,482**	**+48.1%**
Share of earnings of associates	268	178	+50.6%
Other non-operating items	191	340	-43.8%
Non-operating items	**459**	**518**	**-11.4%**
Pre-tax income	**13,020**	**9,000**	**+44.7%**
Corporate income tax	(3,856)	(2,526)	+52.7%
Net income attributable to minority interests	(1,321)	(642)	n.s.
Net income attributable to equity holders	**7,843**	**5,832**	**+34.5%**
Cost/income ratio	60.4%	58.1%	+2.3pt

Results of Operations by Division

As part of the integration plan for the Fortis Group entities acquired, the business activities of BNP Paribas Fortis and BGL BNP Paribas have been transferred to the corresponding business lines and divisions of the Group. To make such data comparable to the 2010 figures, the 2009 data has been restated as if these transfers had taken place on the acquisition date.

Retail Banking

French Retail Banking (FRB)

In 2010, 56% of the divisions' revenues came from the Retail Banking's banking networks and specialized financial services business units.

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**6,877**	**6,541**	**+5.1%**

Incl. net interest income	*4,004*	*3,816*	*+4.9%*
Incl. commissions	*2,873*	*2,725*	*+5.4%*
Operating expenses and depreciation	(4,541)	(4,367)	+4.0%
Gross operating income	**2,336**	**2,174**	**+7.5%**
Cost of risk	(484)	(518)	-6.6%
Operating income	**1,852**	**1,656**	**+11.8%**
Non-operating items	1	1	+0.0%
Pre-tax income	**1,853**	**1,657**	**+11.8%**
Income attributable to Investment Solutions	(118)	(102)	+15.7%
Pre-tax income of FRB	**1,735**	**1,555**	**+11.6%**
Cost/income ratio	66.0%	66.8%	-0.8pt
Allocated equity (in billions of euros)	5.8	5.6	+2.6%
Including 100% of French Private Banking for Revenues to Pre-Tax Income line items			

For the whole of 2010, the FRB teams were fully dedicated to enhancing the service offering and making full use of the expertise of all of the Group's business units in supporting their clients—individuals, small businesses and companies—in their projects. This dedication is illustrated by growth in outstanding loans (+3.6%[15] as compared to 2009), driven by strong growth in mortgages (+8.1%[15]) against a backdrop of very low interest rates. Although corporate demand remained very low on the whole (outstandings: -1.5%[15] as compared to 2009), the success of initiatives targeting small businesses, VSEs and SMEs helped jumpstart their demand for loans at the end of the year (+3.5% as compared to December 31, 2009).

Deposits rose 1.9%[15] on average compared to 2009 benefiting from a favorable structural effect with strong current account growth (+9.5%[15]). The end of the year was marked by the beginning of a re-intermediation of money market mutual funds to savings accounts and term deposits.

Asset inflows into life insurance rose a further 8.5% compared to December 31, 2009 despite extremely low interest rates.

Thanks to a good sales and marketing drive, revenues[16] reached €6,877 million. At constant scope, revenues rose 3.6%: net interest income growth (+3.3%) was driven by the increase in volumes and a favorable trend in the structure of deposits; fees were up (+4.0%) due to gains of individuals customers with a total of 190,000 net new current accounts opened and despite households' continued aversion to financial markets.

A moderate rise in operating expenses[16] (+2.2%[15]) to €4,541 million helped the division generate a 1.4 point[15] jaws effect, outperforming the target set for 2010. The cost/income ratio improved a further 0.9 point[15] at 66.0%. This solid operating performance helped push up gross operating income[16] 6.3%[15] to €2,336 million. The cost of risk[16], at 35 basis points of outstanding customer loans, started to decline compared to 2009 (41 basis points).

After allocating one-third of French Private Banking's net income to the Investment Solutions division, FRB's pre-tax income came to €1,735 million, up sharply by 11.6% over 2009.

BNL Banca Commerciale (BNL bc)

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**3,060**	**3,003**	**+1.9%**
Operating expenses and depreciation	(1,798)	(1,801)	-0.2%
Gross operating income	**1,262**	**1,202**	**+5.0%**
Cost of risk	(817)	(671)	+21.8%
Operating income	**445**	**531**	**-16.2%**
Non-operating items	(2)	0	n.s.
Pre-tax income	**443**	**531**	**-16.6%**

15 At constant scope and exchange rates.

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

Income attributable to Investment Solutions	(11)	(7)	+57.1%
Pre-tax income of BNL bc	**432**	**524**	**-17.6%**
Cost/income ratio	58.8%	60.0%	-1.2pt
Allocated equity (in billions of euros)	4.8	4.6	+4.2%
Including 100% of Italian private banking for revenues to pre-tax income line items			

For the whole of 2010, amidst a slow recovery of the Italian economy, BNL bc continued to implement its action plan to improve the product offering and to expand cross-selling with Investment Solutions (financial savings) and CIB (cash management, international trade finance and structured finance). Weak growth in loans (+0.3%[17]) was due to an increase in investment loans to companies (+1.0%[17]) while the trend in lending to individuals (-0.5%[17]) was affected by steadfast efforts to maintain margins in a context of demand for mortgage terms renegotiation. Deposits rose 2.7%[17]. Financial saving continued to grow due to the renewal of the offering, both in life insurance and mutual funds.

At €3,060 million, revenues[18] edged up 1.9% compared to 2009 (+1.5% at constant scope). They held up well due to strong growth in fees (+8.5%[17]) due to the significant expansion of cross-selling both in terms of financial savings and flow products. However, net interest income fell (-2.0%[17]) due to eroding loan margins and a moderate rise in volumes.

While 54 new branches were opened in 2010 and the branch renovation and network restructuring program was almost completed, operating expenses[18] dipped 0.7%[17] thanks, in particular, to the impact of synergies derived from the integration of Banca UCB and Fortis. This good operating performance translated into a further 1.3 point[17] improvement of the cost/income ratio at 58.8% and helped BNL bc produce a positive 2.2 point[17] jaws effect. Gross operating income[18], which totaled €1,262 million, was up 4.8%[17] compared to 2009.

The Italian economic environment again weighed on the cost of risk[18], which, at €817 million, was up 21.1% at 107 basis points compared to 91 basis points in 2009. It nevertheless stabilized around this level for the whole of 2010.

As a result, after allocating one-third of Italian Private Banking's net income to the Investment Solutions division, BNL bc's pre-tax income came to €432 million, down 17.2%[17] compared to 2009.

BeLux Retail Banking (BeLux RB)

(in millions of euros)	**2010**	**2009[19]**	**Change (2010/2009)[17]**
Revenues	**3,377**	**3,174**	**+6.6%**
Operating expenses and depreciation	(2,409)	(2,352)	+2.5%
Gross operating income	**968**	**822**	**+18.1%**
Cost of risk	(219)	(451)	-51.4%
Operating income	**749**	**371**	**n.s.**
Non-operating items	3	(3)	n.s.
Pre-tax income	**752**	**368**	**n.s.**
Income attributable to Investment Solutions	(64)	(53)	+22.0%
Pre-tax income of BeLux Retail Banking	**688**	**315**	**n.s.**
Cost/income ratio	71.3%	74.1%	-2.8pt
Allocated equity (in billions of euros)	2.8	3.1	-11.8%
Including 100% of Belgian private banking for Revenues to pre-tax income line items			

17 At constant scope and exchange rates.

18 With 100% of of Italian Private Banking.

19 On April 19, 2010, BNP Paribas issued a restatement of its divisional results for 2009 reflecting, among other things, the breakdown of BNP Paribas Fortis businesses across the Group's different business units and operating divisions and transfers of businesses between business units. Data pertaining to 2009 results has been represented as though the transactions had occurred as at January 1, 2009, although BNP Paribas Fortis' contribution was effective only as from May 12, 2009, the date when it was first consolidated.

For the whole of 2010, BeLux Retail Banking, the new retail banking entity in Belgium and Luxembourg, pursued its sales and marketing drive and reaped the benefits of its restored franchise. It also continued on-going efforts to improve customer satisfaction and to increase cross-selling with CIB to companies and the public sector, in particular with respect to syndicated loans, bond issues and acquisition finance.

Outstanding loans grew by 2.2%[17] compared to 2009, driven by fast-paced growth in mortgages in Belgium and Luxembourg and the upswing in demand from small businesses while demand from companies, who prefer financing on capital markets, remained limited. Outstanding deposits, at €97.8 billion, jumped (+11.4%[17]) with good asset inflows into current accounts (+7.5%[17]) and into savings accounts and out of term deposits. Belgian Private Banking's assets under management rose 13.2% compared to 2009.

Revenues[20] totaled €3,377 million, up 6.6%[17] compared to 2009, driven by growth in volumes and margins holding up well.

Thanks to the optimization of costs as a result of the implementation of the business plan, the rise in operating expenses[20] was limited to 2.5%[17] compared to 2009 and helped BeLux Retail Banking generate €968 million in gross operating income[20], up 18.1%[17] for the period. The positive 4.1 point jaws effect was better than the target set for the 2010. The 71.3% cost/income ratio improved 2.8 points[17] during the period.

The €219 million cost of risk[20], or 27 basis points of outstanding customer loans, was cut in half[17] compared to 2009 reaching a moderate level.

After allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BeLux Retail Banking's pre-tax income came to €688 million. It was double[17] the 2009 level.

Europe-Mediterranean

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**1,878**	**1,847**	**+1.7%**
Operating expenses and depreciation	(1,401)	(1,194)	+17.3%
Gross operating income	**477**	**653**	**-27.0%**
Cost of risk	(392)	(869)	-54.9%
Operating income	**85**	**(216)**	**n.s.**
Share of earnings of associates	20	12	+66.7%
Other non operating items	(1)	0	n.s.
Pre-tax income	**104**	**(204)**	**n.s.**
Cost/income ratio	74.6%	64.6%	+10.0pt
Allocated equity (in billions of euros)	2.8	2.9	-1.1%

For the whole of 2010, Europe-Mediterranean continued to reengineer the business operations in Ukraine and to gain new customers in other countries (+600,000 in total). Outstanding loans grew on average 2.6%[17] excluding Ukraine compared to 2009. The international trade finance and corporate cash management businesses are growing successfully.

Revenues totaled €1,878 million. The slight drop (-2.9%[17]) compared to 2009 is due to the combination of significant contraction in Ukraine (-24.8%[17]) and 1.8%[17] growth excluding Ukraine.

Operating expenses rose 3.3%[17] to €1,401 million.

The cost of risk was down sharply to 149 basis points compared to 355 basis points in 2009 with an improvement in all of the leading countries, especially in Ukraine. As a result, in keeping with its target, Europe-Mediterranean returned to a break-even point: pre-tax income totaled €104 million compared to a pre-tax loss of -€204 million in 2009.

[20] With 100% of of Belgian Private Banking.

BancWest

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**2,284**	**2,162**	**+5.6%**
Operating expenses and depreciation	(1,250)	(1,167)	+7.1%
Gross operating income	**1,034**	**995**	**+3.9%**
Cost of risk	(465)	(1,195)	-61.1%
Operating income	**569**	**(200)**	**n.s.**
Share of earnings of associates	0	0	n.s.
Other non operating items	4	3	+33.3%
Pre-tax income	**573**	**(197)**	**n.s.**
Cost/income ratio	54.7%	54.0%	+0.7pt
Allocated equity (in billions of euros)	3.2	3.2	-1.2%

For the whole of 2010, BancWest managed to grow its core deposits significantly and on a regular basis, on average 9.7% compared to 2009. If one adds to that less frequent and more costly jumbo CDs, deposits grew on aggregate by 2.9%[17]. Loans were down 4.4%[17] on average compared to 2009 but at the end of the year the improved economy and an upswing in marketing spending resulted in a pickup in consumer loans and corporate loans. Net interest margin expanded on average 15 basis points.

Against this backdrop, revenues were up 5.6% compared to 2009 to €2,284 million (+1.0% at constant scope; the dollar appreciated in value relative to the euro by an average 5%).

Operating expenses were up 7.1% (+2.4% at constant exchange rates). The cost/income ratio edged up from 54.0% to 54.7% and remained very competitive.

Gross operating income therefore came to €1,034 million (+3.9%; -0.7% at constant exchange rates).

The cost of risk benefited from a more favorable economic environment and the improved quality of the portfolios. It fell from 310 basis points in 2009 to 119 basis points in 2010. The property related Asset Backed Securities portfolio was brought down to a very small amount (€78 million as at December 31, 2010 compared to €759 million as at December 31, 2009). The average non-accruing loan ratio was fairly stable since the last quarter 2009 (3.01%) and even started to fall in the fourth quarter 2010 (2.96%).

As a result, the pre-tax income came to €573 million compared to a loss of €197 million in 2009.

Personal Finance

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**5,050**	**4,340**	**+16.4%**
Operating expenses and depreciation	(2,324)	(2,068)	+12.4%
Gross operating income	**2,726**	**2,272**	**+20.0%**
Cost of risk	(1,921)	(1,938)	-0.9%
Operating income	**805**	**334**	**n.s.**
Share of earnings of associates	77	61	+26.2%
Other non operating items	11	31	-64.5%
Pre-tax income	**893**	**426**	**n.s.**
Cost/income ratio	46.0%	47.6%	-1.6pt
Allocated equity (in billions of euros)	3.9	3.5	+10.0%

For the whole of 2010, in a changing business and regulatory environment, Personal Finance continued its efforts initiated in 2009 to adapt its business model as well as its growth and industrialization strategy: it formed a partnership with Commerzbank giving it access to a network of 1,200 branches and 11 million customers in Germany; in France, it forged a partnership with BPCE to create a common consumer loan management IT platform; it implemented the Findomestic integration plan in Italy.

Personal Finance's revenues, which totaled €5,050 million, were up 16.4% compared to 2009. At constant scope and exchange rates, they grew 5.1% due to the rise in outstandings (+4.0%[17]) driven by origination growth, in particular in France, Italy, Germany, Brazil and Turkey with a low risk profile and good profitability.

Operating expenses rose 3.0%[17] and helped generate gross operating income up 7.1%[17] at €2,726 million as well as a positive 2.1 point[17] jaws effect in line with the target set for 2010. The cost/income ratio, at 46.0%, improved a further 1point[17].

The cost of risk, at €1,921 million (or 232 basis points of outstandings), started to drop in most countries and was down 11.3%[17] overall.

The pre-tax income totaled €893 million, nearly twice the 2009 level.

Equipment Solutions

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**1,506**	**1,200**	**+25.5%**
Operating expenses and depreciation	(807)	(740)	+9.1%
Gross operating income	**699**	**460**	**+52.0%**
Cost of risk	(283)	(307)	-7.8%
Operating income	**416**	**153**	**n.s.**
Share of earnings of associates	(10)	(3)	n.s.
Other non operating items	1	(2)	n.s.
Pre-tax income	**407**	**148**	**n.s.**
Cost/income ratio	53.6%	61.7%	-8.1pt
Allocated equity (in billions of euros)	2.1	2.0	+4.0%

For the whole of 2010, Equipment Solutions' revenues, at €1,506 million, soared compared to 2009 (+25.5%). At constant scope and exchange rates, they grew 16.9% due to a rebound in used vehicle prices and the expansion of the financed automobile fleet (+4.0%) and the fact that the leasing businesses held up well. This good boost to business combined with control of operating expenses (+3.8%[17]) helped the business unit generate major gross operating income growth (+36.8%[17]). This operating performance combined with a sharp drop in the cost of risk (-22.0%[17]) helped Equipment Solutions generate €407 million in pre-tax income, more than three times[17] the 2009 level.

Investment Solutions

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**6,163**	**5,363**	**+14.9%**
Operating expenses and depreciation	(4,365)	(3,835)	+13.8%
Gross operating income	**1,798**	**1,528**	**+17.7%**
Cost of risk	16	(41)	n.s.
Operating income	**1,814**	**1,487**	**+22.0%**
Share of earnings of associates	106	11	n.s.
Other non operating items	62	(35)	n.s.
Pre-tax income	**1,982**	**1,463**	**+35.5%**
Cost/income ratio	70.8%	71.5%	-0.7pt
Allocated equity (in billions of euros)	6.4	5.9	+8.9%

For the whole of 2010, Investment Solutions' net asset outflows totaled €3.3 billion: good asset inflows in Insurance (+€8.4 billion), Private Banking (+€3.2 billion despite a challenging environment) and Personal Investors (+€1.4 billion) only partly offset the €17.6 billion in asset outflows in asset management, primarily due to money market funds (-€12.7 billion). Combined with positive performance and foreign exchange effects, this asset movement nevertheless pushed managed assets[21] up 7.5%, compared to December 31, 2009, to €901 billion.

At €6,163 million, revenues were up 14.9% compared to 2009. At constant scope and exchange rates, they grew 6.8% driven by a rise in assets under management, by the fact that the private banking and asset management businesses held up well despite individual customers' aversion to risk, by a sharp rise in gross written premiums in Insurance in France (+8.4%) and outside of France (+13.5%) and by Securities Services' good business drive in the second half of the year, the growth in assets under custody and under administration more than offsetting the decline in the volume of transactions.

Operating expenses, at €4,365 million, were up 3.7%[17] due to continued investments to support business development, in particular in the Insurance and Securities Services business units.

After receiving one-third of the income from private banking in the domestic markets, pre-tax income, which was €1,982 million, soared 28.5%[17]. The good operating performance of all of the business units was supplemented by a significant contribution from the equity affiliates in insurance and by the sell-off of certain businesses as part of an effort to streamline the organization.

Wealth and Asset Management

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**3,384**	**2,935**	**+15.3%**
Operating expenses and depreciation	(2,477)	(2,155)	+14.9%
Gross operating income	**907**	**780**	**+16.3%**
Cost of risk	19	(52)	n.s.
Operating income	**926**	**728**	**+27.2%**
Share of earnings of associates	29	(4)	n.s.
Other non operating items	41	(10)	n.s.
Pre-tax income	**996**	**714**	**+39.5%**
Cost/income ratio	73.2%	73.4%	-0.2pt
Allocated equity (in billions of euros)	1.5	1.5	-4.0%

Insurance

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**1,571**	**1,282**	**+22.5%**
Operating expenses and depreciation	(855)	(725)	+17.9%
Gross operating income	**716**	**557**	**+28.5%**
Cost of risk	(3)	8	n.s.
Operating income	**713**	**565**	**+26.2%**
Share of earnings of associates	80	13	n.s.
Other non operating items	21	(25)	n.s.
Pre-tax income	**814**	**553**	**+47.2%**
Cost/income ratio	54.4%	56.6%	-2.2pt
Allocated equity (in billions of euros)	4.6	4.0	+15.1%

[21] Assets under management and advisory for external clients.

Securities Services

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**1,208**	**1,146**	**+5.4%**
Operating expenses and depreciation	(1,033)	(955)	+8.2%
Gross operating income	**175**	**191**	**-8.4%**
Cost of risk	0	3	n.s.
Operating income	**175**	**194**	**-9.8%**
Other non operating items	(3)	2	n.s.
Pre-tax income	**172**	**196**	**-12.2%**
Cost/income ratio	85.5%	83.3%	+2.2pt
Allocated equity (in billions of euros)	0.3	0.3	-6.8%

Corporate and Investment Banking (CIB)

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**11,998**	**13,497**	**-11.1%**
Operating expenses and depreciation	(6,442)	(6,174)	+4.3%
Gross operating income	**5,556**	**7,323**	**-24.1%**
Cost of risk	(314)	(2,473)	-87.3%
Operating income	**5,242**	**4,850**	**+8.1%**
Share of earnings of associates	44	21	n.s.
Other non operating items	19	(5)	n.s.
Pre-tax income	**5,305**	**4,866**	**+9.0%**
Cost/income ratio	53.7%	45.7%	+8.0pt
Allocated equity (in billions of euros)	13.9	15.1	-8.2%

For the whole of 2010, CIB's revenues totaled €11,998 million, down 11.1% compared to 2009. At constant scope and exchange rates, they fell 18.8% compared to the exceptionally high base in 2009 and were the result of a balanced contribution between the business units.

The division's operating expenses, at €6,442 million, were down 4.5%[17] compared to 2009, despite the bolstering of the organizations in Asia and in the United States, in particular for Fixed Income and Structured Finance.

The cost/income ratio was 53.7%, still the best in the banking industry.

The division's cost of risk, at €314 million, was down sharply compared to 2009 (€2,473 million). The decline was particularly significant for the financing businesses, the cost of risk of which, 98 basis points in 2009, was down to zero in 2010, new provisions being offset by write-backs due to the improving economy.

CIB's pre-tax income was €5,305 million, up 2.5%[17] despite a less favorable market than in 2009.

This performance showed again this year the superior quality of the CIB franchise, the robustness of a diversified customer-driven model as well as its ability to withstand major market shocks such as the sovereign debt crisis. The level of market risks remained low relative to peers and the operating efficiency is the best in the industry. The financing businesses contributed 50% to pre-tax income, comparable to pre-crisis levels.

This performance was achieved all of the while reducing allocated equity by 8.2% compared to 2009, in particular for Capital Market businesses (14.7% reduction).

Advisory and Capital Markets

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**7,630**	**9,921**	**-23.1%**
Incl. Equity and Advisory	*2,222*	*1,920*	*+15.7%*
Incl. Fixed Income	*5,408*	*8,001*	*-32.4%*
Operating expenses and depreciation	(4,760)	(4,747)	+0.3%
Gross operating income	**2,870**	**5,174**	**-44.5%**
Cost of risk	(307)	(940)	-67.3%
Operating income	**2,563**	**4,234**	**-39.5%**
Share of earnings of associates	1	1	+0.0%
Other non operating items	13	(3)	n.s.
Pre-tax income	**2,577**	**4,232**	**-39.1%**
Cost/income ratio	62.4%	47.8%	+14.6pt
Allocated equity (in billions of euros)	5.8	6.8	-14.7%

Capital Markets' revenues, which totaled €7,630 million, were down 30.7%[17] compared to the especially high level in 2009, the first half of which was exceptional for Fixed Income businesses.

Fixed Income's revenues stood at €5,408 million compared to €8,001 million in 2009. Despite a challenging market environment due to investors' concerns over the sovereign debt of certain European countries, which resulted in the contraction of primary markets twice, the customer business was sustained and the business unit strengthened its positions in all segments, in particular with institutional clients. It thereby consolidated its number one position in euro-denominated bond issues, enabling clients to finance their projects by raising funds on capital markets. Corporations' substantial needs to hedge risks in a volatile market environment also favored sustained business in foreign exchange and fixed income derivative products.

Equities and Advisory's revenues, which totaled €2,222 million, were up 15.7% compared to 2009 despite the high cost of hedging customer positions in the second quarter of the year against a backdrop of feverish markets. Business gradually rebounded, thanks in particular to tailor-made solutions for major European clients, the success of structured products designed to limit volatility risks for institutional investors and the successful launch of capital-guaranteed structured products indexed to proprietary indices marketed through banking and insurance networks inside or outside the Group.

Financing Businesses

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Revenues	**4,368**	**3,576**	**+22.1%**
Operating expenses and depreciation	(1,682)	(1,427)	+17.9%
Gross operating income	**2,686**	**2,149**	**+25.0%**
Cost of risk	(7)	(1,533)	-99.5%
Operating income	**2,679**	**616**	**n.s.**
Non-operating items	49	18	n.s.
Pre-tax income	**2,728**	**634**	**n.s.**
Cost/income ratio	38.5%	39.9%	-1.4pt
Allocated equity (in billions of euros)	8.1	8.3	-2.9%

Revenues from the financing businesses came to €4,368 million, up sharply compared to 2009 (+16.3%[17]), driven by good business in structured finance, especially energy and commodities finance. Its positions as a global leader in certain of its businesses helped the Group make a significant contribution to financing the economy on all of the continents.

Corporate Center

(in millions of euros)	**2010**	**2009**
Revenues	**2,116**	**629**
Operating expenses and depreciation	(1,391)	(689)
Incl. Restructuring costs	*(780)*	*(173)*
Gross operating income	**725**	**(60)**
Cost of risk	78	(8)
Operating income	**803**	**(68)**
Share of earnings of associates	31	74
Non-operating items	92	353
Pre-tax income	**926**	**359**

For the whole of 2010, the Corporate Center's revenues totaled €2,116 million compared to €629 million in 2009—a year marked by a total of -€1,050 million in exceptional negative items (own debt, impairment charges on investments). In 2010, the exceptional impairment charge to the AXA investment (-€534 million) was more than offset by exceptional PPA (Purchase Price Accounting) fair value adjustments associated with the acquisition of Fortis (+€630 million for the whole year) while the revaluation of the own debt had a net positive result (+€95 million) against a general backdrop of widening spreads.

Operating expenses came to €611 million, excluding restructuring costs, compared to €516 million in 2009. The variation comes primarily from new one-off contributions to deposit insurance funds that French and Belgian banks are required to pay.

Restructuring costs grew by €173 million to €780 million between 2009 and 2010. They are expected to be approximately €600 million in 2011.

Corporate Center's pre-tax income totaled €926 million compared to €359 million in 2009.

Results of Operations by Nature of Income and Expense

Revenues

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Net interest income	24,060	21,021	+14%
Net commission income	8,486	7,467	+14%
Net gain on financial instruments at fair value through profit or loss	5,109	6,085	-16%
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	452	436	+4%
Net income from other activities	5,773	5,182	+11%
Total revenues	**43,880**	**40,191**	**+9%**

General. The 9% growth in the Group's 2010 revenue mainly reflects a 14% increase in net interest and commission income and an 11% increase in net income from other activities, partially offset by a 16% decrease in the net gain on financial instruments at fair value through profit or loss.

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

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

- net interest income from the Group's loans and receivables, representing interest plus transaction costs and fees and commissions included in the initial value of the loan; these items are calculated using the effective interest method and recorded in the profit and loss account over the life of the loan;

- net interest income from fixed-income securities held by the Group which are classified as "Financial assets at fair value through profit or loss" (for the contractual accrued interest) and "Available-for-sale financial assets" (in the latter case, calculated using the effective interest method);

- interest income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and

- net interest income from cash flow hedges, which are used in particular to hedge interest rate risk on variable-rate assets and liabilities. Changes in the fair value of cash flow hedges are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are recognized as profit or loss in the income statement.

Interest income and expenses on hedging derivatives at fair value are included with the interest generated by the hedged item. Similarly, interest income and expenses arising from hedging derivatives used for transactions designated as at fair value through profit or loss are allocated to the same line items as the interest income and expenses relating to the underlying transactions. For more information on the breakdown of net interest income, see Note 2.a to the Group's consolidated financial statements.

Net interest income grew 14% in 2010 to €24,060 million. This increase is mainly due to a 6% increase in interest income on customer transactions, from €19,236 million in 2009 to €20,418 million in 2010, reflecting a €1,070 million increase in income from loans and borrowings as a result of higher interest rates and a 1% growth in loans to customers to €684.7 billion.

Interest income on available-for-sale financial assets increased 22% to €6,258 million, primarily as a result of higher interest rates, as the volume of these assets remained relatively unchanged over the year (down 1%). Interest expenses on the Group's borrowings fell 21% to €3,320 million, from €4,215 million a year earlier.

Expenses (net of interest) on interbank transactions decreased 17%, from €774 million in 2009 to €644 million in 2010, mainly as a result of a 36% decrease in expenses (net of interest) related to loans and borrowings.

The growth in interest income was partially offset by an €849 million decrease in the net gain on the trading book, which fell from €2,666 million in 2009 to €1,817 million in 2010, mainly as a result of a 26% reduction in interest income from fixed-income securities to €2,586 million and a 61% decrease in interest income from repurchase agreements to €1,081 million. These declines were partially offset by a 50% decrease in interest expenses on repurchase agreements to €1,210 million.

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 loans and receivables due from customers, loans and receivables due from credit institutions, and fixed-income securities classified as "Financial assets at fair value through profit or loss" and "Available-for sale financial assets". The change in these assets between December 31, 2009 and December 31, 2010 is described in the following discussion of the Group's balance sheet.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is also 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.

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 rose 14% to €8,486 million in 2010, from €7,467 million in 2009. This is primarily due to a €236 million increase in commissions from trusts and similar activities, which grew from €2,215 million in 2009 to €2,451 million in 2010, as well as a €233 million increase in commissions from financial assets and liabilities that are not measured at fair value through profit or loss, which rose from €2,650 million in 2009 to €2,884 million in 2010.

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

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

The net gain on financial instruments at fair value through profit or loss fell 16% to €5,109 million in 2010, from €6,085 million in 2009. The gains and losses resulting from cash flows and the remeasurement of financial instruments, either cash or derivatives, must be appreciated as a whole in order to give a fair representation of the profit or loss resulting from trading activities. The decrease in this line item is primarily due to a 52% decline in the net gain on the trading book to €3,670 million and a 37% decrease in the net gain on the remeasurement of foreign exchange positions to €888 million, partially offset by an increase in the net gain on financial instruments at fair value through profit or loss under the IAS 39 option, which increased from a loss of €3,058 million in 2009 to a gain of €524 million in 2010. The decrease in the net gain on the trading book mainly reflects a 39% decrease in income from debt instruments to €1,657 million and a 71% reduction in income from capital instruments to €1,303 million.

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

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

The net gain on available-for-sale financial assets and other financial assets not measured at fair value grew 4%, or €16 million, in 2010. This increase results from a €106 million increase in the net gain on fixed-income financial assets, partially offset by a €90 million decline in the net gain on variable-income financial assets.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities, and other products. Net income from other activities grew 11% to €5,773 million in 2010, from €5,182 million in 2009. This increase is attributable primarily to a €412 million increase in net income from assets leased under operating leases and a €328 million increase in net income from insurance assets, partially offset by a €107 million decrease in income from other products.

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

The increase in income from insurance activities reflects a decrease in the charge for technical reserves from €10,075 million in 2009 to €7,608 million in 2010, which is due to a reduction in the value of investments related to unit-linked contracts from a net gain of €3,864 million in 2009 to a net gain of €1,412 million in 2010. Gross premiums written grew from €16,876 million in 2009 to €18,691 million in 2010, while claims and benefit expenses rose from €7,516 million in 2009 to €8,996 million in 2010.

Operating Expenses, Depreciation and Amortization

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Operating expenses	(24,924)	(21,958)	+14%
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	(1,593)	(1,382)	+15%
Total operating expenses, depreciation and amortization	**(26,517)**	**(23,340)**	**+14%**

Operating expenses, depreciation, and amortization rose 14% to €26,517 million in 2010 from €23,340 million in 2009.

Gross Operating Income

The Group's gross operating income grew 3% to €17,363 million in 2010 from €16,851 million in 2009 on the back of a 14% increase in operating expenses together with a smaller 9% increase in revenues.

Cost of Risk

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Net additions to impairment provisions	(4,594)	(8,161)	-44%
Recoveries on loans and receivables previously written off	393	420	-6%
Irrecoverable loans and receivables not covered by impairment provisions	(601)	(628)	-4%
Total net additions to provisions	**(4,802)**	**(8,369)**	**-43%**

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

The cost of risk fell in 2010 on the back of a sharp reduction in impairment provisions due to an 87% decrease in provisions at the Corporate and Investment Banking business to €314 million (compared to €2,473 million in 2009), which includes a 99% decrease in the provision for financing activities to €7 million in 2010 (compared to a provision of €1,533 million in 2009). The provision at the Retail Banking business fell 22% to €4,582 million (compared to €5,847 million in 2009), including a 61% decline in the provision for BancWest to €465 million in 2010 (compared to €1,195 million in 2009).

Total doubtful loans and commitments net of guarantees amounted to €36 billion at year-end 2010, up from €31 billion a year earlier, and provisions totaled €29 billion, up from €28 billion a year earlier. The Group's coverage ratio was 81% at December 31, 2010, down from 88% at December 31, 2009, in an overall improved risk environment.

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

Net Income Group Share

(in millions of euros)	**2010**	**2009**	**Change (2010/2009)**
Operating income	12,561	8,482	+48%
Share of earnings of associates	268	178	+51%
Net gain on non-current assets	269	87	3.1x
Change in value of goodwill	(78)	253	n/a
Income tax expense	(3,856)	(2,526)	+53%

Minority interests	(1,321)	(642)	2.1x
Net income attributable to the Group	**7,843**	**5,832**	**+34%**

General. Net income attributable to the Group grew a sharp 34% in 2010.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies accounted for under the equity method) rose from €178 million in 2009 to €268 million in 2010 as a result of broadly higher net income at these companies.

Net gain on non-current assets. This line item includes net realized gains and losses on sales of property, plant, equipment, and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. The net gain on non-current assets rose from €87 million in 2009 to €269 million in 2010.

Change in value of goodwill. The change in the value of goodwill shifted from a positive €253 million in 2009 to a negative €78 million in 2010. This reflects negative goodwill of €835 million on the 2009 acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries, partially offset by a €582 million impairment charge on the goodwill from the acquisitions of Personal Finance, Arval, UkrSibBank, and Banque du Sahara.

Income tax. The Group's income tax expense totaled €3,856 million in 2010, up from €2,526 million in 2009 as a result of higher net income before tax.

Minority interests. The share of earnings attributable to minority interests in consolidated companies grew to €1,321 million in 2010, from €642 million in 2009, in particular due to the integration of BNP Paribas Fortis with a full-year effect (compared to seven and a half months in 2009) against a backdrop of profitability recovery of this sub-group after implementation of the integration plan.

Financial Condition

The following discussion analyzes the financial condition of the Group as of December 31, 2010, as compared to its financial condition as of December 31, 2009.

Assets

General. The Group's consolidated assets amounted to €1,998.2 billion at December 31, 2010, down 3% from €2,057.7 billion at December 31, 2009. 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 94% of total assets at December 31, 2010 (as compared to 93% at December 31, 2009). The 3% decrease in total assets reflects: a 29%, or €26.2 billion, reduction in loans and receivables due from credit institutions to €62.7 billion; a 20%, or €20.2 billion, decline in accrued income and other assets to €83.1 billion; and a 40%, or €22.5 billion, decrease in cash accounts to €33.6 billion, partially offset by growth in other assets including a 1% increase in loans and receivables due from customers and a 0.5% increase in financial assets at fair value through profit or loss.

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

Total financial assets at fair value through profit or loss amounted to €832.9 billion at December 31, 2010, up 0.5% from €828.8 billion at December 31, 2009. This increase reflects a 15%, or €14.4 billion, rise in bonds to €109.4 billion and a 14%, or €13.9 billion, jump in equities and other variable-income securities to €111.2 billion, partially offset by a 4%, or €16 billion, decline in trading book derivatives to €347.8 billion and a 13%, or €7.9 billion, decrease in negotiable certificates of deposit to €51.8 billion.

The decrease in trading book derivatives is primarily attributable to a 44% reduction in equity derivatives to €39.4 billion and a 15% decline in credit derivatives to €30.3 billion. Conversely, interest rate derivatives rose 10% to €240 billion.

Financial assets at fair value through profit or loss accounted for 42% of the Group's total assets at December 31, 2010, compared with 40% at December 31, 2009.

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

Loans and receivables due from credit institutions (net of impairment provisions) amounted to €62.7 billion at December 31, 2010, down 29% from €88.9 billion at December 31, 2009. Most of this decrease is due to repurchase agreements, which fell 75% to €7 billion at year-end 2010, from €28.5 billion at year-end 2009. Demand accounts also decreased 31% to €11.3 billion, from €16.4 billion a year earlier. Impairment provisions declined slightly, from €1 billion at December 31, 2009 to €0.9 billion at December 31, 2010.

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 €684.7 billion at December 31, 2010, up 1% from €678.8 billion at December 31, 2009. This growth is due to a 3% increase in loans to customers, from €616.9 billion at year-end 2009 to €633.6 billion at year-end 2010, together with a 36% decrease in repurchase agreements, from €25.9 billion at year-end 2009 to €16.5 billion at year-end 2010. Demand accounts rose 6% to €28.2 billion while finance leases declined 5% to €33 billion. Impairment provisions rose 5% to €26.7 billion, up from €25.4 billion a year earlier.

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

Available-for-sale financial assets (net of impairment provisions) amounted to €219.9 billion at December 31, 2010, down 1% from €221.4 billion at December 31, 2009. This decrease is attributable to a 2% decline in bonds, from €173.4 billion at year-end 2009 to €170.1 billion at year-end 2010, and 8% decrease in equities and other variable-income securities, from €22.5 billion at year-end 2009 to €20.7 billion at year-end 2010, partially offset by a 15% increase in negotiable certificates of deposit from €28.3 billion at year-end 2009 to €32.5 billion at year-end 2010.

The Group recognized an additional €0.5 billion of impairment provisions on available-for-sale financial assets in 2010, bringing the total from €3.2 billion at December 31, 2009 to €3.7 billion at December 31, 2010. Impairment provisions for available-for-sale financial assets are calculated at each balance sheet date. The unrealized gain on available-for-sale financial assets totaled €0.4 billion at December 31, 2010, compared with €4.4 billion a year earlier. The €4 billion decrease reflects a €4.7 billion decline in the unrealized gain on fixed-income securities and a €0.7 billion increase in the unrealized gain on variable-income securities.

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

Held-to-maturity financial assets totaled €13.8 billion at December 31, 2010, down 2% from €14 billion at December 31, 2009.

Accrued income and other assets. Accrued income and other assets consist of the following: 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 decreased 20% to €83.1 billion at December 31, 2010, from €103.4 billion at December 31, 2009. This decrease is primarily due to a 53%, or €24.9 billion, decline in settlement accounts related to securities transactions.

Cash and amounts due from central banks and post office banks. Cash and amounts due from central banks and post office banks decreased 40% to €33.6 billion at year-end 2010, from €56.1 billion at year-end 2009. This decline reflects a €22.5 billion decrease in loans to central banks.

Liabilities (excluding shareholders' equity)

General. The Group's consolidated liabilities totaled €1,912.5 billion at December 31, 2010, down 3% from €1,977.4 billion at December 31, 2009. The main components of the Group's liabilities are 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. These items together accounted for 97.4% of total liabilities at December 31, 2010 (as compared to 97.1% a year earlier). The 3% decrease reflects a 24%, or €52.7 billion, decline in amounts due to credit institutions to €168 billion and a 4%, or €23.9 billion, decline in amounts due to customers to €580.9 billion. This was partially offset by a 2%, or €15.8 billion, increase in financial liabilities at fair value through profit or loss to €725.1 billion.

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

Total financial liabilities at fair value through profit or loss rose 2% to €725.1 billion at year-end 2010, from €709.3 billion at year-end 2009. This increase is due to a 23%, or €18.8 billion, growth in securities borrowing and short-selling transactions to €102 billion and a 7%, or €14 billion, increase in repurchase agreements to €223.4 billion, together with a 3%, or €10.7 billion, decrease in trading book derivatives to €345.5 billion.

The decline in trading book derivatives primarily reflects a 40% reduction in equity derivatives to €40.9 billion, a 15% decline in credit derivatives to €30.3 billion, and a 39% decrease in other derivatives to €7.6 billion. On the other hand, interest rate derivatives rose 12% to €236.4 billion at December 31, 2010, from €210.8 billion a year earlier.

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

Amounts due to credit institutions fell 24% to €168 billion at December 31, 2010. This is due to the combined effect of a 62%, or €30.8 billion, decrease in repurchase agreements to €18.5 billion and a 17%, or €27 billion, reduction in borrowings to €131.9 billion.

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

Amounts due to customers totaled €580.9 billion at December 31, 2010, down €24 billion from €604.9 billion at December 31, 2009. This decline is attributable to a 56%, or €35.6 billion, decrease in repurchase agreements to €27.5 billion, partially offset by a 3%, or €6.9 billion, increase in term and related accounts to €241.4 billion.

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

Debt securities decreased 1% to €208.7 billion at December 31, 2010, from €211 billion at December 31, 2009. This decrease is due to a 2% reduction in negotiable certificates of deposit to €186.7 billion together with a 12% increase in bond issues to €22 billion.

Subordinated debt. Subordinated debt decreased 12% to €24.7 billion at December 31, 2010, from €28.2 billion the prior year.

Technical reserves of insurance companies. Technical reserves of insurance companies grew 13% to €114.9 billion at December 31, 2010, up from €101.6 billion at December 31, 2009. This increase is primarily due to higher technical reserves at the life insurance business.

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

Accrued expenses and other liabilities fell 10% to €65.2 billion at December 31, 2010, from €72.4 billion at December 31, 2009. This decrease reflects a 34% decrease in settlement accounts related to securities transactions to €19.5 billion, partially offset by a 14% increase in guarantee deposits received to €25.8 billion.

Minority interests. Minority interests edged up to €11 billion at December 31, 2010, from €10.8 billion at December 31, 2009. This increase is primarily due to a €1.3 billion contribution to net income, less €0.5 billion of dividend payouts and a €0.4 billion redemption of preferred shares.

Consolidated Shareholders' Equity Attributable to the Group

Consolidated shareholders' equity attributable to the Group before the 2010 dividend payout amounted to €74.6 billion at December 31, 2010, up from €69.5 billion a year earlier. This €5.2 billion increase is attributable to net income for the year of €7.8 billion and Share issuance amounting to €0.6 billion, partially offset by a dividend payment of €1.8 billion for the 2009 financial year.

Assets and liabilities recognized directly in equity changed by €1 billion, mainly as a result of lower unrealized gains on available-for-sale financial assets.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers consist mostly of documentary credits, other confirmed letters of credit, and commitments relating to repurchase agreements. These commitments grew 13% to €269.3 billion at December 31, 2010. Commitments to credit institutions rose 30% to €45.4 billion.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. Financing commitments received increased 50% to €129.5 billion at December 31, 2010, up from €86.1 billion the prior year. This growth is due to a 32% increase in commitments received from credit institutions to €104.8 billion and a 3.8x increase in commitments received from customers to €24.7 billion.

Guarantee Commitments

Guarantee commitments include guarantees given to credit institutions and customers (including property guarantees, sureties provided to tax and other authorities and other guarantees and sureties).

Guarantee commitments fell 2% to €102.6 billion at December 31, 2010, down from €104.7 billion a year earlier. This decline reflects a 2% reduction in commitments to customers to €92 billion, partially offset by a 2% increase in commitments to credit institutions to €10.6 billion.

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

Selected Exposures Based on Financial Stability Board Recommendations

Funding Through Proprietary Securitization

Cash securitization as at December 31, 2011 (in billions of euros)	Amount of securitized assets	Amount of notes	Securitized positions held	
			First losses	Others
Personal Finance	**5.5**	**5.5**	**0.2**	**1.7**
o/w Residential loans	5.1	5.2	0.2	1.7
o/w Consumer loans	0.1	0.0	0.0	–
o/w Lease receivables	0.3	0.3	0.0	0.1
BNL	**2.6**	**2.5**	**0.1**	**0.2**
o/w Residential loans	2.6	2.5	0.1	0.2
o/w Consumer loans	–	–	–	–
o/w Lease receivables	–	–	–	–
o/w Public sector	–	–	–	–
Total	**8.1**	**8.0**	**0.3**	**1.9**

€8.1 billion of loans had been refinanced through securitization at December 31, 2011, compared to €6.7 billion at December 31, 2010.

€1.9 billion of securitized positions were held at the end of 2011.

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

Sensitive Loan Portfolios

Personal Loans

Personal loans as at December 31, 2011 *(in billions of euros)*	**Gross outstanding**					**Allowances**		
		First Mortgage						
	Consumer	**Full Doc**	**Alt A**	**Home Equity Loans**	**Total**	**Portfolio**	**Specific**	**Net exposure**
United States	9.2	7.2	0.3	2.9	19.6	(0.3)	(0.1)	19.1
Super Prime FICO*>730	7.5	4.5	0.2	1.6	13.7			13.7
Prime 600<FICO*<730	1.6	2.3	0.1	1.3	5.4			5.4
Subprime FICO*<600	–	0.4	–	–	0.4			0.4
United Kingdom	0.9	0.4	–	–	1.3	(0.0)	(0.2)	1.1
Spain	3.9	6.0	–	–	9.8	(0.2)	(1.0)	8.7

(*) At origination

The Group's personal loans classified as sensitive included the following at December 31, 2011:

- good quality of the Bank's U.S. portfolio, which represented gross exposure of €19.6 billion, up €0.4 billion compared with December 31, 2010 due to the increase of "Super Prime" loans and the appreciation of the U.S. dollar. The consumer loan portfolio quality is improving;
- moderate exposure to the U.K. market (€1.1 billion);
- well-secured exposure to risks in Spain through property collateral on the mortgage portfolio and a large proportion of auto loans in the consumer lending portfolio.

Commercial Real Estate

	Gross exposure					Allowances		
	Home Builders	**Non residential developers**	**Property companies**	**Others[1]**	**Total**	**Portfolio**	**Specific**	**Net exposure**
United States	0.3	0.6	0.2	4.6	5.7	(0.1)	(0.0)	5.6
BancWest	0.3	0.5	–	4.6	5.4	(0.1)	(0.0)	5.3
CIB	–	0.1	0.2	–	0.3	–	–	0.3
United Kingdom	0.1	0.4	1.3	0.5	2.2	(0.0)	(0.3)	1.9
Spain	–	–	0.4	0.6	1.1	(0.0)	(0.0)	1.0

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

The Group's commercial real estate loan portfolio included the following at December 31, 2011:

- exposure to the United States, down €1.0 billion compared with December 31, 2010, including exposure of €4.6 billion to other commercial real estate sectors (down €0.7 billion compared with December 31, 2010) corresponding to very granular and well diversified financing of smaller property companies on a secured basis (mainly office, retail and residential multifamily property type);
- exposure to the United Kingdom concentrated on the major property companies and down €0.5 billion compared with December 31, 2010; and
- limited exposure to commercial real estate risk in Spain, due to the good quality of the commercial mortgage loan portfolio.

Real Estate-Related ABS and CDO Exposure

Banking Book and Trading Portfolio

	As at December 31, 2011			As at December 31, 2010
Net exposure (in billions of euros)	**Gross exposure***	**Allowances**	**Net exposure**	**Net exposure**
TOTAL RMBS	**10.1**	**(0.1)**	**9.9**	**10.4**
United States	**0.1**	**(0.0)**	**0.1**	**0.3**
Subprime	0.0	(0.0)	0.0	0.1
Mid-prime	0.0	(0.0)	0.0	0.0
Alt-A	–	–	–	0.0
Prime**	0.1	(0.0)	0.1	0.2
United Kingdom	**0.6**	**(0.0)**	**0.6**	**0.8**
Conforming	0.1	–	0.1	0.2
Non conforming	0.5	(0.0)	0.5	0.6
Spain	**0.8**	**(0.0)**	**0.8**	**0.8**
The Netherlands	**8.1**	**(0.0)**	**8.1**	**8.2**
Other countries	**0.3**	**(0.0)**	**0.3**	**0.4**
TOTAL CMBS	**1.7**	**(0.0)**	**1.7**	**2.3**
US	1.0	–	1.0	1.3
Non-U.S.	0.7	(0.0)	0.7	1.0
TOTAL CDOs (cash and synthetic)	**1.1**	**(0.0)**	**0.4**	**0.8**
RMBS	–	–	–	**0.7**
United States	0.1	–	0.1	0.2
Non-U.S.	0.5	(0.0)	0.5	0.6
CMBS	**0.4**	**(0.0)**	**0.4**	**0.0**
CDO of TRUPs	**0.0**	–	**0.0**	**0.1**
Total	**12.9**	**(0.2)**	**12.7**	**13.5**
o/w Trading Book	–	–	**0.2**	**0.2**
TOTAL Subprime, Alt-	**1.1**	**(0.0)**	**1.1**	**1.5**

A, US CMBS and related CDOs

* Entry price + accrued interest – amortization

** Excluding government-sponsored entity backed securities

As at December 31, 2011, the banking book's exposure to real estate related ABSs and CDOs decreased by €0.8 billion due to sales and amortization. The increase in the CDO of CMBS portfolio is the result of hedge unwinding (commutations). The quality of the portfolio remains high, with 72% of assets rated AAA.

The assets are booked at amortized cost with the appropriate provision whenever there is a permanent impairment.

Monoline Counterparty Exposure

	As at December 31, 2011		**As at December 31, 2010**	
(in billions of euros)	**Notional**	**Gross counterparty exposure**	**Notional**	**Gross counterparty exposure**
CDOs of U.S. RMBS subprime	0.70	0.60	0.68	0.58
CDOs of European RMBS	0.26	0.04	0.26	0.04
CDOs of CMBS	0.71	0.22	1.12	0.26
CDOs of corporate bonds	6.40	0.16	7.81	0.18
CLOs	4.96	0.16	5.05	0.17
Non credit related	n.s.	0.00	n.s.	0.00
Total gross counterparty exposure	**n.s.**	**1.18**	**n.s.**	**1.23**

(in billions of euros)	**As at December 31, 2011**	**As at December 31, 2010**
Total gross counterparty exposure	1.18	1.23
Credit derivatives bought from banks or other collateralized third parties	(0.24)	(0.22)
Total unhedged gross counterparty exposure	0.93	1.01
Credit adjustments and allowances(1)	(0.83)	(0.86)
Net counterparty exposure	0.10	0.16

(1) Including specific allowances as at December 31, 2011 of €0.4 billion related to monolines classified as doubtful.

At December 31, 2011, gross exposure to counterparty risk stood at €1.18 billion, stable compared with December 31, 2010. The reduction in notional amount of protection purchased on CDOs of CMBS and CDOs of corporate bonds is due to commutations.

BNP Paribas Fortis "IN" Portfolio[22]

[22] Including Scaldis, ABCP refinancing conduit consolidated by BNP Paribas Fortis.

Net exposure (in billions of euros)	**As at December 31, 2011**			**As at December 31, 2010**
	Gross exposure(1)	**Allowances**	**Net exposure**	**Net exposure**
TOTAL RMBS	**2.2**	**(0.1)**	**2.1**	**3.3**
United States	**0.3**	**(0.1)**	**0.3**	**0.8**
Subprime	0.0	–	0.0	0.0
Mid-prime	–	–	–	–
Alt-A	0.1	(0.0)	0.1	0.2
Prime(2)	0.2	(0.0)	0.2	0.5
Agency	–	–	–	0.1
UK	**0.7**	**–**	**0.7**	**1.0**
Conforming	0.1	–	0.1	0.3
Non conforming	0.6	–	0.6	0.8
Spain	**0.3**	**–**	**0.3**	**0.3**
The Netherlands	**0.2**	**–**	**0.2**	**0.2**
Other countries	**0.7**	**(0.0)**	**0.7**	**0.9**
CDO of RMBS	**–**	**–**	**–**	**–**
TOTAL CMBS	**0.8**	**(0.0)**	**0.8**	**0.8**
US	0.1	(0.0)	0.1	0.0
Non US	0.7	(0.0)	0.7	0.8
TOTAL Consumer Related ABS	**3.9**	**(0.0)**	**3.9**	**4.6**
Auto Loans/Leases	**0.2**	**–**	**0.2**	**0.4**
US	–	–	–	–
Non US	0.2	–	0.2	0.4
Student Loans	**2.8**	**(0.0)**	**2.8**	**3.0**
Credit cards	**0.6**	**–**	**0.6**	**0.9**
Consumer Loans/Leases	**0.1**	**(0.0)**	**0.1**	**0.1**
Other ABS (equipment, leases, etc.)	**0.2**	**–**	**0.2**	**0.3**
CLOs and Corporate CDOs	**2.6**	**(0.0)**	**2.6**	**3.2**
US	1.9	(0.0)	1.8	2.3
Non US	0.8	(0.0)	0.7	0.8
Sectorial Provision		**(0.1)**		
TOTAL	**9.5**	**(0.2)**	**9.2**	**11.8**

(1) Entry price + accrued interest – amortization.
(2) Excluding government-sponsored entity backed securities.

The IN portfolio was included for the first time in the Bank's balance sheet upon the consolidation of Fortis' assets from May 12, 2009. At December 31, 2011, the net exposure of the IN portfolio stood at €9.2 billion, down €2.6 billion compared with December 31, 2010, owing principally to amortization and sales of assets. 76% of assets are rated AA or higher.[23]

This portfolio has a €1.5 billion guarantee from the Belgian government covering the second-loss tranche.

The RMBS portfolio is of good quality: 66% are rated AA or higher[23].

The consumer credit related ABS comprises student loans (94% of which are AA-rated[23] or higher), auto loans (99% of which are AA-rated or higher[23]) and credit card outstandings (98% of which are AA-rated[23]or higher).

The portfolio of CLOs and corporate CDOs is diversified. It comprises bonds and corporate loans. 90% of the U.S. assets are rated AA or higher[23]. 61% of the assets in other countries are rated AA or higher[23].

[23] Based on the lowest S&P, Moody's & Fitch rating.

RECENT DEVELOPMENTS

First Quarter 2012 Results (Unaudited)[24]

Good Performance Achieved While Implementing the Group's Adaptation Plan

Against a backdrop of economic slowdown in the Euro-zone, the Group achieved good performance all the while rapidly implementing its adaptation plan. Eighty percent of the target of improving the common equity Tier 1 ratio by 100 basis points was achieved as of May 4, 2012.

Revenues totaled €9,886 million, down 15.4% compared to the first quarter of 2011. Three exceptional items had an adverse impact on revenues this quarter for a total of -€1,059 million: own debt revaluation (-€843 million), losses from sales of sovereign bonds (-€142 million) and losses from sales of loans (-€74 million). Excluding these items, revenues came to €10,945 million, a decline of only 6.3% compared to the first quarter of 2011, which was marked by very good business activity.

Operating expenses, which were €6,847 million, edged up 1.8%. Excluding one-off adaptation costs at CIB and Personal Finance which totaled €84 million, they inched up 0.5%, confirming good cost control.

Gross operating income was down 38.7% for the period at €3,039 million. Excluding exceptional items, the decline was 15.6%.

The Group's cost of risk, which was €945 million or 55 basis points of outstanding customer loans, edged up only 2.8% compared to the first quarter of 2011 and still remains low, illustrating good risk controls.

Non-operating items totaled €1,844 million due to €1,790 million of exceptional income booked after the Group's sale of a 28.7% stake in Klépierre SA. This sale was part of the plan to adapt the Bank's balance sheet in preparation for Basel 3.

BNP Paribas posted €2,867 million in net income (attributable to equity holders), up 9.6% compared to the first quarter of 2011. The average corporate income tax rate was thus 24% due to a lower tax rate on the capital gain from the sale of the stake in Klépierre. Excluding this effect, the average rate was 30.9%.

Adjusted for the exceptional items, net income amounted to €2,038 million, down 22.1% compared to the first quarter of 2011.

This good performance and the Group's rapid implementation of its adaptation plan helped further strengthen solvency with a common equity Tier 1 ratio under Basel 2.5 (CRD 3) of 10.4% (+80 basis points compared to December 31, 2011).

Retail Banking

Domestic Markets

The strong dedication of Domestic Markets in supporting customers is reflected in the good commercial business this quarter. Deposits were up 3.6% compared to the first quarter of 2011, sustained by a continued growth drive, and, despite a trend towards decelerating demand, loans grew 2.9% compared to the first quarter of 2011 with actions to support VSEs and SMEs in each of the domestic markets.

Revenues[25], at €4,023 million, were up 0.8% compared to the first quarter of 2011 at constant scope and exchange rates. Operating expenses[25] fell 0.7% at constant scope and exchange rates, totaling €2,441 million, generating a positive 1.5 point jaws effect thanks to the good cost control across the board.

After allocating one-third of Private Banking's net income from Domestic Markets to the Investment Solutions division, pre-tax income2[26] remained high at €1,175 million, up 0.5% at constant scope and exchange rates.

French Retail Banking (FRB)

FRB continued to actively finance the economy. Thanks to the strong dedication of the French network in supporting their customers in their financing needs, outstanding loans rose 5.0% compared to the first quarter

[24] The 2012 quarterly result series presented in this section reflects the Group's new organizational structure. For further information, see "Business".

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

[26] Excluding PEL/CEL effects.

of 2011, driven by good growth in corporate loans. FRB has given special support to VSEs and SMEs through the successful rollout of Small Business Centers. Deposits grew 3.5% thanks in particular to strong growth in savings accounts (+9.8%). The internet mobile service has enjoyed growing success with over 500,000 users a month, a 73% increase compared to March 2011.

Revenues[27] were €1,813 million, up 0.3% compared to the first quarter of 2011, the rise in net interest income (+3.0%), due in part to the rise in the volume of savings, was greater than the drop in fees (-3.6%) in connection with lower financial markets.

The decline in operating expenses[27] compared to the first quarter of 2011 (-0.8%), thanks to the continued streamlining of the support functions, helped FRB generate gross operating income[27] up 2.0% and improve its cost/income ratio[27] 0.7 point for the period, to 60.1%.

The cost of risk[27] was up €4 million compared to the first quarter of 2011 but, at 22 basis points of outstanding customer loans, it remained at a moderate level.

Thus, after allocating one-third of French Private Banking's net income to the Investment Solutions division, FRB's €605 million in pre-tax income[26] increased 1.5% compared to the first quarter a year earlier.

BNL banca commerciale (BNL bc)

BNL bc performed well in a challenging environment. Loans grew 0.2% compared to the first quarter of 2011, in line with the market, with a trend towards decelerating demand, in particular for mortgages. Deposits rose 1.6%, driven by corporate clients and local authorities (compared to a low base in the first quarter of 2011) with contraction of individual current accounts more moderate than the market.

Revenues[28] grew 2.3% compared to the first quarter of 2011, to €816 million. The rise in net interest income (+4.5%), due in particular to the growth of corporate and small business loans as well as to margins holding up well, was greater than the fall in fees observed (-1.9%), due to a decline in new loans to individual clients.

The fall in operating expenses[28] compared to the first quarter of 2011 (-0.5%), thanks to good cost control, helped BNL bc generate gross operating income[28] up 5.6% and improve its cost/income ratio[28] by 1.4 point during the period, to 54.2%–one of the best in the market.

The cost of risk[28] rose, to a limited extent, to 106 basis points of outstanding customer loans (+€21 million compared to the first quarter of 2011). After allocating one-third of Italian Private Banking's net income to the Investment Solutions division, BNL bc posted €150 million in pre-tax income, down 1.3% compared to the same quarter a year earlier.

Belgian Retail Banking

BRB continued to play an active role in financing the economy. Loans grew 6.4% compared to the first quarter of 2011 (+5.0% excluding the effect of the acquisition of Fortis Commercial Finance in the fourth quarter 2011) due to a good growth of mortgages and small business loans to individual customers and growth in loans to corporate customers driven by SMEs. Deposits showed good growth (+3.3% compared to the first quarter of 2011) driven in particular by current accounts and term deposits.

Revenues[29] rose 3.4%, compared to the first quarter of 2011, to €841 million due to the rise in net interest income driven by good volume growth and the acquisition of Fortis Commercial Finance and despite the contraction in financial fees from individual customers against a backdrop of an unfavorable market.

As a result of the positive impact from actions to enhance operating efficiency, operating expenses[29] rose only 0.7%, compared to the first quarter of 2011, to €594 million, helping BRB generate 10.8% gross operating income growth[29]. The cost/income ratio[29] improved two points, compared to the same quarter a year earlier, to 70.6%.

The cost of risk[29], at 18 basis points of outstanding customer loans, remained still moderate even though it was up €15 million compared to the first quarter of 2011 when it was exceptionally low. Thus, after allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BRB posted €201 million in pre-tax income, up 9.2% compared to the same quarter a year earlier.

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

28 With 100% of Italian Private Banking.

29 With 100% of Belgian Private Banking.

Luxembourg Retail Banking: outstanding loans slowed down slightly (-0.5%) compared to the first quarter of 2011. Growth of deposits (+4.3%) was strong, driven by current accounts. The commercial offering was bolstered with the launch of domestic Private Banking and Multi-Channel Banking.

Personal Investors: the growth of assets under management was 3.2% compared to the first quarter of 2011, due to net asset inflows. The online brokerage business activity was down compared to the first quarter of the preceding year when business was exceptional.

Arval: the business unit continued its business development in northern Europe with the opening of a subsidiary in Finland and saw strong growth of the automobile fleet in Brazil, India and Turkey. On balance, the financed fleet grew 2.8%, compared to the first quarter of 2011, to 686,000 vehicles. Arval's revenues were affected this quarter by the sale of the fuel card business in the United Kingdom in December 2011 and the decline in used vehicle prices.

Leasing Solutions: outstandings declined 9.6% compared to the first quarter of 2011 as a result of the adaptation plan. The decline in outstandings had a limited impact on Leasing Solutions' revenues, due to a selective policy in terms of the profitability of transactions.

In total, after allocating one-third of Luxembourg Private Banking's net income to the Investment Solutions division, these four business units contributed €219 million (-8.8% compared to the first quarter of 2011) to Domestic Markets' pre-tax income.

Europe-Mediterranean

Europe-Mediterranean had a good sales and marketing drive. Deposits rose 12.8%[30] and growth was very good in most countries, especially in Turkey. Loans grew 7.5%[30] with good performance in Turkey and continued decline in the Ukraine (-27.7%1).

Revenues grew 0.2%[30] due in particular to the decline of revenues in the Ukraine in line with outstandings, offset by 8.4%[30] growth in Turkey. Excluding the Ukraine, revenue growth was 6.5%[30].

Operating expenses moved up 4.1%[30] due in part to the continued opening of branches in the Mediterranean, in particular in Morocco (12 new branches this quarter). They were down 0.7%[30] in Turkey thanks to the streamlining of the network (95 branches closed in 2011).

At €90 million, the cost of risk was 150 basis points of outstanding customer loans−a level that was still significant but down €13 million compared to the first quarter of 2011. Europe-Mediterranean thus posted €26 million in pre-tax income this quarter, a significant increase (+62.5%) compared to last year.

BancWest

With the economy improving in the United States, BancWest reported good results. Loans grew 1.9%[30] due to a pick-up in corporate loans (+11.4%[30]) and despite the continued contraction in mortgages against a backdrop of households reducing their debt and the sale of conforming loans to Fannie Mae. Deposits rose 12.0%[30], driven by strong growth in current accounts.

Revenues grew, however, only 0.3%[30] compared to the first quarter of 2011, regulatory changes having an adverse impact on fees.

Operating expenses grew 4.3%[30] due to the strengthening of the Private Banking as well as the bolstering of sales and marketing staff for corporate and small business customers.

The cost of risk continued to fall and came to 46 basis points of outstanding customer loans (-€29 million compared to the first quarter of 2011).

BancWest thus generated €206 million in pre-tax income, up 10.8%[30] compared to the first quarter of 2011.

Personal Finance

In an unfavorable environment, Personal Finance maintained good profit-generation capacity.

Consumer loan outstandings grew 1.3% compared to the first quarter of 2011 due to the successful partnership with Commerzbank in Germany, good growth in Belgium driven by cross-selling with BNP Paribas Fortis and good business development in Russia, but were affected by new regulations in France where outstandings fell 4.0%. With respect to mortgage lending, the implementation of the adaptation plan resulted in

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30 At constant scope and exchange rates.

halting the growth of outstandings which fell 0.7% compared to the last quarter 2011. These combined effects and the impact of new regulations on margins was reflected in a 6.0% drop in revenues, compared to the first quarter of 2011, to €1,231 million.

Operating expenses rose 8.6% to €642 million, due in particular to adaptation costs (€30 million) and to business development in Russia.

The cost of risk was kept under control and decreased to €327 million (€104 million less than in the first quarter of 2011), or 145 basis points of outstanding consumer loans compared to 196 basis points in the first quarter of 2011 (-26%).

Thus, Personal Finance's pre-tax income came to €286 million, down only -7.7% compared to the first quarter of 2011.

Investment Solutions

This quarter, the net asset inflows of Investment Solutions totaled €12.6 billion[31]. All the business units made a positive contribution: Asset Management (+€7.8 billion) thanks to strong asset inflows into money market funds from institutional investors; Private Banking (+€2.7 billion), especially in the domestic markets and in Asia; Insurance (+€1.1 billion) thanks to good asset inflows in France, Luxembourg and Asia; Personal Investors (+€0.4 billion) and Real Estate Services (+€0.4 billion). Despite the unfavorable foreign exchange impact due to the appreciation of the euro this quarter, the asset inflows and the rise in stock markets drove assets under management[32] up +4.6%, compared to their level as at December 31, 2011, to €881 billion.

Investment Solutions' revenues, which totaled €1,521 million, were stable compared to the first quarter of 2011. Revenues from Wealth and Asset Management were down 9.1% due to the decline in outstandings in Asset Management in 2011. Insurance's revenues moved up 11.8% (+5.6% excluding the effects of the consolidation of BNL Vita in Italy) due to the growth of managed assets as well as protection insurance outside France. The good development of Securities Services' business in all countries with +4.2% growth in assets under custody and +12.7% in assets under administration pushed the business unit's revenues up +6.6% compared to the first quarter of 2011.

Investment Solutions' operating expenses, which totaled €1,043 million, edged up only 0.1% compared to the first quarter of 2011 due to the effects of the implementation of the adaptation plan in Asset Management and despite continued business development investments in particular in Asia. The division's gross operating income, at €478 million, slipped 0.2% compared to the same period a year earlier.

With the -€16 million impact of the Greek debt, most of which was in associated companies, pre-tax income, after allocating one-third of the net income from Private Banking in Domestic Markets, was down 9.2%, compared to the first quarter of 2011, to €483 million, reflecting the good performance of Investment Solutions in a still challenging environment.

Corporate and Investment Banking (CIB)

CIB's revenues, which totaled €3,121 million, were down 11.0% compared to the first quarter of 2011. Excluding losses from sales of loans by the financing businesses in connection with the continued adaptation plan (€74 million for €2 billion sold[33], or an average discount of 3.7%), revenues dropped only -8.8%.

Revenues from Advisory and Capital Markets significantly rebounded compared to the fourth quarter 2011 and were down only 4.0% compared to the first quarter of 2011 where business was sustained.

Fixed Income's revenues, at €1,757 million, grew 6.6% compared to the first quarter of 2011, driven by good performance in rates and foreign exchange in particular on flows and by very sustained primary bond issue business. The business unit confirmed again this quarter its number 1 position in all bonds in Euros and maintained market share gains achieved in 2011 on all international bonds in USD where it is number 10. Separately, the energy and commodity derivatives businesses enjoyed strong client business, in particular in oil and gas.

Revenues from the Equities and Advisory business unit fell -29.2% compared to the first quarter of 2011 but were up 21.2% compared to last quarter 2011 with resilient flow business in low volume equity markets. The share of structured products was lower than in 2011 due to weak client demand.

31 Including Personal Investors.

32 Including assets under advisory on behalf of external clients, including Personal Investors.

33 Excluding the disposal of Reserve-Based Lending in April.

Revenues from the Financing businesses, now called Corporate Banking as part of a new approach to the business, fell -25.0% to €872 million compared to the first quarter of 2011. Excluding the nonrecurring impact of sales of loans, revenues dropped 18.6% due to the reduction of financing outstandings. The business unit continued to develop advisory and structuring, and focused on distribution being factored in as part of origination with greater coordination with Fixed Income. In connection with this new approach, an ambitious plan was also launched to grow the deposit base with a proactive and targeted client approach. In particular, the global platform in Cash Management, where BNP Paribas ranks number 5 worldwide, will be developed via a combined CIB and Retail Banking offering.

CIB's operating expenses, which totaled €1,892 million, were up 3.7% compared to the first quarter of 2011. Excluding adaptation costs (€54 million), they were down -1.7% at constant scope and exchange rates. The cost/income ratio, at 60.6% (57.5% excluding the adaptation plan) was maintained at the best level.

The division's cost of risk remained low, at €78 million, up €62 million compared to the first quarter of 2011 when it was exceptionally low. For Corporate Banking, it was 33 basis points of outstanding customer loans.

CIB generated €1,167 million in pre-tax income, down 30.5% compared to the first quarter of 2011. Excluding the impact of the adaptation plan, it was €1,295 million, down 22.8% compared to the first quarter of 2011, reflecting good performance despite the impact of deleveraging, which illustrates the diversity and the quality of the CIB franchise.

Corporate Centre

The Corporate Centre reported losses of -€883 million compared to €471 million in revenues in the first quarter of 2011. The losses reflect a -€843 million own debt revaluation (negligible effect in the first quarter of 2011), a +€184 million amortization of the PPA in the banking book (compared to +€203 million in the first quarter of 2011), -€142 million in losses from the sale of sovereign bonds and the -€68 million impact of the exchange of Convertible & Subordinated Hybrid Equity-linked Securities ("CASHES").

Operating expenses totaled €222 million compared to €241 million in the first quarter of 2011 and include €65 million in restructuring costs (compared to €124 million in the first quarter of 2011).

The cost of risk includes a €54 million residual effect of the Greek debt given provisions previously booked.

Non operating items totaled €1,752 million, primarily due to the €1,790 million exceptional income booked in connection with the Group's sale of a 28.7% stake in Klépierre S.A.

Pre-tax income was €618 million compared to €225 million during the same period a year earlier.

Liquidity and Financing

The Group's liquidity situation was extremely favorable.

The Group's cash balance sheet, prepared based on the prudential banking scope and after netting amounts for derivatives, repos, securities lending/borrowing and payables/receivables, totaled €985 billion as at March 31, 2012. The total of equity, client deposits and medium/long-term funding came to a €51 billion surplus of stable funding compared to the financing needs of the customer activity and to tangible and intangible assets. This surplus was €20 billion higher than what it was on December 31, 2011.

At the end of April, with the closing on the sale of Reserve-Based Lending, the program to reduce CIB's funding needs in dollars (-$65 billion) was completed.

The Group's immediately available liquidity reserves totaled €201 billion, up €41 billion compared to their level on December 31, 2011. They amount to close to 100% of short-term funding.

Seventy-five percent of the Group's €20 billion 2012 medium/long-term funding program had been completed as of May 4, 2012. From November 2011 to mid-April 2012, €15 billion were raised with an average spread of 111 basis points above mid-swap and an average maturity of 6.1 years.

Solvency

As at March 31, 2012, the Basel 2.5 common equity Tier 1 ratio, which includes the European Capital Requirements Directive 3 (CRD3) regulatory regime that came into force at the end of 2011, was 10.4%. The target of 9% solvency by the end of June 2012 set by the European Banking Authority (EBA), which, beyond

CRD3, mandates an additional deduction for unrealized capital losses from European sovereign bonds held (40 basis points for BNP Paribas), was largely surpassed.

This improvement of solvency by 80 basis points compared to December 31, 2011 is primarily the result of reduced risk-weighted assets and organic generation of capital this quarter. The effect of the sale of Klépierre under Basel 2.5 is negligible due to the corresponding decline in minority interests. Under Basel 3, the sale will contribute +32 basis points to the ratio.

The common equity Tier 1 totaled €60.1 billion as at March 31, 2012, up €1.2 billion compared to December 31, 2011. Risk-weighted assets[34] were €576 billion, down €38 billion compared to December 31, 2011, due primarily to the plan to adjust the balance sheet, which led to a reduction in risk-weighted assets by €16 billion, and an additional €16 billion reduction due in particular to the low level of market risks.

Given the Basel 2.5 common equity Tier 1 ratio of 10.4% as at March 31, 2012, the 9% target, as of January 1, 2013, taking into account all the CRD4 rules without transitional arrangements (Basel 3 fully loaded), should be attained by combining the conventional -40 basis point deduction, as an extension of the EBA rule, for European sovereign debt held; the impact of the other CRD4 rules currently anticipated by the Bank to be -180 basis points[35]; the impending effect of signed sales agreements (sale of Reserve-Based Leasing in the United States and the sale of a 28.7% stake in Klépierre) for +37 basis points; the remaining deleveraging plan producing an additional +20 basis points; the payment of the dividend in shares bringing in an additional +20 basis points[36] and, lastly, the balance to be made up through organic generation of capital of no more than +3 basis points[37] given the aforementioned assumptions.

Consolidated Profit and Loss Account

€m	1Q12	1Q11	1Q12 / 1Q11	4Q11	1Q12/ 4Q11
Revenues	**9,886**	**11,685**	**-15.4%**	**9,686**	**+2.1%**
Operating Expenses and Dep.	-6,847	-6,728	+1.8%	-6,678	+2.5%
Gross Operating Income	**3,039**	**4,957**	**-38.7%**	**3,008**	**+1.0%**
Cost of Risk	-945	-919	+2.8%	-1,518	-37.7%
Operating Income	**2,094**	**4,038**	**-48.1%**	**1,490**	**+40.5%**
Share of Earnings of Associates	154	95	+62.1%	-37	n.s.
Other Non Operating Items	1,690	-24	n.s.	-127	n.s.
Non Operating Items	**1,844**	**71**	**n.s.**	**-164**	**n.s.**
Pre-Tax Income	**3,938**	**4,109**	**-4.2%**	**1,326**	**n.s.**
Corporate Income Tax	-927	-1,175	-21.1%	-386	n.s.
Net Income Attributable to Minority Interests	-144	-318	-54.7%	-175	-17.7%
Net Income Attributable to Equity Holders	**2,867**	**2,616**	**+9.6%**	**765**	**n.s.**
Cost/Income	**69.3%**	**57.6%**	**+11.7 pt**	**68.9%**	**+0.4 pt**

First Quarter 2012 – Results by Core Businesses

€m	Retail Banking	Investment Solutions	CIB	Operating Divisions	Other Activities	Group
Revenues	**6,127**	**1,521**	**3,121**	**10,769**	**-883**	**9,886**
%Change/1Q11	-1.0%	+0.0%	-11.0%	-4.0%	n.s.	-15.4%
%Change/4Q11	+2.0%	+8.2%	+85.2%	+18.4%	n.s.	+2.1%
Operating Expenses and Dep.	-3,690	-1,043	-1,892	-6,625	-222	-6,847
%Change/1Q11	+1.9%	+0.1%	+3.7%	+2.1%	-7.9%	+1.8%

[34] Basel 2.5.

[35] Since CRD is still being debated in the European Parliament, its directives remain subject to interpretation and are still subject to amendment.

[36] Assuming that, on average, 50% of the dividend is paid in shares for both 2011 and 2012.

[37] Given the 25% payout rate.

	%Change/4Q11	-4.8%	-8.0%	+20.6%	+0.7%	n.s.	+2.5%
Gross Operating Income		**2,437**	**478**	**1,229**	**4,144**	**-1,105**	**3,039**
	%Change/1Q11	-5.1%	-0.2%	-26.9%	-12.3%	n.s.	-38.7%
	%Change/4Q11	+14.5%	+75.7%	n.s.	+64.7%	n.s.	+1.0%
Cost of Risk		-827	-11	-78	-916	-29	-945
	%Change/1Q11	-11.6%	n.s.	n.s.	-3.3%	n.s.	+2.8%
	%Change/4Q11	-9.7%	n.s.	+8.3%	-7.0%	-94.6%	-37.7%
Operating Income		**1,610**	**467**	**1,151**	**3,228**	**-1,134**	**2,094**
	%Change/1Q11	-1.3%	-3.5%	-30.9%	-14.6%	n.s.	-48.1%
	%Change/4Q11	+32.8%	+69.8%	n.s.	n.s.	n.s.	+40.5%
Share of Earnings of Associates		55	9	14	78	76	154
Other Non Operating Items		5	7	2	14	1,676	1,690
Pre-Tax Income		**1,670**	**483**	**1,167**	**3,320**	**618**	**3,938**
	%Change/1Q11	-0.2%	-9.2%	-30.5%	-14.5%	n.s.	-4.2%
	%Change/4Q11	+27.6%	n.s.	n.s.	n.s.	n.s.	n.s.

€m		**Retail Banking**	**Investment Solutions**	**CIB**	**Operating Divisions**	**Other Activities**	**Group**
Revenues		**6,127**	**1,521**	**3,121**	**10,769**	**-883**	**9,886**
	1Q11	6,188	1,521	3,505	11,214	471	11,685
	4Q11	6,006	1,406	1,685	9,097	589	9,686
Operating Expenses and Dep.		-3,690	-1,043	-1,892	-6,625	-222	-6,847
	1Q11	-3,621	-1,042	-1,824	-6,487	-241	-6,728
	4Q11	-3,878	-1,134	-1,569	-6,581	-97	-6,678
Gross Operating Income		**2,437**	**478**	**1,229**	**4,144**	**-1,105**	**3,039**
	1Q11	2,567	479	1,681	4,727	230	4,957
	4Q11	2,128	272	116	2,516	492	3,008
Cost of Risk		-827	-11	-78	-916	-29	-945
	1Q11	-936	5	-16	-947	28	-919
	4Q11	-916	3	-72	-985	-533	-1,518
Operating Income		**1,610**	**467**	**1,151**	**3,228**	**-1,134**	**2,094**
	1Q11	1,631	484	1,665	3,780	258	4,038
	4Q11	1,212	275	44	1,531	-41	1,490
Share of Earnings of Associates		55	9	14	78	76	154
	1Q11	44	35	10	89	6	95
	4Q11	36	-50	1	-13	-24	-37
Other Non Operating Items		5	7	2	14	1,676	1,690
	1Q11	-1	13	3	15	-39	-24
	4Q11	61	-19	1	43	-170	-127
Pre-Tax Income		**1,670**	**483**	**1,167**	**3,320**	**618**	**3,938**
	1Q11	1,674	532	1,678	3,884	225	4,109
	4Q11	1,309	206	46	1,561	-235	1,326
Corporate Income Tax		0	0	0	0	-927	-927
Net Income Attributable to Minority Interests		0	0	0	0	-144	-144
Net Income Attributable to Equity Holders		**1,670**	**483**	**1,167**	**3,320**	**-453**	**2,867**

Quarterly Series

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
GROUP					
Revenues	**9,886**	**9,686**	**10,032**	**10,981**	**11,685**
Operating Expenses and Dep.	-6,847	-6,678	-6,108	-6,602	-6,728
Gross Operating Income	**3,039**	**3,008**	**3,924**	**4,379**	**4,957**
Cost of Risk	-945	-1,518	-3,010	-1,350	-919
Operating Income	**2,094**	**1,490**	**914**	**3,029**	**4,038**
Share of Earnings of Associates	154	-37	-20	42	95
Other Non Operating Items	1,690	-127	54	197	-24
Pre-Tax Income	**3,938**	**1,326**	**948**	**3,268**	**4,109**

Corporate Income Tax	-927	-386	-240	-956	-1,175
Net Income Attributable to Minority Interests	-144	-175	-167	-184	-318
Net Income Attributable to Equity Holders	**2,867**	**765**	**541**	**2,128**	**2,616**
Cost/Income	**69.3%**	**68.9%**	**60.9%**	**60.1%**	**57.6%**

€m	1Q12	4Q11	3Q11	2Q11	1Q11
RETAIL BANKING (including 100% of Private Banking in France, Italy, Belgium and Luxembourg)* Excluding PEL/CEL Effects					
Revenues	**6,260**	**6,132**	**6,143**	**6,230**	**6,301**
Operating Expenses and Dep.	-3,743	-3,932	-3,766	-3,726	-3,674
Gross Operating Income	**2,517**	**2,200**	**2,377**	**2,504**	**2,627**
Cost of Risk	-827	-918	-845	-869	-936
Operating Income	**1,690**	**1,282**	**1,532**	**1,635**	**1,691**
Non Operating Items	60	97	83	40	43
Pre-Tax Income	**1,750**	**1,379**	**1,615**	**1,675**	**1,734**
Income Attributable to Investment Solutions	-57	-46	-45	-57	-58
Pre-Tax Income of Retail Banking	**1,693**	**1,333**	**1,570**	**1,618**	**1,676**
Allocated Equity (€bn, year to date)	34.0	32.9	32.9	32.7	32.8

€m	1Q12	4Q11	3Q11	2Q11	1Q11
RETAIL BANKING (including 2/3 of Private Banking in France, Italy, Belgium and Luxembourg)					
Revenues	**6,127**	**6,006**	**6,045**	**6,122**	**6,188**
Operating Expenses and Dep.	-3,690	-3,878	-3,710	-3,669	-3,621
Gross Operating Income	**2,437**	**2,128**	**2,335**	**2,453**	**2,567**
Cost of Risk	-827	-916	-844	-869	-936
Operating Income	**1,610**	**1,212**	**1,491**	**1,584**	**1,631**
Non Operating Items	60	97	82	40	43
Pre-Tax Income	**1,670**	**1,309**	**1,573**	**1,624**	**1,674**
Allocated Equity (€bn, year to date)	34.0	32.9	32.9	32.7	32.8

€m	1Q12	4Q11	3Q11	2Q11	1Q11
DOMESTIC MARKETS (including 100% of Private Banking in France, Italy, Belgium and Luxembourg)* Excluding PEL/CEL Effects					
Revenues	**4,023**	**3,885**	**3,932**	**3,970**	**4,008**
Operating Expenses and Dep.	-2,441	-2,642	-2,554	-2,503	-2,461
Gross Operating Income	**1,582**	**1,243**	**1,378**	**1,467**	**1,547**
Cost of Risk	-364	-380	-344	-354	-327
Operating Income	**1,218**	**863**	**1,034**	**1,113**	**1,220**
Associated Companies	11	-4	9	3	12
Other Non Operating Items	3	5	2	7	-2
Pre-Tax Income	**1,232**	**864**	**1,045**	**1,123**	**1,230**
Income Attributable to Investment Solutions	-57	-46	-45	-57	-58
Pre-Tax Income of Domestic Markets	**1,175**	**818**	**1,000**	**1,066**	**1,172**
Allocated Equity (€bn, year to date)	21.5	21.0	20.9	20.7	20.6

€m	1Q12	4Q11	3Q11	2Q11	1Q11
DOMESTIC MARKETS (including 2/3 of Private Banking in France, Italy, Belgium and Luxembourg)					
Revenues	**3,890**	**3,759**	**3,834**	**3,862**	**3,895**
Operating Expenses and Dep.	-2,388	-2,588	-2,498	-2,446	-2,408
Gross Operating Income	**1,502**	**1,171**	**1,336**	**1,416**	**1,487**
Cost of Risk	-364	-378	-343	-354	-327
Operating Income	**1,138**	**793**	**993**	**1,062**	**1,160**
Associated Companies	11	-4	8	3	12
Other Non Operating Items	3	5	2	7	-2
Pre-Tax Income	**1,152**	**794**	**1,003**	**1,072**	**1,170**
Allocated Equity (€bn, year to date)	21.5	21.0	20.9	20.7	20.6

€m	1Q12	4Q11	3Q11	2Q11	1Q11
FRENCH RETAIL BANKING (including 100% of Private Banking in France)*					
Revenues	**1,790**	**1,673**	**1,751**	**1,790**	**1,806**
Incl. Net Interest Income	*1,071*	*989*	*1,046*	*1,054*	*1,060*
Incl. Commissions	*719*	*684*	*705*	*736*	*746*

Operating Expenses and Dep.	-1,090	-1,190	-1,168	-1,116	-1,099
Gross Operating Income	**700**	**483**	**583**	**674**	**707**
Cost of Risk	-84	-85	-69	-81	-80
Operating Income	**616**	**398**	**514**	**593**	**627**
Non Operating Items	0	1	1	0	1
Pre-Tax Income	**616**	**399**	**515**	**593**	**628**
Income Attributable to Investment Solutions	-34	-28	-28	-34	-34
Pre-Tax Income of French Retail Banking	**582**	**371**	**487**	**559**	**594**
Allocated Equity (€bn, year to date)	7.9	7.6	7.6	7.4	7.3

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
FRENCH RETAIL BANKING (including 100% of Private Banking in France)* Excluding PEL/CEL Effects					
Revenues	**1,813**	**1,697**	**1,748**	**1,784**	**1,808**
Incl. Net Interest Income	*1,094*	*1,013*	*1,043*	*1,048*	*1,062*
Incl. Commissions	*719*	*684*	*705*	*736*	*746*
Operating Expenses and Dep.	-1,090	-1,190	-1,168	-1,116	-1,099
Gross Operating Income	**723**	**507**	**580**	**668**	**709**
Cost of Risk	-84	-85	-69	-81	-80
Operating Income	**639**	**422**	**511**	**587**	**629**
Non Operating Items	0	1	1	0	1
Pre-Tax Income	**639**	**423**	**512**	**587**	**630**
Income Attributable to Investment Solutions	-34	-28	-28	-34	-34
Pre-Tax Income of French Retail Banking	**605**	**395**	**484**	**553**	**596**
Allocated Equity (€bn, year to date)	7.9	7.6	7.6	7.4	7.3

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
FRENCH RETAIL BANKING (including 2/3 of Private Banking in France)					
Revenues	**1,730**	**1,618**	**1,695**	**1,728**	**1,745**
Operating Expenses and Dep.	-1,064	-1,163	-1,139	-1,088	-1,072
Gross Operating Income	**666**	**455**	**556**	**640**	**673**
Cost of Risk	-84	-85	-69	-81	-80
Operating Income	**582**	**370**	**487**	**559**	**593**
Non Operating Items	0	1	0	0	1
Pre-Tax Income	**582**	**371**	**487**	**559**	**594**
Allocated Equity (€bn, year to date)	7.9	7.6	7.6	7.4	7.3

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
BNL banca commerciale (Including 100% of Private Banking in Italy)*					
Revenues	**816**	**811**	**796**	**797**	**798**
Operating Expenses and Dep.	-442	-489	-444	-452	-444
Gross Operating Income	**374**	**322**	**352**	**345**	**354**
Cost of Risk	-219	-203	-198	-196	-198
Operating Income	**155**	**119**	**154**	**149**	**156**
Non Operating Items	0	0	0	0	0
Pre-Tax Income	**155**	**119**	**154**	**149**	**156**
Income Attributable to Investment Solutions	-5	-2	-3	-5	-4
Pre-Tax Income of BNL bc	**150**	**117**	**151**	**144**	**152**
Allocated Equity (€bn, year to date)	6.4	6.4	6.4	6.3	6.3

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
BNL banca commerciale (Including 2/3 of Private Banking in Italy)					
Revenues	**805**	**801**	**787**	**786**	**789**
Operating Expenses and Dep.	-436	-483	-438	-446	-439
Gross Operating Income	**369**	**318**	**349**	**340**	**350**
Cost of Risk	-219	-201	-198	-196	-198
Operating Income	**150**	**117**	**151**	**144**	**152**
Non Operating Items	0	0	0	0	0
Pre-Tax Income	**150**	**117**	**151**	**144**	**152**
Allocated Equity (€bn, year to date)	6.4	6.4	6.4	6.3	6.3

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
BELGIAN RETAIL BANKING (Including 100% of Private Banking in Belgium)*					
Revenues	**841**	**820**	**809**	**796**	**813**
Operating Expenses and Dep.	-594	-612	-599	-601	-590

Gross Operating Income	**247**	**208**	**210**	**195**	**223**
Cost of Risk	-37	-36	-26	-53	-22
Operating Income	**210**	**172**	**184**	**142**	**201**
Associated Companies	5	1	2	2	2
Other Non Operating Items	3	-1	4	2	0
Pre-Tax Income	**218**	**172**	**190**	**146**	**203**
Income Attributable to Investment Solutions	-17	-15	-13	-17	-19
Pre-Tax Income of Belgian Retail Banking	**201**	**157**	**177**	**129**	**184**
Allocated Equity (€bn, year to date)	3.6	3.5	3.5	3.4	3.4

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
BELGIAN RETAIL BANKING (Including 2/3 of Private Banking in Belgium)					
Revenues	**804**	**785**	**775**	**758**	**774**
Operating Expenses and Dep.	-574	-592	-579	-580	-570
Gross Operating Income	**230**	**193**	**196**	**178**	**204**
Cost of Risk	-37	-36	-25	-53	-22
Operating Income	**193**	**157**	**171**	**125**	**182**
Associated Companies	5	1	2	2	2
Other Non Operating Items	3	-1	4	2	0
Pre-Tax Income	**201**	**157**	**177**	**129**	**184**
Allocated Equity (€bn, year to date)	3.6	3.5	3.5	3.4	3.4

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
PERSONAL FINANCE					
Revenues	**1,231**	**1,272**	**1,250**	**1,310**	**1,310**
Operating Expenses and Dep.	-642	-636	-580	-613	-591
Gross Operating Income	**589**	**636**	**670**	**697**	**719**
Cost of Risk	-327	-412	-390	-406	-431
Operating Income	**262**	**224**	**280**	**291**	**288**
Associated Companies	24	29	27	18	21
Other Non Operating Items	0	59	3	2	1
Pre-Tax Income	**286**	**312**	**310**	**311**	**310**
Allocated Equity (€bn, year to date)	5.1	4.9	5.0	5.0	5.0

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
EUROPE-MEDITERRANEAN					
Revenues	**413**	**422**	**401**	**399**	**417**
Operating Expenses and Dep.	-318	-328	-333	-308	-308
Gross Operating Income	**95**	**94**	**68**	**91**	**109**
Cost of Risk	-90	-70	-48	-47	-103
Operating Income	**5**	**24**	**20**	**44**	**6**
Associated Companies	20	11	16	12	11
Other Non Operating Items	1	-2	25	-2	-1
Pre-Tax Income	**26**	**33**	**61**	**54**	**16**
Allocated Equity (€bn, year to date)	3.3	3.3	3.3	3.3	3.4

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
BANCWEST					
Revenues	**593**	**553**	**560**	**551**	**566**
Operating Expenses and Dep.	-342	-326	-299	-302	-314
Gross Operating Income	**251**	**227**	**261**	**249**	**252**
Cost of Risk	-46	-56	-63	-62	-75
Operating Income	**205**	**171**	**198**	**187**	**177**
Non Operating Items	1	-1	1	0	1
Pre-Tax Income	**206**	**170**	**199**	**187**	**178**
Allocated Equity (€bn, year to date)	4.0	3.8	3.7	3.8	3.9

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
INVESTMENT SOLUTIONS					
Revenues	**1,521**	**1,406**	**1,462**	**1,533**	**1,521**
Operating Expenses and Dep.	-1,043	-1,134	-1,043	-1,039	-1,042
Gross Operating Income	**478**	**272**	**419**	**494**	**479**
Cost of Risk	-11	3	-53	-19	5
Operating Income	**467**	**275**	**366**	**475**	**484**
Associated Companies	9	-50	-111	-8	35
Other Non Operating Items	7	-19	-2	66	13
Pre-Tax Income	**483**	**206**	**253**	**533**	**532**

Allocated Equity (€bn, year to date)	7.9	7.5	7.4	7.2	7.1

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
WEALTH AND ASSET MANAGEMENT					
Revenues	**706**	**725**	**714**	**741**	**777**
Operating Expenses and Dep.	-520	-598	-539	-539	-544
Gross Operating Income	**186**	**127**	**175**	**202**	**233**
Cost of Risk	-6	3	-5	0	8
Operating Income	**180**	**130**	**170**	**202**	**241**
Associated Companies	7	5	15	5	8
Other Non Operating Items	5	-19	-2	66	16
Pre-Tax Income	**192**	**116**	**183**	**273**	**265**
Allocated Equity (€bn, year to date)	1.9	1.7	1.7	1.7	1.6

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
INSURANCE					
Revenues	**475**	**351**	**421**	**429**	**425**
Operating Expenses and Dep.	-234	-243	-224	-223	-222
Gross Operating Income	**241**	**108**	**197**	**206**	**203**
Cost of Risk	-5	-1	-48	-19	-3
Operating Income	**236**	**107**	**149**	**187**	**200**
Associated Companies	1	-55	-125	-13	27
Other Non Operating Items	1	0	0	0	-3
Pre-Tax Income	**238**	**52**	**24**	**174**	**224**
Allocated Equity (€bn, year to date)	5.5	5.3	5.2	5.1	5.0

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
SECURITIES SERVICES					
Revenues	**340**	**330**	**327**	**363**	**319**
Operating Expenses and Dep.	-289	-293	-280	-277	-276
Gross Operating Income	**51**	**37**	**47**	**86**	**43**
Cost of Risk	0	1	0	0	0
Operating Income	**51**	**38**	**47**	**86**	**43**
Non Operating Items	2	0	-1	0	0
Pre-Tax Income	**53**	**38**	**46**	**86**	**43**
Allocated Equity (€bn, year to date)	0.5	0.5	0.5	0.5	0.5

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
CORPORATE AND INVESTMENT BANKING					
Revenues	**3,121**	**1,685**	**1,787**	**2,920**	**3,505**
Operating Expenses and Dep.	-1,892	-1,569	-1,120	-1,613	-1,824
Gross Operating Income	**1,229**	**116**	**667**	**1,307**	**1,681**
Cost of Risk	-78	-72	-10	23	-16
Operating Income	**1,151**	**44**	**657**	**1,330**	**1,665**
Associated Companies	14	1	14	13	10
Other Non Operating Items	2	1	11	27	3
Pre-Tax Income	**1,167**	**46**	**682**	**1,370**	**1,678**
Allocated Equity (€bn, year to date)	18.1	16.9	17.0	17.2	17.5

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
ADVISORY AND CAPITAL MARKETS					
Revenues	**2,249**	**767**	**752**	**1,803**	**2,343**
Operating Expenses and Dep.	-1,471	-1,153	-672	-1,163	-1,389
Gross Operating Income	**778**	**-386**	**80**	**640**	**954**
Cost of Risk	37	33	-42	9	21
Operating Income	**815**	**-353**	**38**	**649**	**975**
Associated Companies	9	1	7	9	0
Other Non Operating Items	2	0	5	8	0
Pre-Tax Income	**826**	**-352**	**50**	**666**	**975**
Allocated Equity (€bn, year to date)	8.8	6.7	6.8	6.8	6.8

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
CORPORATE BANKING					
Revenues	**872**	**918**	**1,035**	**1,117**	**1,162**
Operating Expenses and Dep.	-421	-416	-448	-450	-435
Gross Operating Income	**451**	**502**	**587**	**667**	**727**
Cost of Risk	-115	-105	32	14	-37
Operating Income	**336**	**397**	**619**	**681**	**690**
Non Operating Items	5	1	13	23	13
Pre-Tax Income	**341**	**398**	**632**	**704**	**703**

Allocated Equity (€bn, year to date)	9.3	10.1	10.2	10.4	10.7

€m	**1Q12**	**4Q11**	**3Q11**	**2Q11**	**1Q11**
CORPORATE CENTRE (Including Klépierre)					
Revenues	**-883**	**589**	**738**	**406**	**471**
Operating Expenses and Dep.	-222	-97	-235	-281	-241
Incl. Restructuring Costs	*-65*	*-213*	*-118*	*-148*	*-124*
Gross Operating Income	**-1,105**	**492**	**503**	**125**	**230**
Cost of Risk	-29	-533	-2,103	-485	28
Operating Income	**-1,134**	**-41**	**-1,600**	**-360**	**258**
Associated Companies	76	-24	26	4	6
Other Non Operating Items	1,676	-170	14	97	-39
Pre-Tax Income	**618**	**-235**	**-1,560**	**-259**	**225**

*Including 100% of Private Banking for Revenues down to Pre-tax Income items

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

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

Business Overview

The BNP Paribas Group (of which BNP Paribas SA is the parent company), Europe's leading provider of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It is present in over 79 countries and has nearly 200,000 employees, including over 155,000 in Europe. BNP Paribas holds key positions in its three activities:

- Retail Banking, which includes the following operating entities:
  - French Retail Banking (FRB),
  - BNL banca commerciale (BNL bc), Italian retail banking,
  - BeLux Retail Banking,
  - Europe-Mediterranean,
  - BancWest,
  - Personal Finance,
  - Equipment Solutions;
- Investment Solutions; and
- Corporate and Investment Banking (CIB).

In 2012, the Bank will be organized as follows:

- Retail Banking, which includes the following:
  - A set of Domestic Markets grouping together:
    - French Retail Banking (FRB);
    - BNL banca commerciale (BNL bc), Italian retail banking;
    - Belgian Retail Banking (BRB);
    - Other Domestic Markets activities including Luxembourg Retail Banking (LRB);

- An International Retail Banking entity grouping together:
    - Europe-Mediterranean;
    - BancWest;
    - A Personal Finance entity;
- Investment Solutions;
- Corporate and Investment Banking (CIB).

As at December 31, 2011, the Group had consolidated assets of €1,965.3 billion (compared to €1,998.2 billion at December 31, 2010), consolidated loans and receivables due from customers of €665.8 billion (compared to €684.7 billion at December 31, 2010), consolidated items due to customers of €546.3 billion (compared to €580.9 billion at December 31, 2010) and shareholders' equity (Group share including income for 2010) of €75.4 billion (compared to €74.6 billion at December 31, 2010). Pre-tax income for the year ended December 31, 2011 was €9.7 billion (compared to €13.0 billion for the year ended December 31, 2010). Net income, Group share, for the year ended December 31, 2011 was €6.1 billion (compared to €7.8 billion for the year ended December 31, 2010).

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2011.

Strategy

The Bank's strategy for 2012 is summarized below according to its three principal activities.

Retail Banking

In its four domestic networks (France, Italy, Belgium and Luxembourg), the Group will continue its focus on serving its customers throughout the crisis and adapting to regulatory changes.

As a result, for individual customers, the networks will continue to upgrade the savings product offering to meet customer expectations and adapt to regulatory changes. Technological innovations for the benefit of customers (mobile, online, contactless payment systems) will be rolled out quickly and a new service (Priority Banking) will also be introduced.

For companies and small businesses, the networks will finish rolling out the Small Business Centers in France and Italy and develop leasing solutions (Leasing, Arval), in particular for investments by small and mid-sized companies. In Belgium, a Working Capital Management campaign will be launched to better support customers in the financing of their working capital and in their cash management requirements.

In an effort to achieve greater operating efficiency, cost-cutting programs under way in Italy, Belgium and Luxembourg will continue with ambitious savings targets for 2014.

In the retail banking networks outside the Euro-zone, the objective will be to support selective business development initiatives. BancWest may therefore benefit from a more favorable economic environment, pursuing the rolling out of private banking and capitalizing on sales and marketing drives targeting companies. Europe-Mediterranean will continue the selective roll out of its integrated business model, stepping up the development of shared platforms and reducing the operating cost base. In Turkey, a fast-growing market, the Group will be aiming to consolidate its position by carrying out the business plan and expanding cross-selling with Investment Solutions (Wealth Management and Insurance) and CIB (Trade Finance and Fixed Income).

Personal Finance will continue to adapt its business models to the new environment.

In France, Cetelem Bank will continue to grow sales of savings and protection insurance products. Action will be taken to foster access to credit in the new regulatory environment. Personal Finance will gradually follow through with the business alliance with BPCE.

In Italy, Personal Finance will roll out the Cetelem Bank model with Findomestic Banca, improving customer relations and marketing deposit accounts. The marketing of BNL bc's mortgages and current accounts as well as Cardif's insurance products will also be stepped up.

Separately, Personal Finance will be exploring growth sources by developing business in Germany, Brazil, Central Europe and Russia, launching a partnership with Banque de la Poste in Belgium and expanding PF Inside, a model to market consumer lending within the Group's networks outside the Euro-zone.

Investment Solutions

In 2012, the division will continue its efforts to turnaround Asset Management. The business unit's goal is to cut costs by 10% compared to 2011. It will speed up the development of value-added products such as debt and equity securities management for emerging markets and alternative management and focus on Asia Pacific, the Middle East and Latin America. More generally, Investment Solutions will bolster its presence in fast-growing markets like Asia Pacific, in particular its Wealth Management and Securities Services business units. Insurance will endeavor to grow its gross written premiums from the protection insurance business.

Lastly, the division will pursue cross-business growth and streamlining approaches, both within Investment Solutions' business units and with Retail Banking and CIB, as well as growing BNP Paribas Real Estate's business within the Group.

Corporate and Investment Banking

CIB will continue its efforts to adapt rapidly and to implement a more disintermediated model to support its clients in connection with the new Basel regulations.

In Fixed Income, CIB will develop its distribution capacity and investor services and promote short-term and more standard products to meet the growing role of markets in financing the economy. In addition, it will reduce capital and liquidity consumption, adjusting its platform in a selective way. Synergies with the Financing Businesses will be expanded in order to promote origination and distribution to support clients in their projects. The Equities and Advisory business units will speed up the roll out of standardized or listed product distribution platforms and bolster the franchise in reaction to market consolidation and to meet the demand for simpler and more liquid products.

In 2012, a further significant impact of non-recurring items is expected with an additional €650 million in costs relating to disposals and €200 million in restructuring costs. Over time, these adaptation efforts are expected to generate €450 million in savings on a full-year basis, partly offsetting the loss of recurring revenues resulting from the reduction of financed loan outstandings: €1.4 billion excluding the repricing effect.

The division is well-positioned in the increasingly stringent regulatory environment as it is one of the few European CIBs with critical mass, a global reach, a customer approach based on long-term relationships, four domestic markets and teams with exceptional expertise recognized by the market.

History

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

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

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

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

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

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

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

Retail Banking

With 7,200 branches in 43 countries, 23 million individual, professional and small business customers and 280,000 corporate clients, in 2011 the Bank generated more than half of its revenues from retail banking and consumer finance activities—with close to 13 million active customers—and leasing activities. Retail banking activities employ 144,000 persons, representing over 70% of the Group's headcount.

Retail Banking is divided into seven operating entities:

- French Retail Banking;
- BNL bc, Italian retail banking;
- BeLux Retail Banking, covering retail banking activities in Belgium and Luxembourg;
- Europe-Mediterranean, covering retail banking activities in Central and Eastern Europe, Turkey, the Mediterranean, West Africa and Asia;
- BancWest, the retail banking network in the United States;
- Personal Finance, comprising the specialist personal loan, consumer credit and mortgage financing businesses; and
- Equipment Solutions, dedicated to financing equipment for corporate clients.

Five central support departments – Distribution, Markets & Solutions (DMS), IT, Operations, Human Resources and Communications – provide the business lines with their expertise and work on shared cross-functional projects.

There are also two related activities: Cash Management and Factoring.

In 2012, the organizational structure of Retail Banking activities is expected to change as follows:

- a set of Domestic Markets, grouping together retail banking networks of BNP Paribas in France (FRB), Italy (BNL bc), Belgium (BNP Paribas Fortis) and Luxembourg (BGL BNP Paribas), leasing activities (BNP Paribas Leasing Solutions), automotive fleet leasing with related services (Arval) and BNP Paribas Personal Investors, online savings and brokerage expert. Lastly, although not included in the scope of consolidation of Domestic Markets, Wealth Management will continue to report business matters to Domestic Markets;
- an International Retail Banking entity, grouping together countries covered previously by the Europe-Mediterranean operating entity (Central and Eastern Europe, Turkey, Mediterranean, West Africa and Asia), in addition to the USA with BancWest; and
- a Personal Finance entity, market leader in consumer finance, with operations in approximately 30 countries.

French Retail Banking

French Retail Banking (FRB) supports all of its clients with their projects. It has a client base made up of 6.8 million individual and private banking clients, 615,000 small business and professional clients, and 25,000 corporate and institutional clients. The division offers a broad line-up 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.

During the course of 2011, FRB acquired nearly 460,000 new clients. To forge even closer relationships with its clients, FRB continues to invest in its network. At December 31, 2010, it consisted of

2,250 branches, of which over 1,450 had been refurbished with the "Welcome & Services" concept, and 5,892 cash dispensers. As such, the network is now more compatible with a multi-channel organizational structure.

The French Retail Banking Division employs 31,900 people working for all of its clients chiefly in the BNP Paribas-branded branch network, as well as at BNP Paribas Factor, BNP Paribas Développement, a provider of capital, and Protection 24, a remote surveillance firm. The merger between the Bank and Banque de Bretagne was completed in October 2011.

The network is segmented by client category:

- branches dedicated to individual, professional and business clients;
- 223 wealth management centers, making the Bank the number 1 private bank in France[38] based on assets under management);
- a unique network of 28 business centers dedicated to business customers across the length and breadth of the country, as well as a professional assistance service - "Service Assistance Enterprise (SAE)" - and Cash Customer Services (CCS);
- 46 small business centers which help small businesses to manage their wealth planning projects or projects related to their company's lifecycle.

The Client Relations Center's three platforms in Paris, Orléans and Lille deal with calls made to the branches and process client e-mails. A "Net Crédit Immo" contact center handles mortgage requests in less than 48 hours. In addition, a special section of the Bank's bnpparibas.net website (NetÉpargne) provides information for clients and enables them to apply for savings accounts and life insurance products. FRB continues to develop its multi-channel approach encompassing automated banking systems in branches, mobile account management and applications, new online services and loans and "Net Agence", an online bank.

Backed by 59 production and sales support branches, FRB's back offices handle all transaction processing operations.

BNL Banca Commerciale

BNL banca commerciale (BNL bc) is one of the major players in the Italian banking system, ranking sixth in terms of both total assets and loans to customers.[39]

BNL bc provides a comprehensive range of banking, financial and insurance products and services to meet the needs of its diversified client base consisting of:

- approximately 2.5 million individuals and 20,900 private clients (households);
- 169,000 small business clients;
- over 29,000 medium and large companies, including Large Relationships ("*Grandes Relations*"), consisting of approximately 460 groups with 1,800 operating companies;
- 16,000 local authorities and non-profit organizations.

In retail and private banking, BNL bc has a strong position in lending (especially residential mortgages, with a market share of nearly 7%), and a good deposit base (market share of approximately 4% for current accounts) well ahead of its network presence (2.7% in terms of branch numbers).[40]

BNL bc also has a long-standing tradition in supporting large companies and local authorities, boasting market shares of approximately 4% and 5%, respectively, for loans[40] with a well-established reputation in cross-border payments, project financing and structured finance, as well as factoring (its specialized subsidiary Ifitalia ranks second in Italy both in terms of credit outstanding and revenues[41]).

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

- nearly 890 branches;
- 29 private banking centers;
- 33 small business centers; and
- 53 branches dealing with small and medium enterprises, large companies, local authorities and public

[38] Source: Décideurs Stratégie Finances Droit, 2011.

[39] Source: Published financial information on companies' websites.

[40] Source: Internal data and Bank of Italy statistics as at September 30, 2011

[41] Source: Assifact as at December 31, 2011

sector organizations.

In addition, five Trade Centers provide companies with a range of solutions for cross-border activities, complementing the Bank's international network. Moreover, a network of 10 Italian desks, principally located in the Mediterranean area, assists Italian companies abroad as well as multinational companies with direct investments in Italy.

The multi-channel offering is complemented by more than 1,970 automated teller machines and over 25,600 points of sale with retailers, as well as telephone and online banking for both retail and business clients.

This organization is supported by specialized local back-office units, which both monitor risk exposure and help the distribution network improve the satisfaction of both internal and external clients by delivering high-quality, effective services.

BeLux Retail Banking

Retail & Private Banking (RPB)

BNP Paribas Fortis is number one in personal banking in Belgium, with 3.7 million customers and high-ranking positions in all banking products.[42] Retail customers are reached through a multichannel distribution strategy. The branch network comprises 983 branches plus 681 customer service points under the partnership with Banque de la Poste and 308 Fintro franchise outlets.[43]

RPB's Client Relationship Management (CRM) centre manages a network of 3,259 cash dispensers, as well as online banking services (1.2 million users), mobile banking and phone banking.

With 38 Private Banking centers, BNP Paribas Fortis is a major player in the Belgian private banking market. Its services are aimed at individual customers with assets of more than €250,000. Wealth Management caters to clients with assets of more than €4 million.

Corporate & Public Bank, Belgium (CPBB)

CPBB offers a comprehensive range of financial services to Belgian companies, public entities and local authorities. With more than 650 corporate clients and 14,200 midcap clients, it is the market leader in both those categories,[44] and a challenger in public banking with 850 clients. CPBB keeps very close to the market through its team of more than 70 corporate bankers and 217 relationship managers operating out of 22 Business Centers, supported by specialists in specific areas.

Retail and Corporate Banking Luxembourg (BDEL)

BDEL provides a broad range of financial products and services to its private and professional clients, as well as companies through a network of 38 branches and departments dedicated to corporate clients.

BGL BNP Paribas is the second largest retail bank in Luxembourg in terms of services for retail customers, with a total of 213,000 resident customers representing a market share of 16%.[45] It is the leading commercial bank with 37,500 corporate clients representing a market share of 38%.[46]

Europe-Mediterranean

Europe-Mediterranean operates a network of 2,087 branches in ten geographical regions. It is present in Turkey, Central and Eastern Europe (Poland and Ukraine), the southern Mediterranean Basin (Morocco, Algeria, Tunisia, Egypt), in sub-Saharan Africa and in Asia through partnerships. Europe-Mediterranean is gradually rolling out the integrated retail banking model of the Group which has proved so successful in its domestic markets by providing local customers with the expertise for which the Group has a strong competitive position in the market (dynamic customer segmentation, cash management, trade finance, multichannel distribution, specialized financing, wealth management, etc.).

[42] Source: Strategic Monitor Individuals study, 2010

[43] In December 2011, Fintro had 1,018 employees, 335,427 customers and more than €11.25 billion in deposits.

[44] Source: TNS survey.

[45] Source: ILRES survey, October 2011.

[46] Source: ILRES survey, November 2010 (conducted every two years).

BancWest

In the United States, the retail banking business is conducted through Bank of the West and First Hawaiian Bank, subsidiaries of BancWest Corporation since 1998, wholly-owned by the Bank since the end of June 2001. Until 2006, BancWest pursued a policy of acquisitions to develop its franchise in western America.

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

With a market share of more than 40% in deposits[47], First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and businesses.

In total, with 11,600 employees, nearly 800 branches and corporate offices, total assets of more than $78 billion at December 31, 2011, BancWest currently serves some 2.3 million clients. It ranks as the seventh largest commercial bank in the western United States by deposits.[47]

Personal Finance

BNP Paribas Personal Finance: Europe's Number One in Personal Finance[48]

Within the Group, BNP Paribas Personal Finance specializes in personal loans through its consumer finance and mortgage lending activities. With 30,000 employees in approximately 30 countries and on four continents, BNP Paribas Personal Finance ranks as the leading player in France and Europe.[48]

BNP Paribas Personal Finance markets a comprehensive range of solutions available at the point of sale (stores, car dealerships), directly via its customer relations centers and over the internet. Since 2011, BNP Paribas Personal Finance has also offered savings and insurance services to clients in France.

Furthermore, BNP Paribas Personal Finance has made partnerships an area of specialization in its own right underpinned by its expertise in providing all types of financing and services geared to the activities and commercial strategy of its partners. As a result, BNP Paribas Personal Finance has become a key partner for retail chains, service providers, banks and insurance companies.

Core Commitment to Responsible Lending

Primarily via its commercial brands Cetelem and Findomestic in Italy, BNP Paribas Personal Finance has made responsible lending the basis of its commercial strategy as a means of ensuring lasting growth. At each stage of the customer relationship, as well as during the process of granting a loan, responsible lending criteria are applied. These criteria are based on customer needs, which are central to this approach, and customer satisfaction, which is assessed regularly.

This approach – shared by all of BNP Paribas Personal Finance – is implemented depending on the specific characteristics of each country. In addition, structural measures such as the design and distribution of accessible and responsible products and services, as well as the "Recoverability Charter", are rolled out and implemented in all countries.

France has the most comprehensive Personal Finance offering, including access to independent business mediation and, since 2004, monitoring of three responsible lending criteria that have been made public: refusal rate, repayment rate and risk rate.

Since 2007, BNP Paribas Personal Finance has supported the development of personal microfinance guaranteed by the Fonds de Cohésion Sociale. As of the end of 2011, it had granted 253 micro loans totaling €507,127.

Equipment Solutions

Equipment Solutions uses a multi-channel approach (direct sales, sales via referrals or banking networks) to offer corporate and business clients a range of leasing and rental solutions, ranging from equipment financing to fleet outsourcing.

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[47] Source: SNL Financial, June 30, 2011.

[48] Source: Annual reports of personal finance companies.

Equipment Solutions consists of four international business lines organized by assets and specially customized leasing and rental solutions:

- Arval for cars and light commercial vehicles;
- Equipment & Logistics Solutions for equipment such as farming machinery, construction and public works equipment and commercial vehicles;
- Technology Solutions for technological assets, including office hardware and software and telecom equipment;
- Bank Leasing Services provides leasing solutions to BNP Paribas bank customers.

Equipment Solutions successfully capitalized on the economic recovery at the beginning of the year, launching numerous commercial initiatives. For the second consecutive year, the business remains the European leader in equipment financing in terms of new business and remains committed to providing financing for the economy, with over 495,000 contracts signed.[49]

In late December 2011, Arval posted an increase in its leased vehicle fleet of 3% compared with 2010, together with a rise in the number of vehicles purchased (210,648 vehicles, up 17% compared with 2010). At the same date, Arval had a total leased fleet of 686,946 vehicles. Arval is a major European player in vehicle full service leasing and number one in Spain[50], France[51], Italy[52] and Poland[53] in terms of leased vehicles.

BNP Paribas Lease Group arranged over 288,000 financing deals in 2011, bringing its total outstandings above €20.9 billion.[54]

Investment Solutions

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

Investment Solutions comprises 6 business lines, with complementary expertise:

- Asset Management: BNP Paribas Investment Partners (3,423 employees, 42 countries);
- Insurance: BNP Paribas Cardif (7,076 employees, 39 countries);
- Private Banking: BNP Paribas Wealth Management (6,103 employees, 30 countries);
- Online Savings and Brokerage: BNP Paribas Personal Investors (3,992 employees, 7 countries);
- Securities Services: BNP Paribas Securities Services (7,617 employees, 30 countries); and
- Real Estate: BNP Paribas Real Estate (3,289 employees, 29 countries).

In total, Investment Solutions is present in 68 countries with approximately 31,000 employees.

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

In 2012, BNP Paribas Personal Investors will join Retail Banking's set of Domestic Markets.

BNP Paribas Investment Partners

BNP Paribas Investment Partners (BNPP IP) is the asset management arm of the Group and is comprised of a unique network of 24 specialized partners worldwide.

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[49] Source: Leaseurope 2010 league tables published in August 2011

[50] Source: Asociación Española De Renting De Vehículos (AER), Spain, October 2011

[51] Source: Syndicat National des Loueurs de Voitures Longue Durée, 1st quarter 2011

[52] Source: Syndicat National des Loueurs de Voitures Longue Durée, 1st quarter 2011

[53] Source: PZWLP February 2012

[54] Amounts after servicing transfer, excluding short-term outstandings

As a global investment solution provider, BNPP IP has three distinct groups of investment expertise:

- *Multi-expertise investment capabilities*: BNP Paribas Asset Management, the largest partner, encompasses the major asset classes with investment teams operating in all of the major markets.
- *Specialist investment partners:* specialists in a particular asset class or field (mainly alternative and multi-management), operating as boutique-like structures.
- *Local and regional solution providers:* local asset managers covering a specific geographical region and/or clientele, the majority in emerging markets.

With €403 billion in assets under management and advisory and over 3,400 staff operating in 42 countries, BNPP IP offers a full range of investment management services to both institutional clients and distributors wherever they are located.

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

Based on assets under management as at December 31, 2011, BNPP IP ranks fourth in Europe.[55]

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

BNP Paribas Cardif

BNP Paribas Cardif's role is to insure individuals, their families and their property.

It markets its savings and protection products and services via various partners.

By forging close relationships with its clients, BNP Paribas Cardif has developed unique expertise in insurance-based partnerships and an ability to adapt to each partner's specific needs in the markets of Europe, Asia and Latin America, where it holds strong positions.

BNP Paribas Cardif strives to meet the expectations of its clients by supporting each partner with its projects and each policyholder at every stage of life.

As a global player in personal insurance, BNP Paribas Cardif has established itself as Europe's tenth-ranked insurer[56] and aims to become the global leader in insurance-based partnerships.

BNP Paribas Cardif has three major distribution channels:

- BNP Paribas' retail banking networks in France, Italy, Luxembourg, Belgium, Turkey and Ukraine;
- banks, financial institutions and mass retailers;
- brokers, networks of independent financial advisers and the Internet.

Wealth Management

BNP Paribas Wealth Management encompasses BNP Paribas' private banking activities. As part of an integrated approach to client relationships, Wealth Management offers its clients security coupled with innovative product and service capability.

BNP Paribas Wealth Management provides high value-added products and services designed to meet the needs of a sophisticated clientele. The wealth management offering includes:

- wealth management services: estate planning and advice on asset structures;
- financial services: advise on asset allocation, investment products and securities, in particular discretionary portfolio management; and
- expert advice in specific areas, such as art, real estate and philanthropy.

In an environment significantly affected by new regulations, the business is designed to meet the following objectives:

[55] Source: IPE ranking, June 2011 (based on assets under management as at December 31, 2010).

[56] Source: Study based on information published by competitors.

- support the development of the wealth management business in countries where the Group has a retail banking clientele;
- develop Wealth Management's business in high-growth markets;
- gain or strengthen positions through close cooperation with Corporate and Investment Banking and through other partnerships; and
- increase cross-functionality between geographies and support functions.

Clients draw on the expertise of the business line's support teams in financial planning and asset management, as well as diversification. BNP Paribas Wealth Management sources solutions for these services from the Group's other businesses (Investment Partners, Securities Services, Cardif, Corporate Finance, Fixed Income and Equity Derivatives), as well as from selected external product and service providers. To strengthen its ability to attract and advise the world's largest fortunes ("Key Clients"), BNP Paribas Wealth Management has also set up a dedicated team responsible for global coverage of this segment.

With €244 billion in assets under management in 2011 and about 6,100 professionals in close to 30 countries, Private Banker International ranks BNP Paribas Wealth Management among the top three global private banks and the second European private bank. *Euromoney* ranks BNP Paribas Wealth Management as seventh worldwide and third in Western Europe.[57] With €69 billion of assets under management in France, it is ranked number one.[58]

Personal Investors

BNP Paribas Personal Investors provides independent financial advice and a wide range of investment services to individual clients. This business line brings together three players:

- Cortal Consors, European leader[59] specialist in online savings and brokerage for individuals, provides personalized investment advice and online trading services via Internet, telephone and face-to-face to over one million clients in Germany, France and Spain. Its broad range of independent products and services includes short-term investment solutions, mutual funds and life insurance;
- B*capital, an investment company, offers direct access to a complete range of markets (equities, bonds, derivatives), providing financial analysis as well as customized advice and portfolio management. B*capital is the majority shareholder in stockbroker Portzamparc, specialized in small and mid-cap businesses;
- Geojit BNP Paribas is one of the leading retail brokers in India. It provides brokerage services for equities, derivatives and financial savings products by phone, online and via a network of approximately 530 branches throughout India. Geojit BNP Paribas also operates in the United Arab Emirates, Saudi Arabia, Oman, Bahrain and Kuwait, where it targets mainly a non-resident Indian clientele.

In Luxembourg and Singapore, BNP Paribas Personal Investors provides products and services to an international and expatriate clientele.

Since June 2011, BNP Paribas Personal Investors has managed TEB Investment's activities in Turkey, which include brokerage services for corporate clients and individual investors via Internet and a network of 29 branches.

On December 31, 2011, BNP Paribas Personal Investors[60] had 1.4 million customers and €32 billion in assets under management, of which 39% was invested in equity assets, 35% in savings products or mutual funds and 26% in cash. BNP Paribas Personal Investors employs over 4,000 staff.

BNP Paribas Personal Investors' goal is to strengthen its leadership position in Europe and in emerging markets that enjoy strong savings capacity and to further develop synergies within the Group.

BNP Paribas Securities Services

BNP Paribas Securities Services is one of the major global players in securities services.[61] During 2011, assets under custody declined by -2.7% compared with 2010 to stand at €4,517 billion. Assets under

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57 Source: Euromoney 2012.

58 Source: Décideurs Stratégie Finances Droit 2011 and Euromoney 2012.

59 Source: BCG, December 2011.

60 With Geojit included at a rate of 34%.

61 Source: BNP Paribas Securities Services figures at December 31, 2011 for assets under custody; public disclosure of Top 10 competitors.

administration grew by +7.4% to €828 billion and the number of funds also rose by +11.3% to 7,044. The number of transactions settled rose by +4.4% to 49 million against a backdrop of very strong activity in the financial markets.

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

- investment banks, broker-dealers, banks and market organizations are offered customized solutions in execution services, derivatives clearing, local and global clearing, settlement/delivery and custody for all onshore and offshore asset classes worldwide. Outsourcing solutions for middle and back-office activities are also provided;
- institutional investors (asset managers, alternative fund managers, sovereign wealth funds, insurance companies, pension funds, fund distributors and fund sponsors) have access to an array of services. These include global custody, depository bank and trustee services, transfer agency and fund distribution support, fund administration and middle-office outsourcing, investment reporting and risk and performance measurement; and
- issuers (originators, arrangers and corporations) are provided with a wide range of corporate trust solutions: securitization and structured finance services, debt agency services, issuer advisory, stock option and employee stock plans, shareholder services and management of annual general meetings.
- market and financing services are provided across all client types. These include securities lending and borrowing, foreign exchange, credit and collateral management, and cash financing.

BNP Paribas Real Estate

With 3,400 employees, BNP Paribas Real Estate is ranked first as continental Europe's provider of real estate services to companies[62] and one of France's leading players in residential property.[63]

Clients are the focus of BNP Paribas Real Estate's business strategy and commercial organization. Its clients include businesses, institutional investors, private individuals, property developers and public entities.

BNP Paribas Real Estate can meet the needs of its clients at every stage in a property's lifecycle. The business is able to draw on its full range of services, including:

- Property development: first in commercial property and sixth in residential property in France.[63]
- Advisory (Transaction, Consulting, Valuation): first in France[64] and in Germany.[65]
- Property Management: second in France[66] and first in Belgium.[67]
- Investment & Asset Management: first in raising funds for non-trading property investment trusts (SCPIs)[68].

This integrated offering is built around international business lines. It encompasses all types of property, such as offices, warehouses, logistics hubs, retail units, hotels, housing units, "Studélites" student-serviced residences and "Hipark"-branded business tourist residences.

In residential real estate, BNP Paribas Real Estate is mainly active in France.

In commercial real estate, BNP Paribas Real Estate supports its clients in 30 countries:

- through a direct presence (15 countries):
    - in Europe: Germany, Belgium, Spain, France, Hungary, Ireland, Italy, Jersey, Luxembourg, Poland, Czech Republic, United Kingdom, Romania,
    - India and the Gulf countries; and

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62 Source: Property Week, June 2011.

63 Source: Innovapresse property developer league tables, September 2011.

64 Source: Euromoney, September 2011.

65 Source: Immobilier Manager, September 2011.

66 Source: Lettre M2.

67 Source: Expertise, November 2011.

68 Source: IEIF, March 2011.

- via alliances with local partners (15 countries).

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

Corporate and Investment Banking

BNP Paribas Corporate and Investment Banking (CIB) employs nearly 20,000 people across more than 50 countries. CIB provides its clients with financing, advisory and capital markets services. In 2011, BNP Paribas CIB generated 23% of the Group's revenues and 37% of its pre-tax net income.

BNP Paribas CIB's clients, consisting of companies, financial institutions and investment funds, are central to BNP Paribas CIB's strategy and business model. BNP Paribas CIB's employees' main aim is to develop and maintain long-term relationships with clients, to support them in their expansion or investment strategy and provide global solutions to meet their financing, advisory and risk management needs. In 2011, BNP Paribas CIB continued to strengthen its European leadership and develop its international activities, consolidating its role as European partner of choice for many companies and financial institutions worldwide.

Amid very tough market conditions as a result of tighter regulations, heightened concerns about the sovereign debt of certain European countries and an economic slowdown in developed countries, BNP Paribas CIB took measures during 2011 to adjust its business activities. To contend with this new environment, BNP Paribas CIB implemented a plan to reduce its asset base and its funding needs in U.S. dollars, which will be completed by year-end 2012.

Structured Finance

Structured Finance (SF) operates at the crossroads of the lending and capital markets activities. It designs customized short- and medium-term financing solutions for a global clientele. With a presence in almost 40 countries and over 2,100 experts, SF offers a full range of financing solutions, from the origination, structuring and execution of structured debt through syndication. Structured Finance also includes CIB's cash management activities outside of Europe.

SF plays a major role in energy and commodities financing, asset financing (aircraft, shipping, real estate), export financing, leveraged financing, project financing, corporate acquisition financing, trade financing, cash management and loan syndication.

During 2011, SF completed a number of deals that helped to finance the economy. It helped to finance its clients' investment and expansion projects by providing customized, integrated solutions geared to their specific needs. Clients therefore benefit from a global offering combining product expertise with dedicated specialists. As part of the measures being taken by the Group to adapt to the new environment, SF made a significant contribution to the adaptation plan introduced by CIB to reduce its U.S. dollar funding needs and its risk-weighted assets.

Once again, SF won a number of awards in 2011 reflecting the excellence of its teams and the quality of its service:

- Number five globally in Cash Management (Euromoney 2011);
- Best Project Finance House in Western Europe (Euromoney 2011);
- Best Energy Finance Bank (Trade Finance Magazine 2011);
- Emerging EMEA Loan House (IFR 2011);
- Number one Mandated Lead Arranger (MLA) for Global Trade Finance Loans (excl. sole bank loans) for 2011 (Dealogic);
- Number one MLA (by number of deals) and number three (by volume) in ECA-backed Trade Finance Loans for 2011 (Dealogic);
- Number two Global Financial Adviser (Infrastructure Journal 2011);
- Number two Global Renewables Financial Adviser (Infrastructure Journal 2011);
- Number one Bookrunner (Dealogic) and number one Bookrunner and Mandated Lead Arranger (Thomson Reuters) in EMEA syndicated loans for 2011 by volume and number of deals;
- Number one Bookrunner in the EMEA Leveraged Loan market for 2011 by number of deals (Dealogic);
- Number one Best Arranger of Western European Loans, number two Most Impressive Arranger of EMEA Loans and number two Best Arranger of Corporate Loans (EuroWeek Syndicated Loans Awards 2011).

Corporate and Transaction Banking Europe

Corporate and Transaction Banking Europe (CTBE), created in February 2010, is the cornerstone for the Bank's strategy of becoming "THE bank for companies in Europe". CTBE provides its corporate clients with both day-to-day corporate banking services in liaison with the Global Cash Management, Global Trade Solutions and Global Factoring competence centers, and a full range of investment banking services from CIB's other business lines.

CTBE targets a local clientele of large and mid caps and the local subsidiaries of the Bank's customers from all regions. Clients are served equally whether they come from CIB, a domestic retail market or another retail banking entity.

With its corporate banking focus, CTBE offers financing, cash management and trade solutions to all its clients. It works hand in hand with BNP Paribas Factor, BNP Paribas Leasing Solutions and Arval to distribute a range of leasing and factoring solutions. It also cooperates with the other CIB business lines to offer their products and services to its clients, and particularly the Fixed Income business line for simple interest rate and exchange rate hedging solutions.

CTBE operates in 16 counties (Germany, Austria, Bulgaria, Denmark, Spain, Hungary, Ireland, Norway, The Netherlands, Portugal, Czech Republic, Romania, United Kingdom, Russia, Sweden and Switzerland) and has 30 business centers. A team of some 200 relationship managers, 40 cash management specialists and 25 trade solutions specialists serve 8,000 clients.

Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions, primary equity capital market transactions and restructuring. The mergers & acquisitions (M&A) teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatizations. Primary capital market services include initial public offerings (IPOs), equity issues, secondary placements, and convertible/exchangeable bond issues. It employs approximately 400 professionals in a global network based on two main platforms (one in Europe and one in Asia) and a growing presence in the Middle East, Africa and the Americas.

In M&A, BNP Paribas consolidated its top 10 ranking in Europe. It ranked ninth in Europe *(Thomson Reuters, completed deals)*, number one in France *(Thomson Reuters and Dealogic, announced and completed deals)*, third in Italy *(Dealogic announced deals)* and fourth in Spain *(Thomson Reuters, announced deals)* at December 31, 2011.

In addition, BNP Paribas won the following awards:

- "M&A Deal of the Year in Europe" from *The Banker* for the combination between GDF Suez Energy International and International Power;
- "Best M&A House in France" awarded by *Euromoney*;
- "Financial Advisor for France" awarded by *FT Mergermarket*.

In the North Africa/Middle East region, BNP Paribas CIB ranks number one *(Thomson Reuters, announced deals)* and received the "M&A Deal of the Year in Africa" award from *The Banker* for the sale of Zain's African business activities to Bharti Airtel.

In the primary equity markets, BNP Paribas has consolidated its leadership in the Europe/Middle East/Africa region by ranking as the number two bookrunner of EMEA equity-linked deals according to *Dealogic* at December 31, 2011. BNP Paribas also ranks as the number five bookrunner for initial public offerings (IPOs) (*Thomson Reuters*). In addition, BNP Paribas won the prestigious "EMEA Structured Equity House of the Year" award from *IFR* for the second year in a row in December 2011.

In Asia, the $1.2 billion IPO of Sun Art Retail Group in Hong Kong, on which BNP Paribas acted as bookrunner, received the following two awards:

- "Best Equity Deal", "Best IPO" awarded by *FinanceAsia*;
- "Best IPO" awarded by *Asiamoney*.

Global Equities & Commodity Derivatives

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

GECD is organized into three business lines:

- Structured Equity provides structured solutions to a broad clientele including retail customers, corporate clients, banking networks, insurance companies and pension funds. It provides its clients with customized or exchange-traded structured products to meet their capital protection, yield and diversification requirements.
- Flow and Financing caters to the needs of institutional investors and hedge funds. It delivers appropriate and innovative investment and hedging strategies in equity markets across the globe and provides access to financing solutions through its prime brokerage unit, stock lending and borrowing and synthetic financing. Flow and Financing also provides its clients with a rapidly developing integrated equity brokerage platform combining numerous research, sales, trading and execution service capabilities.
- Commodity Derivatives provides a range of risk hedging solutions to corporate clients whose business is highly correlated with commodity prices (producers, refineries and transport companies, for example). It also provides investors with access to commodities through various investment strategies and structured solutions.

2011 Awards

GECD's expertise and know-how was recognized in 2011 by the following awards:

- Structured Products House of the Year (*Risk Magazine* 2011);
- House of the Year (*Structured Products Europe Awards* 2011);
- House of the Year (*Structured Products Americas Awards* 2011);
- Derivatives House of the Year (*The Asset Triple A Investment Awards* 2011);
- Derivatives House of the Year (*Energy Risk Magazine* 2011);
- Precious Metals House of the Year (*Energy Risk Magazine* 2011);
- Energy Brokerage House of the Year, Asia (*Energy Risk Magazine* 2011);
- Commodities House of the Year (*Commodity Business Awards* 2011);
- Excellence in Commodity Risk Exposure Mitigation (*Commodity Business Awards* 2011);
- Excellence in Commodity Finance & Structured Products (*Commodity Business Awards* 2011);
- Best Equity Derivatives Provider, Asia (*Global Finance Magazine* 2011).

Fixed Income

BNP Paribas CIB's Fixed Income division is a global provider of solutions in the interest rate, foreign exchange (FX) and credit markets. With headquarters in London, seven other trading floors in Paris, Brussels, New York, São Paulo, Hong Kong, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, the business has nearly 2,400 staff globally.

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

Teams of dedicated experts in each region help to finance the economy by meeting client needs with financing solutions such as bond issues. Fixed Income also offers its institutional client base new investment opportunities and solutions to manage various types of risk, such as interest rate, inflation, foreign exchange and credit risk. In 2011, Fixed Income brought its clients real added-value, as illustrated by its rankings in the official league tables and awards won:

2011 Rankings

- Number one bookrunner for euro bond issues, number four bookrunner for international bond issues in all currencies (*Thomson Reuters Bookrunner Rankings* 2011);
- Number four in euro inflation products and number four in all interest rate products all currencies combined (*Total Derivatives/Euromoney Interest Rate Derivatives Survey* 2011);
- Number two in credit derivatives – indices and tranches, Europe (Risk Institutional Investor Survey 2011);
- Number two in foreign exchange services for financial institutions (*Asiamoney FX Poll* 2011);
- Number one in credit research in the banking sector; number two in the consumer products sectors and number five in trading ideas (*Euromoney Fixed Income Research Poll* 2011);
- Number two in credit derivatives overall (*AsiaRisk Interdealer Rankings* 2011).

2011 Awards

- Structured Products House of the Year (*Risk Magazine* 2012);
- Structured Products House of the Year (*Structured Products Europe* 2011);
- Structured Products House of the Year (*Structured Products Americas* 2011);
- Interest Rates House of the Year (*Structured Products Europe* 2012);
- Best Issuer for Covered Bonds, Best Bank for Structuring (*The Cover/EuroWeek Covered Bond Awards* 2011);
- Best Corporate Bond House, Best Bank for Corporate Secondary Markets, Best Bank for Corporate Liability Management (*EuroWeek Awards* 2011);
- Most Innovative for Interest Rate Derivatives (*The Banker* 2011);
- Derivatives House of the Year in Asia-Pacific, Best Credit Derivatives House, Best Derivatives House Korea (*The Asset Triple A Investment Awards* 2011);
- Credit Derivatives House of the Year (*Asia Risk Magazine* 2011);
- Covered Bond House (*IFR* 2011).

BNP Paribas Principal Investments

BNP Paribas Principal Investments manages the Group's portfolio of listed and unlisted investments and emerging market sovereign debt.

Listed Investment Management

The Listed Investment Management unit acquires and manages minority interests in listed companies on behalf of the Group. Investments are generally made in large caps and the portfolio comprises mostly French companies. The unit's mission is to extract the greatest possible value from its assets over the medium term.

Unlisted Investment Management

The Unlisted Investment Management unit manages the Group's portfolio of interests in unlisted companies (direct and indirect through funds). It identifies and analyzes investment opportunities, structures transactions, manages investments with a view to extracting value in the medium-term and organizes the disposal of mature investments.

Emerging Market Sovereign Debt Management

The Sovereign Debt Management unit's role is to:

- monitor, on the Group's behalf, restructurings of emerging market sovereign debt in default or in countries facing difficulties and taking part in or chairing specially-created credit committees (London Club Committees).
- manage the portfolio of emerging market sovereign debt housed in Principal Investments, with a view to extracting value in the medium-term.

Klépierre

With a presence in 13 countries, including France, Belgium, Norway, Sweden, Denmark, Italy and Spain, Klépierre is one of the largest shopping centre owners and managers in continental Europe with 335 centers under management (representing more than 16,000 leases), including 271 owned centers. Via its Ségécé and Steen & Strøm subsidiaries, the Group possesses expertise and over 50 years' experience of shopping centre management and development.

Klépierre is able to provide a unique platform catering to the expansion strategies of major international retailers right across Europe.

Klépierre also offers sale and lease-back solutions in out-of-town and city-centre locations in France through its subsidiary Klémurs.

Furthermore, Klépierre owns and manages a portfolio of office buildings concentrated in the main business districts of Paris and inner suburbs (3.4% of the portfolio at December 31, 2011).

At December 31, 2011, Klépierre's portfolio was valued at €16.2 billion (excluding transfer duties) and Klépierre employed 1,500 people. Klépierre owned 271 shopping centers and managed 335 shopping centers as of December 31, 2011.

Klépierre and Klémurs, both of which are SIICs (French REITs), are listed on compartment A and compartment C, respectively, of NYSE Euronext Paris.

In March 2012, the Bank completed the sale of a 28.7% stake in Klépierre to Simon Property Group for €1.5 billion. Following the completion of the transaction, the Bank owns 22.2% of Klépierre.

LEGAL PROCEEDINGS

Legal action has been taken against several Algerian and international banks, including BNP Paribas El Djazair, a subsidiary of the Bank, for administrative errors in processing international trade financing applications. BNP Paribas El Djazair has been accused of non-compliance with foreign exchange regulations in seven cases before Algerian courts. BNP Paribas El Djazair was ordered by a lower court to pay fines of approximately €200 million. Three of these cases were subsequently overturned on appeal, including the case involving the most significant amount (€150 million). Two other appeals rulings have upheld fines totaling €52 million. All of these rulings have been appealed before the Cassation Court, and execution has been suspended pending the outcome of these appeals pursuant to Algerian law. BNP Paribas El Djazair will continue to vigorously defend itself before the Algerian courts with a view to obtaining recognition of its good faith towards the authorities, which suffered no actual damage.

On June 27, 2008, the Republic of Iraq filed a lawsuit in New York against approximately 90 international companies that participated in the oil-for-food ("OFF") program and against BNP Paribas as holder of the OFF account on behalf of the United Nations. The complaint alleges, notably, that the defendants conspired to defraud the OFF program, thereby depriving the Iraqi people of more than $10 billion in food, medicine and other humanitarian goods. The complaint also contends that BNP Paribas breached purported fiduciary duties and contractual obligations created by the banking services agreement binding BNP Paribas and the United Nations. The complaint is pleaded under the U.S. Racketeer Influenced and Corrupt Organizations Act ("RICO") which allows treble damages if damages are awarded. The complaint has been served and the defendants, including BNP Paribas, moved to dismiss the action in its entirety on a number of different legal grounds. Pleadings on the merits are expected to be made during 2012.

Following discussions with the U.S. Department of Justice and the New York County District Attorney's Office, the Bank is conducting an internal review of certain U.S. dollar payments involving countries, persons and entities that could be subject to U.S. sanctions, in order to determine whether the Bank has in the conduct of its business complied with sanction regulations including those of the Office of Foreign Assets Control. It should be noted that similar reviews conducted by numerous financial institutions relating to actual or purported violations of Office of Foreign Assets Control regulations have resulted in settlements involving the payment of fines and penalties, some of which have been significant depending on the circumstances of each matter.

The Bank and certain of its subsidiaries are defendants in several actions pending before the United States Bankruptcy Court Southern District of New York brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"). These actions, known generally as "clawback claims", are similar to those brought by the BLMIS Trustee against numerous institutions, and seek recovery of amounts allegedly received by the BNP Paribas entities from BLMIS or indirectly through BLMIS-related "feeder funds" in which BNP Paribas entities held interests. The BLMIS Trustee claims in these actions that the amounts which BNP Paribas entities received are avoidable and recoverable under the U.S. Bankruptcy Code and New York state law. In the aggregate, the amounts sought to be recovered in these actions approximates $1.3 billion. BNP Paribas has substantial and credible defenses to these actions and is defending against them vigorously.

Various legal disputes and enquiries are ongoing relating to the restructuring of the Fortis Group, now Ageas, of which Fortis Bank is no longer part. Whether Fortis Bank (now BNP Paribas Fortis) is party or not to the proceedings, the possibility cannot be ruled out that legal action already taken or which may result from current legal disputes or enquiries may seek to obtain money from BNP Paribas Fortis, and hence from the BNP Paribas Group. BNP Paribas will oppose firmly any attempts of this kind.

There are no other government, legal or arbitration proceedings of which the Bank is aware that are likely to have or have had within the last 12 months a significant impact on the financial position or profitability of the Bank and/or Group.

MAIN SHAREHOLDERS OF BNP PARIBAS

As of December 31, 2011, the SFPI (*Société Fédérale de Participation et d'Investissement*) a public-interest *société anonyme* (public limited company) acting on behalf of the Belgian government held 10.6% of the Bank's share capital and the Grand Duchy of Luxembourg held 1.1% of the Bank's share capital.

At December 31, 2011, AXA held 5.4% of the share capital, or approximately 65.67 million shares, of BNP Paribas (5.5% of voting rights).

The Bank has also long been a shareholder of AXA, a French *société anonyme* (corporation). At December 31, 2011, the Bank held 5.35% of the share capital and 8.33% of the voting rights, or approximately 1,697.97 million shares, of AXA.

On August 5, 2010, and after authorization by the AXA Board of Directors on August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replaces a prior agreement between them dated December 15, 2005. The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party. In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three months notice prior to the next renewal date. The agreement was made public by the AMF on August 9, 2010.

As of December 31, 2011, to the knowledge of the Board of Directors of BNP Paribas, no shareholder other than SFPI or AXA owns more than 5% of the Bank's share capital or voting rights.

RISK MANAGEMENT

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

The Role and Organization of GRM

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 comply and are compatible with its risk policies and its profitability and rating objectives. GRM, and GC for operational and reputation risk, perform continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. GRM reports regularly to the Internal Control, Risk and Compliance Committee of the Board on its main findings, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis. GC reports to the Committee on issues relevant to its remit, particularly those concerning operational risk, financial security, reputation risk and permanent controls.

GRM covers risks resulting from the Group's business operations. It intervenes at all levels in the risk taking and monitoring process. Its remit includes formulating recommendations concerning risk policies, analyzing the loan portfolio on a forward-looking basis, approving corporate loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures, defining and/or approving risk measurement methods, and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all of the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all of the functions concerned (Group Tax Department, Group Legal Department, Group Development and Finance Department, Group Compliance Department and Information Technology and Processes Department). The quality of the approval process is overseen by GRM which reviews identified risks and the resources deployed to mitigate them, as well as defining the minimum criteria to be met to ensure that growth is based on sound business practices. GC has identical responsibilities as regards operational and reputation risk. It plays an important oversight and reporting role in the process of approving new products, new business activities and exceptional transactions.

Risk Categories

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

All of the risk categories discussed below are managed by BNP Paribas. However, no specific capital requirement is identified for reputation and strategy risk as these are risks that may lead to a change in share price that is borne directly by the shareholders and cannot be protected by the Bank's capital.

Reputation risk is thus contingent on other risks and, apart from market rumors leading to a change in share price, its impacts are included in estimated losses incurred for other risk categories.

Similarly, strategy risk arising from the strategic decisions published by the Bank, which could give rise to a change in share price, is a matter for the highest level of governance and is the shareholder's responsibility.

Credit Risk

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

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

Counterparty Risk

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

Market Risk

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, interest rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, prices of other goods, and other parameters that can be directly inferred from them, such as credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non confirmed by market information.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

Operational Risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the "cause – event – effect" chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

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

Compliance and Reputation Risk

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

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

Reputation risk is the risk of damaging the trust placed in a company by its customers, counterparties, suppliers, employees, shareholders, regulators and any other stakeholder whose trust is an essential condition for the company to carry out its day-to-day operations.

Reputation risk is primarily contingent on all of the other risks faced by the Bank.

Asset-liability Management Risk

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. For banking activities, asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk. For insurance activities, it also includes the risk of mismatches arising from changes in the value of shares and other assets (particularly property) held by the general insurance fund.

Liquidity and Refinancing Risk

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

Insurance Subscription Risk

Insurance subscription risk corresponds to the risk of a financial loss caused by an adverse trend in insurance claims. Depending on the type of insurance business (life, personal risk or annuities), this risk may be statistical, macroeconomic or behavioral, or may be related to public health issues or natural disasters. It is not the main risk factor arising in the life insurance business, where financial risks are predominant.

Breakeven Risk

Breakeven risk is the risk of incurring an operating loss due to a change in the economic environment leading to a decline in revenue coupled with insufficient cost-elasticity.

Strategy Risk

Strategy risk is the risk that the Bank’s share price may fall because of its strategic decisions.

Concentration Risk

Concentration risk and its corollary, diversification effects, are embedded within each risk, especially for credit, market and operational risks using the correlation parameters taken into account by the corresponding risk models.

It is assessed at consolidated Group level and at financial conglomerate level.

Summary of Risks

Risks Monitored by the BNP Paribas Group

Risks affecting the Group’s capital adequacy	Risks affecting the Group’s value (share price)	Pillar 1		ICAAP[4] (Pillar 2)		Additional risk identified by BNP Paribas
		Risk covered	Measurement method	Risk covered	Measurement and management method	
Credit and counterparty risk		✔	Basel 2.5	✔	Basel 2.5	
Equity risk		✔	Basel 2	✔	Basel 2	
Operational risk		✔	Basel 2	✔	Basel 2	
Market risk		✔	Basel 2.5	✔	Basel 2.5	
Concentration risk [1]				✔	Internal Model	
Asset & liability management risk [2]				✔	Internal Model	
Breakeven risk				✔	Internal Model	
Insurance risks [3], including insurance subscription risks					Internal Model	✔
	Strategy risk			✔	Procedures; market multiples	
Liquidity and Refinancing risk				✔	Quantitative and qualitative rules; stress tests	
	Reputation risk			✔	Procedures	

(1) Concentration risk is managed within credit risk at BNP Paribas.
(2) Asset & liability management risk comes under what the banking supervisors call global interest rate risk.
(3) Insurance risks are not included in the scope of banking activities; insurance businesses are exposed to market risk, operational risk and insurance subscription risk.

(4) Internal Capital Adequacy Assessment Process.

Sovereign Risks

Sovereign risk is the default risk of a State on its debt, i.e. a temporary or prolonged interruption of debt servicing (interest and/or principal).

Whether the Bank holds bonds issued by sovereign states depends on the liquidity management of the Group. Liquidity management is based on holding securities eligible as collateral for refinancing by central banks and includes a substantial share of highly rated debt securities issued by governments, representing a low level of risk. Moreover, as part of its assets and liability management and structural interest-rate risk management policy, the Group also holds a portfolio of assets including sovereign debt instruments, with interest-rate characteristics that contribute to its hedging strategies. In addition, the Group is a primary dealer in sovereign debt securities in a number of countries, thus holding temporary trading inventories (long and short), partially hedged by derivatives.

Inventories held by the Group in these various portfolios are presented in the table below:

Banking and Trading Book Sovereign Exposures by Geographical Breakdown

	Banking Book[(1)]					Trading Book
	Central Governments			Central Governments Issuer risk		Central Governments counterparty risk[(2)]
December 31, 2011 *(in millions of euros)*	**Securities**	**Loans**	**CDS**	**Securities[(2)]**	**Derivatives[(3)]**	
Euro-zone						
Austria	539	0	0	44	(26)	0
Belgium	17,383	1,826	0	(218)	(369)	12
Cyprus	22	0	0	31	(18)	0
Estonia	0	0	0	0	20	0
Finland	293	0	0	240	(364)	2
France	13,981	161	101	(3,375)	2,898	216
Germany	2,550	0	0	(1,230)	(29)	273
Italy	12,656	552	92	1,063	111	3,242
Luxembourg	31	147	0	0	0	0
Malta	0	0	0	0	0	0
Netherlands	7,423	1,685	0	(919)	600	11
Slovakia	29	0	0	2	(157)	0
Slovenia	41	0	0	230	(188)	0
Spain	457	349	0	58	(59)	6
Programme countries						
Greece	1,041	5	0	78	13	167
Ireland	274	0	0	(10)	37	19
Portugal	1,407	0	0	(15)	62	0
TOTAL EUROZONE	**58,127**	**4,726**	**193**	**(4,021)**	**2,531**	**3,948**
Other EEA countries						
Bulgaria	0	0	0	0	0	0
Czech Republic	164	0	0	1	(5)	0
Denmark	0	0	0	(65)	(40)	0
Hungary	201	0	0	161	(9)	0
Iceland	0	0	0	0	42	0
Latvia	0	0	0	0	16	0
Liechtenstein	0	0	0	0	0	0
Lithuania	36	0	7	1	8	0
Norway	51	0	0	4	7	0
Poland	1,650	0	0	33	79	0
Romania	0	59	0	13	1	0
Sweden	0	0	0	(42)	(60)	0
United Kingdom	679	0	0	(664)	(69)	10
OTHER EEA COUNTRIES	**2,781**	**59**	**7**	**(558)**	**(30)**	**10**

o/w AFS	*57,845*					
o/w HTM or L&R	*3,063*					
TOTAL EEA 30	**60,908**	**4,784**	**200**	**(4,579)**	**2,501**	**3,958**
United States	4,782	378	0	4,226	(3,893)	9
Japan	6,035	0	0	4,530	(733)	19
Others	5,147	3,154	0	4,536	(677)	126
TOTAL WORLD	**76,872**	**8,316**	**200**	**8,713**	**(2,803)**	**4,112**

(1) Banking book exposures are reported in accounting value (including premium/ hair-cut and accrued coupon) before re-evaluation and after eventual impairment for depreciation, in particular in the case of Greece.
(2) The issuer risk on trading book sovereign securities and the counterparty risk on the derivatives traded with sovereign counterparts are reported in terms of market value, representing the maximum loss in the case of an event of default of the sovereign (assuming zero recovery).
(3) Net Issuer Risk on Credit Derivative Products (such as Single Name CDS) and on other derivative related sovereign products corresponds to the maximum loss/gain (assuming zero recovery) which would be incurred in the event of a sovereign default.

In 2011, the sovereign debt markets in the Euro-zone faced significant disturbances, particularly during the second half of the year, due to the deterioration of economic conditions in some Euro-zone countries, especially Greece, Ireland and Portugal which are supported by a European plan. The details of the Bank's exposures to these three countries are presented in Note 4 to the Group's consolidated financial statements.

Securities of Euro-zone sovereign issuers held in the banking book as of December 31, 2011 amounted to €58.1 billion before re-evaluation and including accrued interest, compared to €73.9 billion on June 30, 2011, when the crisis affecting some Euro-zone sovereign issuers began.

The €15.8 billion decline in the book during the second half of 2011 was due to the impairment of Greek securities (€2.6 billion) during the period, disposals and redemptions collected (-€20.0 billion related mostly to securities issued by Italy, France, Belgium, Spain, Germany and the Netherlands), partly offset by acquisitions (securities worth €6.8 billion issued by France, Belgium and Germany).

Securities of non-Euro-zone sovereign issuers held within the banking book amounted to €18.7 billion as of December 31, 2011, down by €16.7 billion compared to June 30, 2011 (€35.4 billion). Disposals and redemptions in the second half of 2011 (€23.7 billion) were partly offset by acquisitions (€7.5 billion) and the impact of foreign exchange fluctuations.

Credit Risk

Exposure to Credit Risk

The following table shows all of the BNP Paribas Group's financial assets, including fixed-income securities, which are exposed to credit risk and securitization positions, held or acquired. Credit risk exposure does not include collateral and other security taken by the Group in its lending business or purchases of credit protection. It is based on the carrying value of financial assets before re-evaluation recognized on the balance sheet.

Exposure to Credit Risk by Basel Asset Class and Approach

	December 31, 2011				**December 31, 2010**			
(in millions of euros)	**IRBA**	**Standardized Approach**	**Total**	**2011 Average exposure**	**IRBA**	**Standardized Approach**	**Total**	**2010 Average exposure**
Central governments and central banks	155,605	21,011	176,616	185,298	174,362	19,618	193,980	203,515
Corporates	406,617	159,762	566,379	583,601	446,141	154,683	600,824	584,582
Institutions(*)	80,575	27,031	107,606	117,463	100,104	27,217	127,321	132,842
Retail	199,570	173,654	373,224	373,769	198,304	176,009	374,313	363,328
Securitization positions	47,826	2,180	50,006	53,561	53,332	3,784	57,116	57,498
Other non credit-obligation assets(**)	134	117,882	118,016	103,735	0	89,455	89,455	84,805
TOTAL EXPOSURE	**890,327**	**501,520**	**1,391,847**	**1,417,428**	**972,243**	**470,766**	**1,443,009**	**1,426,570**

(*) Institutions asset class comprises credit institutions and investment firms, including those recognized in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.
(**) Other non credit-obligation assets include tangible assets and payables/receivables.

The table above shows the entire prudential scope based on the asset classes defined in Article 40–1 of the Decree of February 20, 2007 on capital requirements for credit institutions and investment firms.

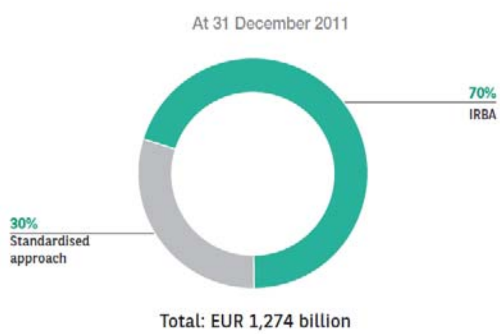
The credit risk exposure shown in the table above at December 31, 2011 represents the gross amount before impairment of deposit accounts with central banks and post office banks (€58 billion), loans granted to customers (€694 billion), and credit institutions (€50 billion), loans and fixed-income securities classified as "available-for-sale financial assets", "held-to-maturity financial assets" or designated as at fair value through profit or loss (€192 billion), remeasurement adjustment on interest-rate risk hedged portfolios (€4 billion), property, plant and equipment, and investment property (€29 billion), payables/receivables and other assets (€94 billion), and financing and guarantee commitments given (€359 billion).

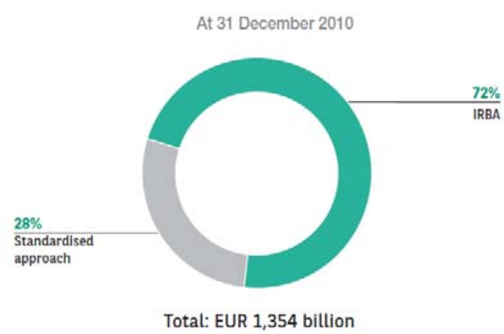
Exposure to repo transactions, which is included in the counterparty risk exposures below (-€4 billion) and exposure not included in the prudential covered scope (-€85 billion) have been deducted from these amounts.

BNP Paribas has opted for the most advanced approaches allowed under Basel II. In accordance with EU Directives and their transposition into French law in 2007, the French banking supervisor (Autorité de Contrôle Prudentiel, or "ACP") has allowed the Group to use internal models to calculate capital requirements since January 1, 2008. The use of these methods is subject to conditions regarding progress and deployment. The Group has committed to comply with those conditions under the supervision of the ACP. Prior to its acquisition, the Fortis Group had been authorized by the Belgian banking and insurance supervisor, the National Bank of Belgium, to use the most advanced approach to assess its regulatory capital requirements. The internal rating policies and systems of the BNP Paribas Fortis and BGL BNP Paribas divisions, on the one hand, and BNP Paribas, on the other hand, are expected to converge to a single methodology used uniformly across the entire Group. The review being conducted for this purpose has demonstrated the compatibility of the concepts developed in each of the two perimeters and permitted a harmonization of the ratings of key counterparties, but has not been completed yet. However, several applications for approval of common methodologies have been submitted to the ACP. An approach based on methods that have been approved by the French, Belgian or Luxembourg supervisors for each of the non-convergent perimeters was adopted at December 31, 2011.

For credit risk (excluding other non-credit obligation assets), the share of exposures under the IRB approach represented 70% at December 31, 2011, compared with 72% at December 31, 2010. This significant scope includes Corporate and Investment Banking, French Retail Banking, a part of the BNP Paribas Personal Finance business (Cetelem), BNP Paribas Securities Services, and the entities of the subgroup BNP Paribas Fortis and BGL BNP Paribas (since June 20, 2009). The Group has nearly completed the integration process with respect of these entities. However, some entities, such as BNL and BancWest, are temporarily excluded from the scope of consolidation. Other smaller entities, such as the subsidiaries in emerging countries, will use the Group's advanced methods only at a later stage.

Credit Risk Exposure by Approach(*)





(*) Excluding other non-credit obligation assets.

Credit Risk Management Policy

General Credit Policy and Control and Provisioning Procedures

The Bank's lending activities are governed by the Global Credit Policy approved by the Risk Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The policy is underpinned by core principles related to compliance with the Group's ethical standards, clear definition of responsibilities, the existence and implementation of procedures and thorough analysis of risks. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

Decision-Making Procedures

A system of discretionary lending limits has been established, under which all lending decisions must be approved by a formally designated member of GRM. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Discretionary lending limits correspond to aggregate commitments by business group and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries are subject to specific authorization procedures and require the sign-off of an industry expert or designated specialist. In retail banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all of 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 and Portfolio Management Procedures

Monitoring Exposures

In addition to carefully selecting and evaluating individual risks, a comprehensive risk monitoring and reporting system applies to all Group entities. The system is organized around Credit Risk Control units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. 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. This Committee meets at monthly intervals to examine all loans in excess of a given threshold, for which it decides on the amount of impairment losses to be recognized or reversed, based on a recommendation from the business lines, with GRM's approval. In addition, a quarterly Committee reviews sensitive or non-performing loans.

Collective Portfolio Management Policy

This monitoring system is supported by a collective portfolio management system including risk concentration by borrower, by sector and by country.

The results of this policy are regularly reviewed by the various risk units, including the Risk Policy Committee and its various versions, which may modify or fine-tune the general priorities as appropriate, based on GRM's analysis framework and recommendations. For risk concentration by country, country risk limits are set at the appropriate level of delegated authority in each country. Concentration at specific counterparty level is monitored regularly, particularly within the Group's individual concentration policy.

Stress tests are used to identify vulnerable areas of the Group's portfolios and analyze any underlying correlations.

Lastly, BNP Paribas may use credit risk transfer instruments, such as securitization programs or credit derivatives, to hedge individual risks, reduce portfolio concentration or cap potential losses arising from crisis scenarios.

Impairment Procedures

GRM reviews all corporate, bank and sovereign loans in default at monthly intervals to determine the amount of any impairment loss to be recognized, 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 is based on the present value of probable net recoveries, including from the possible realization of collateral.

In addition, a collective impairment is established for each core business on a statistical basis. A committee comprising the Core Business Director, the Group Chief Financial Officer or his representative 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 whose credit quality is considered as impaired, but where the customers in question have not been identified as in default (i.e. loans not covered by specific impairment). The simulations carried out by GRM use the parameters of the internal rating system described below.

Rating System

The BNP Paribas Group uses an advanced internal ratings-based approach (IRBA) to credit risk for the retail, sovereign, institutions, corporate and equity asset classes to calculate the regulatory capital requirements for Corporate and Investment Banking, French Retail Banking, part of BNP Paribas Personal Finance, BNP Paribas Fortis and BNP Paribas Securities Services (BP2S). For other businesses, the Basel II standardized approach is used to calculate regulatory capital based on external ratings. Each counterparty is rated internally by the Group using the same methods, regardless of the approach used to calculate regulatory capital requirements.

The Bank has a comprehensive internal rating system in accordance with regulatory requirements regarding capital adequacy. A periodic assessment and control process has been deployed within the Bank to ensure that the system is appropriate and correctly implemented. The system was formally approved by the ACP in December 2007. BNP Paribas' rating system was rolled out at BNP Paribas Fortis in May 2010.

For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating, global recovery rate (or loss given default), which depends on the structure of the transaction, and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

There are twelve counterparty ratings. Ten cover performing clients with credit assessments ranging from "excellent" to "very concerning", and two relate to clients classified as in default, as per the definition by the banking supervisor.

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 conduct a second review. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk.

Where external ratings exist, they are taken into account by credit risk analysts, relying on an indicative mapping of the internal rating scale against the external ratings based on the one-year default probability for each rating. The Bank's internal rating for an exposure is not necessarily the same as the external rating, and there is no strict correspondence between an external "investment grade" rating[69] and an internal rating equal to or higher than 5. Counterparties with a BBB- external rating may be rated 6 internally, even though an external BBB- theoretically equates to an internal 5. Annual benchmarking studies are carried out to compare internal and external ratings.

Various quantitative and other methods are used to check rating consistency and the rating system's robustness. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, approving it or verifying its performance. The teams responsible for verifying performance are different from those that build the models. At BNP Paribas Fortis, a special Steering Center has been set up for this purpose.

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69 Defined as an external rating from AAA to BBB-.

Loss given default is determined either using statistical models for books with the highest degree of granularity or using expert judgment based on comparative values, in line with a process similar to the one used to determine the counterparty rating for corporate books.[70] Basel II defines loss given default as the loss that the Bank would suffer in the event of the counterparty's default in times of economic slowdown.

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

Various credit conversion factors have been modeled by the Bank where permitted (i.e. excluding high-risk transactions where the conversion factor is 100% and provided there is a sufficiently detailed track record to be statistically significant), either using historical internal default data or other techniques when there is insufficient historical data. Conversion factors are used to measure the off-balance sheet exposure at risk in the event of borrower default. Unlike rating and recovery rate, this parameter is assigned automatically depending on the transaction type and is not determined by the Credit Committee.

Each of the three credit risk parameters are backtested and probability of default benchmarked annually to check the system's performance for each of the Bank's business segments. Backtesting consists of comparing estimated and actual results for each parameter. Benchmarking consists of comparing the parameters estimated internally with those of external organizations.

For backtesting ratings, the default rate of populations in each rating category, or each group of risks with similar characteristics for retail banking operations, is compared with the actual default rate observed on a year by year basis. An analysis by rating policy, rating, geographical area and rating method is carried out to identify any areas where the models might be underperforming. The stability of the rating and its population is also verified. The Group has also developed backtesting techniques for default probabilities tailored to low default portfolios to assess the appropriateness of the system, even where the number of actual defaults is very low, such as sovereigns and banks, for example. The impacts of economic cycles are also taken into account. This backtesting work has proved that the ratings assigned by the Group are consistent with "through the cycle" ratings and that, the estimated default rate is conservative.

For benchmarking work on non retail exposures, internal ratings are compared with the external ratings of several agencies based on the mapping between internal and external rating scales. Some 10% to 15% of the Group's corporate clients have an external rating and the benchmarking studies reveal a conservative approach to internal ratings.

Backtesting of global recovery rates is based mainly on analyzing recovery flows on exposures in default. When an exposure has been written off, each amount recovered is discounted back to the default date and calculated as a percentage of the exposure. When an exposure has not yet been written off, the amount of provisions taken is used as a proxy for future recoveries. The recovery rate determined in this way is then compared with the initially forecasted rate one year before default occurred. As with ratings, recovery rates are analyzed on an overall basis and by rating policy and geographical area. Variances on an item by item and average basis are analyzed taking into account the bimodal distribution of recovery rates. The results of these tests show that the Group's estimates are relevant in economic downturns and are conservative on an average basis. Benchmarking of recovery rates is based on data pooling initiatives in which the Group takes part.

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

Internal estimates of risk parameters are used in the Bank's day-to-day management in line with regulatory recommendations. Thus apart from calculating capital requirements, they are used for example when setting delegated limits, granting new loans or reviewing existing loans to measure profitability, determine collective impairment and for internal and external reporting purposes.

Scope and Nature of Risk Reporting and Measurement Systems

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70 Within the Group, the Corporate book includes institutions, companies, specialized financing and sovereign states.

All of the processes and information systems used by the credit risk reporting function were submitted for review to the ACP. For BNP Paribas Fortis and BGL BNP Paribas, where the convergence work has not yet been completed, the processes and information systems used are those approved by the banking supervisory authorities of Belgium and Luxembourg.

The current credit risk measurement system is based on a two-tier architecture:

- a central tier mainly comprising the credit risk exposure consolidation system, central databases and the engine for computing regulatory capital, developed in-house;
- a local tier comprising credit risk monitoring and reporting systems managed by GRM.

Credit Risk Diversification

The Group's gross exposure to credit risk stood at €1,224 billion at December 31, 2011, compared with €1,296 billion at December 31, 2010. This portfolio, which is analyzed below in terms of its diversification, comprises all exposures to credit risk shown in the table "Exposure to Credit Risk by Basel Asset Class", excluding securitization positions and other non credit-obligation assets.[71]

No single counterparty gives rise to an excessive concentration of credit risk, due to the size of the business and the high level industrial and geographical diversification of the client base. The breakdown of credit risks by industry and by region is presented in the charts below.

Diversification by Counterparty

Diversification is a key component of the Bank's policy and is assessed by taking account of all exposure to a single business group. BNP Paribas achieves diversification largely through the extent and variety of its business activities and the widespread system of discretionary lending authorities.

Diversification of the portfolio by counterparty is monitored on a regular basis under the Group's individual risk concentration policy. The risk concentration ratio also ensures that the aggregate risk on each beneficiary[72] does not exceed 25% of the Group's net consolidated shareholders' equity. BNP Paribas remains well below the concentration limits set out in the European Directive on Large Exposures.

In addition, gross commitments to the top 20 counterparties in the corporate asset class accounted for 4% of this asset class total gross exposure at December 31, 2011, which represents a similar proportion to that recorded at December 31, 2010.

Industry Diversification

The breakdown of exposure by business sector is monitored carefully and supported by a forward-looking analysis for dynamic management of the Bank's exposure. This analysis is based on the in-depth knowledge of independent sector experts who express an opinion on trends in the sectors they follow and identify the factors underlying the risks faced by the main companies in the sector. This process is adjusted by sector according to its weighting in the Group's exposure, the technical knowledge required to understand the sector, its cyclicality and degree of globalization and the existence of any particular risk issues.

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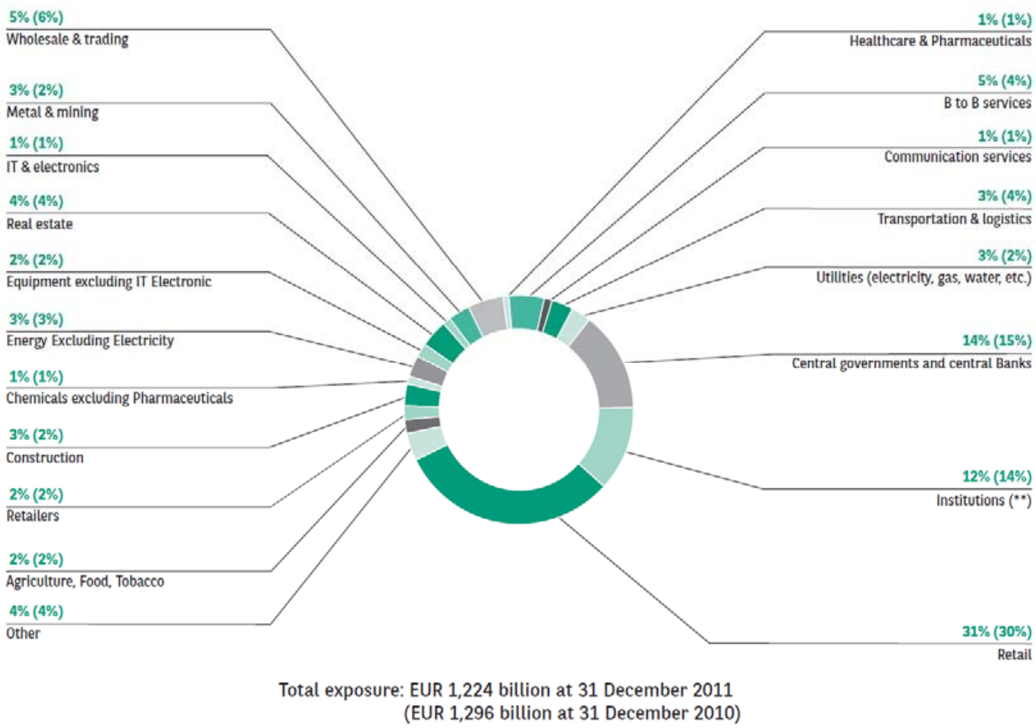
71 The scope covered includes loans and receivables due from customers, amounts due from credit institutions and central banks, the Group's credit accounts with other credit institutions and central banks, financing and guarantee commitments given (excluding repos) and fixed-income securities in the banking book.

72 Beneficiaries whose individual risks each exceed 10% of shareholders' equity, with a disclosure threshold set by the ACP at €300 million in exposure, are considered as Large Exposures.

Breakdown of Credit Risk by Basel Asset Class and by Corporate Industry at December 31, 2011(*)



Prudential scope: exposure excluding counterparty risk, other non credit obligation assets and securitization positions.

(*) The percentages in parentheses reflect the breakdown at December 31, 2010.

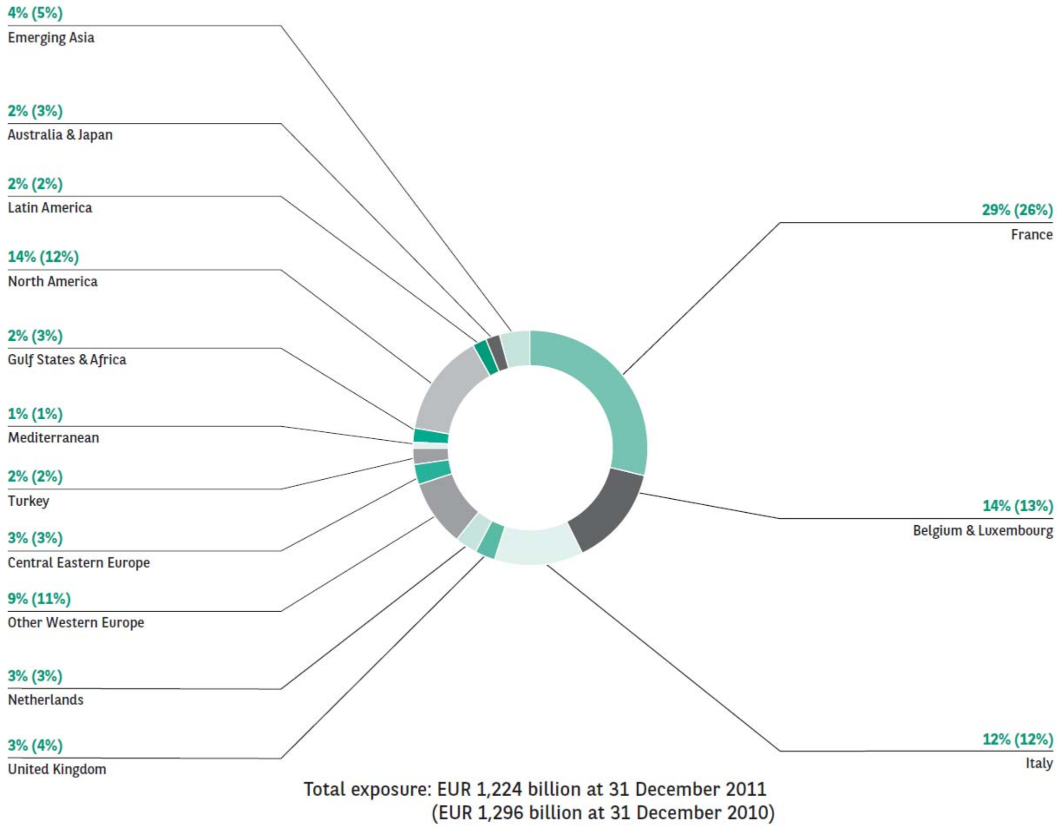
(**) The Institutions asset class comprises credit institutions and investment firms, including those recognized in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government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

Geographic Diversification

Country risk is the sum of all exposures to obligors in the country concerned. It is not the same as sovereign risk, which is the sum of all exposures to the central government and its various branches. Country risk reflects the Bank's exposure to a given economic and political environment, which are taken into consideration when assessing counterparty quality.

The geographic breakdown below is based on the country where the counterparty conducts its principal business activities, without taking into account the location of its head office. Accordingly, a French company's exposure arising from a subsidiary or branch located in the United Kingdom is classified in the United Kingdom.

Geographic Breakdown of Credit Risk by Counterparty's Country of Business at December 31, 2011(*)



Prudential scope: exposure excluding counterparty risk, other non credit obligation assets and securitization positions
(*) The percentages in parentheses reflect the breakdown at December 31, 2010.

The geographic breakdown of the portfolio's exposure has remained balanced and stable. The Group has maintained its predominantly European dimension (73% at December 31, 2011, compared with 72% at December 31, 2010).

The Group, which is naturally present in most economically active areas, strives to avoid excessive concentrations of risk in countries whose political and economic infrastructure is acknowledged to be weak or whose economic position has been undermined.

In this respect, country risk limits are set at the appropriate level of delegated authority for each country.

Credit Risk: Internal Ratings Based Approach (IRBA)

The internal rating system developed by the Group covers the entire Bank. The IRBA, approved in December 2007, covers the Corporate and Investment Banking (CIB) portfolio, the French Retail Banking (FRB) portfolio, as well as BP2S and part of BNP Paribas Personal Finance. Convergence projects are continuing with a view towards harmonizing methods, processes and systems, particularly in the scope resulting from the acquisition of BNP Paribas Fortis and BGL BNP Paribas. Common methods have already been introduced for institutions and sovereigns. For most of the other portfolios, prior applications for approval were made to the relevant banking supervisors during 2011.

Corporate Model

The IRBA for the Corporate book (i.e. institutions, companies, specialized financing and sovereigns) is based on a consistent rating procedure in which GRM has the final say regarding the rating assigned to the counterparty and the recovery rate assigned to transactions. Credit conversion factors (CCF) of off-balance sheet transactions are assigned according to counterparty and transaction type.

The generic process for assigning a rating to each segment of the Corporate book is as follows:

- for companies and structured financing, an analysis is carried out by the unit proposing the rating and a global recovery rate to the Credit Committee, using the rating models and tools developed by GRM. The rating and global recovery rate are approved or revised by the GRM representative during the Credit Committee meeting. The Committee decides whether or not to grant or renew a loan and, if applicable, reviews the counterparty rating at least once a year;
- for banks, the analysis is carried out by analysts in the risk management function. Counterparty ratings and global recovery rates are determined during review committees by geographical area to ensure comparability between similar banks;
- for sovereigns, the ratings are proposed by the Economic Research Department and approved at Country Committee meetings which take place several times a year. The committee comprises members of Executive Management, the Risk Management Department and the business lines;
- for medium-sized companies, a score is assigned by the business line's credit analysts and GRM has the final say;
- for each of these sub-portfolios, the risk parameters are measured using a model certified and approved by the GRM teams, based mainly on an analysis of the Bank's historical data. The model is supported as far as possible by tools available through a network to ensure consistent use. However, expert judgment is also a fundamental factor. Each rating and recovery rate is subject to an opinion which may differ from the results of the model, provided it can be justified.

The method of measuring risk parameters is based on a set of common principles, and particularly the "two pairs of eyes" principle which requires at least two people, at least one of whom has no commercial involvement, to give their opinion on each counterparty rating and each transaction global recovery rate (GRR).

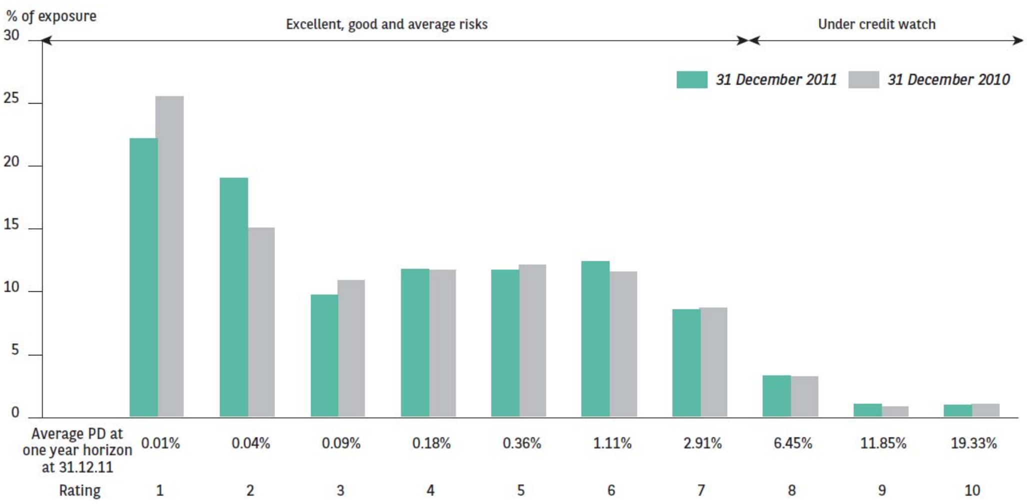
The same definition of default is used consistently throughout the Group for each asset class. For local counterparties (SMEs, local authorities), this definition may be adapted slightly to meet any specific local regulatory requirements, particularly with respect to the amount of time the account is pastdue or the materiality threshold.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (asset classes: companies, central governments and central banks, institutions) for all of the Group's business lines, measured using the internal ratings-based approach.

This exposure represented €627 billion of the gross credit risk at December 31, 2011 compared with €707 billion at December 31, 2010.

The majority of commitments are towards borrowers rated as good or excellent quality, reflecting the heavy weighting of large multinational groups and financial institutions in the Bank's client base. A significant proportion of commitments to non-investment grade borrowers are highly structured or secured by high quality guarantees implying a high recovery rate in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

Breakdown of IRBA Corporate[(*)] Exposures by Credit Rating



[(*)] The Corporate book shown in the chart above includes companies, central governments and central banks, and institutions.

The breakdown of Corporate exposures in the IRBA scope remained broadly steady, with the exception of exposures rated 1 and 2, due to the downgrading from 1 to 2 of certain government sovereign ratings.

Corporate Portfolio by Class and Internal Rating

The tables below present the breakdown by internal rating of the corporate loans and commitments (asset classes: companies, central governments and central banks, and institutions) for all the Group's business lines using the advanced IRB Approach. This exposure represented €643 billion of the gross credit risk at December 31, 2011, including €627 billion of performing loans and €15 billion of non-performing loans, compared with €721 billion at December 31, 2010, including €707 billion of performing loans and €14 billion of non-performing loans, and concerns CIB, FRB, BeLux Retail Banking as well as BNP Paribas Securities Services (BP2S) within the Investment Solutions division.

The tables also give the weighted averages of the main risk parameters in the Basel framework:

- weighted average of Credit Conversion Factor (CCF) for off-balance sheet items: average CCF[73];
- average Loss Given Default weighted by Exposure At Default: average LGD[74];

as well as the average risk weight: average RW[75] defined as the ratio between risk-weighted assets and Exposure At Default (EAD).

The column "expected loss" presents the expected loss at a one-year horizon.

Breakdown of IRBA Corporate Exposures by Class and Internal Rating

	December 31, 2011									
(in millions of euros)	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Central governments and central banks	1	115,188	109,596	5,592	75%	112,751	2%	0%	0	279
	2	26,255	25,537	718	69%	25,914	3%	1%	0	275
	3	1,034	1,006	28	53%	1,024	19%	16%	0	160
	4	4,318	2,720	1,598	55%	3,601	9%	8%	1	291
	5	1,744	1,686	58	70%	1,825	36%	59%	3	1,068
	6	1,017	744	273	56%	899	14%	28%	1	249

73 Average CCF: average of Credit Conversion Factor weighted by off-balance sheet exposure.

74 Average LGD: average Loss Given Default weighted by Exposure At Default.

75 Average RW: average risk weight.

	7	1,441	973	468	57%	1,241	5%	14%	2	177
	8	668	428	240	63%	579	15%	56%	6	325
	9	309	231	78	55%	272	40%	195%	14	529
	10	12	7	5	50%	8	76%	427%	1	35
	11	3,619	3,619	0	67%	3,618		25%	1,946	922
TOTAL		**155,605**	**146,547**	**9,058**	**69%**	**151,732**	**3%**	**3%**	**1,974**	**4,310**
Institutions	1	12,546	9,648	2,898	84%	12,112	17%	6%	1	706
	2	38,766	28,259	10,507	75%	36,191	17%	6%	2	2,115
	3	10,033	5,828	4,205	71%	8,736	26%	15%	2	1,278
	4	5,202	3,324	1,878	59%	4,402	34%	26%	2	1,155
	5	4,600	3,181	1,419	59%	3,994	33%	39%	5	1,572
	6	3,727	2,595	1,132	58%	3,256	32%	64%	12	2,070
	7	1,870	1,455	415	54%	1,689	26%	74%	13	1,253
	8	1,419	999	420	51%	1,221	25%	92%	21	1,119
	9	848	399	449	51%	632	43%	210%	33	1,328
	10	688	89	599	62%	467	32%	167%	28	778
	11	566	483	83	96%	565		3%	171	16
	12	310	310	0	80%	312		0%	289	1
TOTAL		**80,575**	**56,570**	**24,005**	**71%**	**73,577**	**21%**	**18%**	**579**	**13,391**
Corporates	1	11,083	4,627	6,456	60%	8,525	19%	6%	0	531
	2	53,904	13,245	40,659	60%	36,967	34%	13%	5	4,660
	3	49,455	16,007	33,448	59%	35,052	37%	23%	10	7,931
	4	63,907	26,893	37,014	58%	47,744	32%	29%	27	13,871
	5	66,587	33,994	32,593	59%	51,162	31%	42%	57	21,423
	6	72,534	42,264	30,270	61%	57,971	25%	54%	165	31,209
	7	50,028	31,077	18,951	61%	41,118	25%	73%	300	30,042
	8	18,111	13,125	4,986	59%	15,668	22%	84%	227	13,219
	9	4,981	3,620	1,361	57%	4,332	26%	122%	129	5,276
	10	5,103	3,936	1,167	74%	4,608	28%	153%	250	7,034
	11	8,052	6,852	1,200	72%	7,863		21%	2,826	1,649
	12	2,872	2,717	155	86%	2,856		2%	2,489	44
TOTAL		**406,617**	**198,357**	**208,260**	**60%**	**313,866**	**29%**	**44%**	**6,485**	**136,889**
TOTAL		**642,797**	**401,474**	**241,323**	**61%**	**539,175**	**21%**	**29%**	**9,038**	**154,590**

										December 31, 2010
(in millions of euros)	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Central governments and central banks	1	144,682	143,188	1,494	99%	144,232	6%	0%	0	327
	2	13,682	13,142	540	65%	13,455	9%	4%	0	558
	3	1,450	1,299	151	74%	1,421	9%	5%	0	73
	4	5,923	5,735	188	60%	5,837	21%	27%	2	1,573
	5	4,218	2,031	2,187	55%	3,256	14%	20%	1	638
	6	1,580	1,080	500	55%	1,369	9%	24%	2	324
	7	1,850	840	1,010	66%	1,510	4%	13%	2	190
	8	574	401	173	70%	526	3%	19%	2	98
	9	169	102	67	55%	131	22%	116%	4	153
	10	203	188	15	50%	194	68%	358%	25	695
	11	31	31	0		30		0%	20	0
TOTAL		**174,362**	**168,037**	**6,325**	**69%**	**171,961**	**7%**	**3%**	**58**	**4,628**
Institutions	1	25,259	20,543	4,716	67%	23,884	14%	4%	1	1,029
	2	29,934	24,051	5,883	70%	28,475	10%	5%	2	1,478
	3	18,890	14,994	3,896	69%	17,673	26%	13%	4	2,360
	4	7,037	5,035	2,002	61%	6,349	30%	26%	3	1,644
	5	7,442	6,018	1,424	64%	6,914	33%	41%	8	2,831
	6	3,337	2,204	1,133	57%	2,910	40%	78%	12	2,262
	7	3,460	2,606	854	58%	3,087	25%	74%	22	2,287
	8	1,804	1,214	590	57%	1,586	23%	87%	25	1,373
	9	946	586	360	58%	805	26%	226%	45	1,817

	10	863	168	695	78%	726	26%	155%	40	1,124
	11	919	864	55	99%	933		5%	234	43
	12	213	207	6	100%	216		2%	143	5
TOTAL		**100,104**	**78,490**	**21,614**	**67%**	**93,558**	**19%**	**20%**	**539**	**18,253**
Corporates	1	10,280	2,829	7,451	53%	6,787	23%	8%	1	522
	2	62,360	17,414	44,946	57%	42,998	36%	11%	5	4,867
	3	55,959	18,842	37,117	53%	38,402	37%	20%	12	7,856
	4	69,439	28,766	40,673	58%	51,632	33%	27%	28	13,874
	5	73,445	37,659	35,786	64%	58,489	31%	40%	67	23,579
	6	76,646	45,447	31,199	69%	64,687	24%	50%	173	32,314
	7	55,747	34,261	21,486	73%	48,459	23%	71%	331	34,219
	8	19,894	13,808	6,086	76%	18,217	22%	83%	260	15,077
	9	4,307	3,220	1,087	59%	3,858	23%	111%	104	4,301
	10	6,037	4,146	1,891	66%	5,253	23%	125%	229	6,569
	11	9,072	7,849	1,223	81%	8,695		14%	3,628	1,255
	12	2,955	2,784	171	87%	2,949		1%	2,371	27
TOTAL		**446,141**	**217,025**	**229,116**	**62%**	**350,426**	**29%**	**41%**	**7,209**	**144,459**
TOTAL		**720,607**	**463,552**	**257,055**	**62%**	**615,945**	**21%**	**27%**	**7,806**	**167,340**

Most of the Group's central government, central bank and institutional counterparties are of very high credit quality and based in developed countries, meaning that they have very good internal ratings and very low average Loss Given Default.

The majority of the Group's corporate commitments concerns counterparties of excellent or good quality, reflecting the large part of multinationals in BNP Paribas' customer base. Others exposures are mainly structured transactions or transactions secured by high-quality assets, reflected in their average LGD levels.

Retail Banking Operations

Retail banking operations are carried out by the BNP Paribas network of branches in France and by various subsidiaries, particularly in Italy, Belgium and Luxembourg, as well as by BNP Paribas Personal Finance.

The Standard Ratings Policy for Retail Operations (SRPRO) provides a framework allowing Group core businesses and risk management departments to assess, prioritize and monitor credit risks consistently. This policy is used for transactions presenting a high degree of granularity, small unit volumes and a standard risk profile. Borrowers are assigned scores in accordance with the policy, which sets out:

- standard internal ratings based principles, underlining the importance of a watertight process and its ability to adapt to changes in the credit environment;
- principles for defining homogeneous pools of credit risk exposures;
- principles relative to credit models, particularly the need to develop discriminating and understandable models, and to model or observe risk indicators downstream in order to calibrate exposures. Risk indicators must be quantified based on historical data covering a minimum period of five years, and in-depth, representative sampling. All models must be documented in detail.

The majority of FRB's retail borrowers are assigned a behavioral score which serves as a basis to determine the probability of default and, for each transaction, the global recovery rate (GRR) and exposure at default (EAD). These parameters are calculated monthly on the basis of the latest available information. They are drilled down into different scores and made available to the commercial function, which has no involvement in determining risk parameters. These methods are used consistently for all retail banking customers.

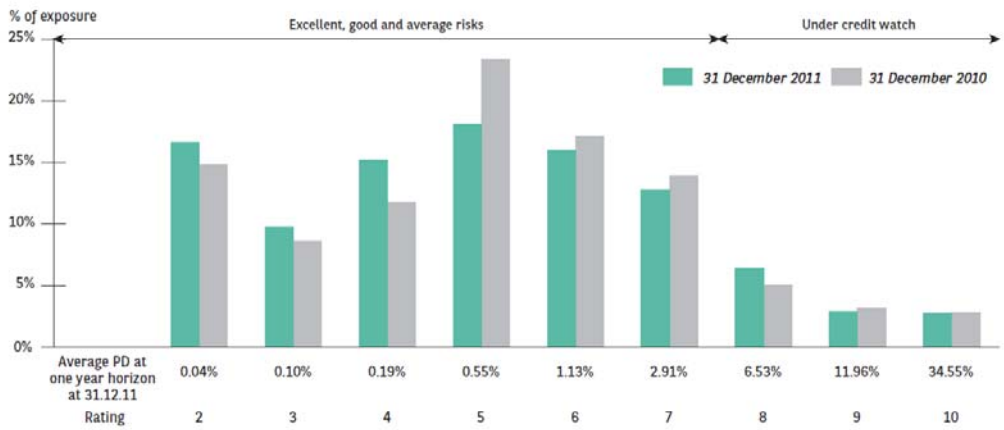
For the portion of the BNP Paribas Personal Finance book eligible for the IRBA, the risk parameters are determined by the Risk Management Department on a statistical basis according to customer type and relationship history.

Scoring techniques are used to assign retail customers to risk groups presenting the same default risk characteristics. This also applies to the other credit risk inputs: Exposure at Default (EAD) and Loss Given Default (LGD).

The chart below shows a breakdown by credit rating of performing loans and commitments in the retail book for all of the Group's business lines, measured using the internal ratings based approach.

This exposure represented €192 billion of the gross credit risk at December 31, 2011, unchanged compared with December 31, 2010.

Breakdown of IRBA Retail Exposures by Credit Rating



The evolution of the probability of default curve, between December 31, 2010 and December 31, 2011, is linked to the evolution of the policy for retail operations implemented on French Retail Banking. On this perimeter, ratings models have been reviewed and improved, at the request of the ACP, taking into account new available information on clients, this evolution occurred at December 31, 2011.

Retail Portfolio by Class and Internal Rating

The following table provides the breakdown by internal rating of the retail loans and commitments for all of the Group's business lines using the advanced IRB Approach. This exposure represented €200 billion at December 31, 2011, compared with €198 billion at December 31, 2010, and primarily relates to French Retail Banking (FRB), BeLux Retail Banking and consumer loan subsidiaries of BNP Paribas Personal Finance in Western Europe.

Breakdown of IRBA Retail Exposures by Class and Internal Rating

										December 31, 2011
(in millions of euros)	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Mortgages	2	21,961	21,178	783	90%	21,643	12%	1%	1	274
	3	13,263	12,842	421	96%	13,259	12%	3%	1	334
	4	16,946	16,431	515	97%	16,832	12%	5%	4	835
	5	15,791	15,058	733	99%	15,592	11%	11%	11	1,782
	6	13,001	12,711	290	96%	13,704	10%	21%	17	2,876
	7	5,431	5,363	68	97%	5,536	10%	30%	18	1,684
	8	1,837	1,781	56	98%	1,779	13%	50%	19	882
	9	1,238	1,219	19	99%	1,234	13%	68%	20	843
	10	892	881	11	100%	900	13%	67%	44	601
	11	161	159	2	100%	161		124%	16	200
	12	1,102	1,099	3	100%	1,096		0%	258	0
TOTAL		**91,623**	**88,722**	**2,901**	**95%**	**91,736**	**12%**	**11%**	**409**	**10,311**
Revolving exposures	1	0	0	0	100%	0	43%	20%	0	0
	2	1,611	103	1,508	47%	2,249	54%	1%	0	34
	3	1,338	99	1,238	35%	828	50%	3%	0	23
	4	2,124	150	1,974	40%	1,382	47%	5%	1	71
	5	6,012	116	5,896	41%	2,695	52%	11%	6	294
	6	3,710	549	3,161	36%	1,995	48%	20%	10	396
	7	4,838	1,831	3,008	42%	3,159	42%	39%	42	1,232

	8	2,671	1,588	1,083	47%	2,130	44%	63%	56	1,352
	9	1,141	849	292	33%	974	49%	103%	54	1,008
	10	1,480	965	514	22%	1,086	49%	141%	174	1,527
	11	1,003	962	42	8%	1,166		51%	673	593
	12	469	469	0	100%	469		0%	302	0
TOTAL		**26,397**	**7,681**	**18,716**	**40%**	**18,135**	**48%**	**36%**	**1,318**	**6,530**
Other exposures	1	5	5	0		5	21%	10%	0	1
	2	8,301	6,924	1,377	91%	8,370	28%	3%	1	291
	3	4,035	2,923	1,112	91%	3,455	30%	7%	1	232
	4	10,057	8,542	1,515	90%	9,893	31%	13%	6	1,293
	5	12,914	10,657	2,257	97%	12,583	28%	22%	15	2,823
	6	13,831	12,364	1,467	87%	13,887	24%	27%	34	3,786
	7	14,134	12,996	1,138	93%	14,141	23%	35%	90	4,923
	8	7,613	7,136	477	89%	7,486	21%	37%	95	2,743
	9	3,087	2,935	152	89%	3,119	31%	60%	116	1,870
	10	2,796	2,717	79	98%	2,757	26%	63%	248	1,750
	11	2,772	2,737	35	100%	2,955		53%	1,569	1,574
	12	2,005	1,995	10	100%	2,063		0%	1,231	0
TOTAL		**81,550**	**71,931**	**9,619**	**92%**	**80,714**	**26%**	**26%**	**3,406**	**21,286**
TOTAL		**199,570**	**168,334**	**31,236**	**61%**	**190,586**	**21%**	**20%**	**5,133**	**38,127**

										December 31, 2010
(in millions of euros)	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Mortgages	2	23,388	22,314	1,074	100%	23,406	14%	1%	1	329
	3	10,679	10,077	602	100%	10,725	14%	3%	2	337
	4	11,460	10,955	505	100%	11,489	14%	5%	3	601
	5	24,094	23,165	929	100%	24,087	13%	9%	13	2,280
	6	13,298	12,980	318	100%	13,174	11%	20%	16	2,644
	7	7,548	6,984	564	100%	7,510	11%	31%	24	2,291
	8	640	603	37	100%	650	9%	50%	10	328
	9	1,324	1,301	23	100%	1,327	16%	84%	26	1,113
	10	708	696	12	100%	707	14%	79%	29	561
	11	146	146	0	100%	146		200%	16	292
	12	924	921	3	100%	920		0%	118	0
TOTAL		**94,209**	**90,142**	**4,067**	**100%**	**94,141**	**13%**	**11%**	**258**	**10,777**
Revolving exposures	2	900	203	697	52%	1,778	50%	1%	0	21
	3	1,698	365	1,333	22%	1,764	49%	2%	0	37
	4	4,632	277	4,355	45%	2,746	56%	5%	3	147
	5	5,129	369	4,760	41%	2,800	50%	9%	5	249
	6	5,114	677	4,437	33%	2,508	48%	20%	13	504
	7	5,055	2,193	2,862	49%	3,757	42%	38%	47	1,411
	8	1,716	1,172	544	49%	1,501	44%	65%	41	976
	9	1,070	845	225	49%	1,032	47%	100%	56	1,034
	10	1,438	1,187	251	44%	1,338	48%	138%	200	1,842
	11	1,446	1,017	429	4%	1,038		86%	546	893
	12	458	458	0	101%	458		0%	274	0
TOTAL		**28,656**	**8,763**	**19,893**	**40%**	**20,720**	**48%**	**34%**	**1,185**	**7,114**
Other exposures	1	2	2	0		2	32%	18%	0	0
	2	3,774	2,955	819	100%	3,660	34%	4%	0	143
	3	3,906	3,127	779	93%	3,862	35%	8%	1	290
	4	6,193	5,184	1,009	88%	6,169	35%	13%	3	787
	5	15,252	12,738	2,514	94%	14,843	28%	22%	19	3,306
	6	14,075	12,743	1,332	87%	13,633	22%	28%	35	3,785
	7	13,898	12,679	1,219	90%	13,693	21%	35%	83	4,805
	8	7,115	6,626	489	85%	7,082	19%	38%	93	2,704
	9	3,440	3,308	132	86%	3,500	30%	58%	123	2,014
	10	3,031	2,972	59	90%	3,033	27%	67%	289	2,023
	11	2,847	2,804	43	83%	2,827		88%	1,356	2,496
	12	1,906	1,894	12	100%	1,966		0%	1,071	0

TOTAL	**75,439**	**67,032**	**8,407**	**91%**	**74,270**	**26%**	**30%**	**3,074**	**22,353**
TOTAL	**198,304**	**165,937**	**32,367**	**61%**	**189,131**	**22%**	**21%**	**4,516**	**40,244**

Most mortgage exposure relates to the French Retail Banking business (FRB), BNP Paribas Fortis, BGL BNP Paribas and BNP Paribas Personal Finance. Mortgages are issued according to strict and well-defined procedures. The low average Loss Given Default level reflects the guarantees put in place when the mortgages were granted.

Most of the revolving exposures and other exposures relate to consumer loans subsidiaries that have a wide range of customers in terms of credit quality and a lower level of guarantees.

For the scope under the IRB Approach, the Group believes that publishing a comparison between Expected Losses (EL) at one year and realized cost of risk as required by Article 384–4 i. is not relevant for the following reasons:

- risk parameters used to calculate Expected Loss (EL) at a one-year horizon according to Basel committee principles, displayed in the previous tables, are statistical estimates through the cycle.
- realized losses, on the other hand, refer to the past period, therefore at a particular point in time.

Credit Risk: Standardized Approach

For exposures in the standardized approach, BNP Paribas uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings. These ratings are mapped into equivalent credit quality levels as required by the Basel II framework in accordance with the instructions issued by the ACP.

When there is no directly applicable external rating, the issuer's senior unsecured rating may, if available, be obtained from external databases and used for risk-weighting purposes in some cases.

Standardized approach exposure represents at December 31, 2011 30% of the BNP Paribas Group's total gross exposures, compared with 28% at December 31, 2010. The main entities using the standardized approach at December 31, 2010 are BNL, BancWest, BNP Paribas Personal Finance (consumer finance outside Western Europe and all mortgage lending), BNP Paribas Leasing Solutions (BPLS), TEB A.S. and other emerging country subsidiaries, private banking entities, and Banque de la Poste in Belgium.

Corporate Portfolio

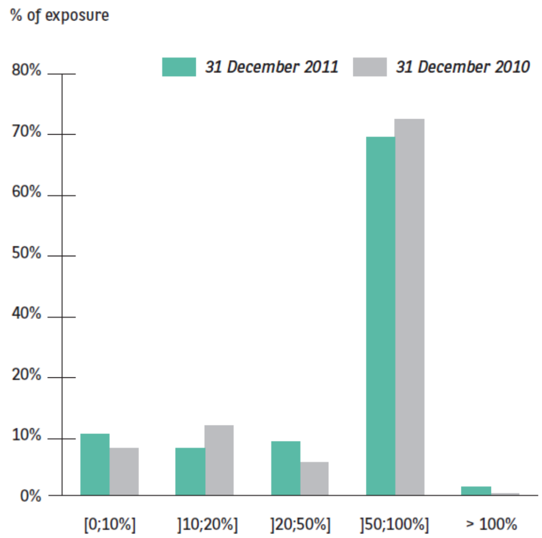
The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (exposure classes: companies, central governments and central banks, institutions) for all of the Group's business lines, measured using the standardized approach.

This exposure represented €197 billion of the gross credit risk at December 31, 2011 compared with €192 billion at December 31, 2010.

Retail Portfolio

The total exposure of retail loans and commitments for all of the Group's business lines using the standard approach represented €174 billion at December 31, 2011, compared with €176 billion at December 31, 2010.

Breakdown of Corporate [*] Exposure by Weighting in the Standardized Approach



[*] The Corporate book shown in the chart above includes companies, central governments and central banks, and institutions.

Total Portfolio

The following table provides the breakdown by counterparty credit rating of the loans and commitments for all the Group business lines using the standardized approach. This exposure represented €381 billion of gross credit risk at December 31, 2011, compared with €378 billion at December 31, 2010.

Credit Risk Exposure by Class and External Rating in the Standardized Approach

		December 31, 2011			December 31, 2010		
(in millions of euros)	**External rating(*)**	**Gross exposure(**)**	**Exposure at Default (EAD)**	**Risk-weighted assets (RWA)**	**Gross exposure(**)**	**Exposure at Default (EAD)**	**Risk-weighted assets (RWA)**
Central governments and central banks	AAA to AA-	12,533	12,503	58	11,516	11,486	91
	A+ to A-	2,707	2,675	66	1,947	1,903	135
	BBB+ to BBB-	933	919	451	1,829	1,801	908
	BB+ to BB-	2,591	2,587	835	2,299	2,296	2,227
	B+ to B-	1,221	1,206	1,206	990	990	993
	No external rating	1,026	1,014	842	1,037	1,036	826
TOTAL		**21,011**	**20,904**	**3,458**	**19,618**	**19,512**	**5,180**
Institutions	AAA to AA-	16,821	15,890	2,292	22,219	20,557	4,166
	A+ to A-	6,504	6,037	2,566	574	475	236
	BBB+ to BBB-	537	463	438	1,124	829	723
	BB+ to BB-	811	621	621	651	517	517
	B+ to B-	361	314	315	245	209	209
	CCC+ to D	7	6	8	0	0	0
	No external rating	1,990	1,822	1,042	2,404	2,184	1,386
TOTAL		**27,031**	**25,153**	**7,282**	**27,217**	**24,771**	**7,237**
Corporates	AAA to AA-	200	184	37	1,516	1,463	546
	A+ to A-	3,217	2,669	1,332	1,072	948	477
	BBB+ to BBB-	791	632	628	549	435	436
	BB+ to BB-	427	321	314	425	359	360
	B+ to B-	113	76	114	437	398	602
	CCC+ to D	1	1	1	9	7	10
	No external rating	155,013	118,789	114,657	150,675	114,149	109,022
TOTAL		**159,762**	**122,672**	**117,083**	**154,683**	**117,759**	**111,453**
Retail	No external rating	173,654	147,635	82,922	176,009	145,748	81,826

TOTAL	**173,654**	**147,635**	**82,922**	**176,009**	**145,748**	**81,826**
TOTAL	**381,458**	**316,364**	**210,745**	**377,527**	**307,790**	**205,696**

(*) According to Standard and Poor's.
(**) Balance sheet and off-balance sheet.

The table above excludes counterparty risk, other non credit-obligation assets and securitization positions.

At December 31, 2011, 83% of the Group's total exposure to central governments, central banks, and institutions was investment grade, compared with 84% at December 31, 2010.

Group entities that use the standardized approach to calculate their capital requirement typically have a business model focused primarily on individuals or SMEs or are located in a region of the world with an underdeveloped credit rating system (Turkey, Ukraine, Middle East, etc.). As a result, most corporate counterparties do not have an external rating under the standardized approach.

Exposure in Default, Provisions and Cost of Risk

Loans with Past-Due Installments, Whether Impaired or not, and Related Collateral or Other Security

See Note 5 to the Group's consolidated financial statements (in particular, the notes to the balance sheet at December 31, 2011).

Exposure in Default by Geographic Breakdown

	December 31, 2011			
		Exposure in default(*)		
(in millions of euros)	**Gross exposure**	**Standardized approach**	**IRBA**	**Fair value adjustment**
France	351,136	3,888	6,387	5,650
Belgium & Luxembourg	183,244	150	4,722	2,101
Italy	143,674	12,242	178	6,234
United Kingdom	43,545	107	1,436	847
Netherlands	45,842	93	182	140
Other West European countries	123,636	1,638	6,944	4,669
Central Eastern Europe	32,745	1,684	656	1,587
Turkey	21,084	282	2	195
Mediterranean	18,830	617	216	515
Gulf States & Africa	29,064	489	1,219	765
North America	184,656	1,022	1,843	856
Latin America	26,224	202	352	383
Japan & Australia	19,703	2	72	40
Emerging Asian countries	50,448	90	200	101
TOTAL	**1,273,831**	**22,506**	**24,409**	**24,083**

	December 31, 2010			
		Exposure in default(*)		
(in millions of euros)	**Gross exposure**	**Standardized approach**	**IRBA**	**Fair value adjustment**
France	343,764	3,555	8,225	5,523
Belgium & Luxembourg	180,919	156	4,615	2,093
Italy	155,504	10,397	128	5,369
United Kingdom	57,292	179	1,362	1,335
Netherlands	48,400	41	614	175
Other West European countries	149,858	1,856	3,052	2,752
Central Eastern Europe	38,970	2,376	863	1,967
Turkey	20,898	348	9	237

Mediterranean	19,121	543	195	474
Gulf States & Africa	33,670	434	1,178	659
North America	165,363	1,265	2,189	954
Latin America	31,383	499	700	776
Japan & Australia	43,523	38	751	343
Emerging Asian countries	64,889	147	231	178
TOTAL	**1,353,554**	**21,834**	**24,112**	**22,835**

(*) Gross exposure (balance sheet and off-balance sheet) before collateral or other security.

Exposures in Default, Fair Value Adjustments, and Cost of Risk by Basel Asset Class

The cost of risk in the table below relates to credit risk only and does not include impairments of counterparty risk on market financial instruments. See Note 2.f (Cost of Risk) to the Group's consolidated financial statements.

						December 31, 2011
		Exposure in default(*)				
(in millions of euros)	**Gross exposure**	**Standardized approach**	**IRBA**	**Fair value adjustment**	**Total portfolio provisions**	**Cost of risk**
Central governments and central banks	176,616	79	3,619	1,972		
Corporates	566,379	10,397	10,923	10,537		
Institutions	107,606	469	876	708		
Retail	373,224	11,262	7,513	10,195		
Securitization positions	50,006	299	1,478	671		
TOTAL	**1,273,831**	**22,506**	**24,409**	**24,083**	**4,997**	**(6,665)**

						December 31, 2010
		Exposure in default(*)				
(in millions of euros)	**Gross exposure**	**Standardized approach**	**IRBA**	**Fair value adjustment**	**Total portfolio provisions**	**Cost of risk**
Central governments and central banks	193,980	26	32	65		
Corporates	600,824	9,947	12,027	11,382		
Institutions	127,321	548	1,132	638		
Retail	374,313	10,756	7,726	9,535		
Securitization positions	57,116	557	3,195	1,215		
TOTAL	**1,353,554**	**21,834**	**24,112**	**22,835**	**5,495**	**(4,635)**

(*) Gross exposure (balance sheet and off-balance sheet) before collateral or other security.

Unimpaired Exposures With Past Due Installments by Basel Asset Class and Calculation Approach

					December 31, 2011
	Maturities of unimpaired past-due loans(*)				
(in millions of euros)	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**	**Total**
Central governments and central banks	53	14	2	3	72
Corporates	5,665	307	20	6	5,998
Institutions	253	0			253
Retail	6,400	182	2	4	6,588
TOTAL STANDARDIZED APPROACH	**12,371**	**503**	**24**	**13**	**12,911**
Central governments and central banks	208	163	3	13	387
Corporates	1,552	0	87	17	1,656
Institutions	133	0			133
Retail	2,780	36	5	1	2,822
TOTAL IRB APPROACH	**4,673**	**199**	**95**	**31**	**4,998**

TOTAL	**17,044**	**702**	**119**	**44**	**17,909**

					December 31, 2010
	Maturities of unimpaired past-due loans(*)				
(in millions of euros)	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**	**Total**
Central governments and central banks	80	3	1	0	84
Corporates	4,475	263	23	55	4,816
Institutions	155	0	3	23	181
Retail	4,092	181	11	34	4,318
TOTAL STANDARDIZED APPROACH	**8,802**	**447**	**38**	**112**	**9,399**
Central governments and central banks	24			16	40
Corporates	2,539	27	31	101	2,698
Institutions	173	3		1	177
Retail	3,203	45	16	15	3,279
TOTAL IRB APPROACH	**5,939**	**75**	**47**	**133**	**6,194**
TOTAL	**14,741**	**522**	**85**	**245**	**15,593**

(*) Based on FINREP, gross exposure (balance sheet) before collateral or other security.

Credit Risk Mitigation Techniques

Credit risk mitigants (CRMs) are taken into account in accordance with the Basel II rules. In particular, their effect is assessed under conditions characteristic of an economic downturn. The CRMs fall into two main categories: guarantees and collateral.

- A guarantee (surety) is the commitment by a third-party to replace the primary obligor in the event of default. By extension, credit insurance and credit derivatives (purchased protection) fall into this category.
- Collateral pledged to the Bank is used to secure timely performance of a borrower's financial obligations.

For the scope under the IRB Approach, guarantees and collaterals are taken into account, provided they are eligible, by decreasing the Loss Given Default (LGD) parameter that applies to the transactions of the banking book.

For the scope under the standardized approach, guarantees are taken into account, provided they are eligible, by applying the more favorable risk weight of the guarantor to a portion of the secured exposure, adjusted for currency and maturity mismatches. Collateral is taken into account as a decrease in the exposure, after adjustment for any currency and maturity mismatches.

Guarantors are subject to the same rigorous credit risk assessment process as primary obligors.

The assessment of credit risk mitigating effect follows a methodology that is approved for each activity and is used throughout the Group. In the CIB division, risk mitigation effects take into account possible correlations between the guarantor and the borrower (for example, whether they belong to the same industry sector). Credit committees must approve the mitigation effects attributed to each loan at inception and at each subsequent annual review.

Collateral is divided into two categories: financial collateral and other collateral:

- financial collateral consists of cash (including gold), equities (listed or unlisted) and bonds;
- other collateral can take the form of real estate mortgages, pledge on vessel or aircraft, pledge on stock, assignment of contracts or any other right with respect to an asset of the obligor.

To be eligible, collateral must fulfill the following conditions:

- the value of the collateral must not be highly correlated to the risk of the obligor (in particular, shares of the obligor are not eligible);
- the pledge must be documented;
- the Bank must be able to assess the value of the collateral under economic downturn conditions; and
- the Bank must have reasonable comfort as to the potential appropriation and realization of the asset

concerned.

In the CIB division, each collateral is evaluated using appropriate techniques, and the mitigating effect is evaluated individually for each case. In the Retail Banking business, the presence or absence of a particular type of collateral may, depending on the coverage ratio, lead to assigning the exposure to particular LGD class on a statistical basis.

Guarantees are granted by the obligor's parent company or by other entities such as financial institutions. Other examples of guarantees are credit derivatives, guarantees from public or private insurers.

A guarantee may not be used to improve the risk parameters of a transaction unless the guarantor is rated higher than the counterparty, and the guarantor is subject to same requirements as the primary obligor in terms of prior credit analysis.

In accordance with general rating policy, collateral and guarantees are taken into account at their economic value and are only accepted as the principal source of repayment by exception. In the context of commodities financing, for example, the repayment capacity of the obligor must be assessed on the basis of its operating cash flow.

The economic value of the collateralized assets must be assessed with great objectivity and the Bank has to document it. It may be a market value, a value appraised by an expert, a book value. The economic value is the current value at the date of appraisal and not a value on default date.

Lastly, Group procedures require a reevaluation of collaterals at least annually for the CIB perimeter.

IRB Approach – Corporate Portfolio

The following table provides for the Corporate portfolio the breakdown by Basel asset class of the risk mitigation resulting from collateral and guarantees relating to the portfolio of loans and credit commitments for all of the Group's business lines using the advanced IRB Approach.

	December 31, 2011				December 31, 2010			
		Risk mitigation				Risk mitigation		
(in millions of euros)	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments and central banks	155,605	5,427	22,467	27,895	174,362	5,106	31,523	36,630
Corporates	406,617	73,904	68,816	142,719	446,141	80,885	72,338	153,223
Institutions	80,575	6,161	5,221	11,382	100,104	4,903	10,228	15,131
TOTAL	**642,797**	**85,492**	**96,504**	**181,996**	**720,607**	**90,894**	**114,089**	**204,983**

Standardized Approach – Corporate Portfolio

The following table provides for the Corporate portfolio the breakdown by Basel asset class of the risk mitigation resulting from collateral and guarantees relating to the portfolio of loans and credit commitments for all the Group's business lines using the standardized approach.

	December 31, 2011				December 31, 2010			
		Risk mitigation				Risk mitigation		
(in millions of euros)	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments and central banks	21,011	401	7	409	19,618		40	40
Corporates	159,762	1,653	6,528	8,181	154,683	761	7,921	8,682
Institutions	27,031	4,816	8	4,824	27,217	254	143	397
TOTAL	**207,804**	**6,870**	**6,543**	**13,413**	**201,518**	**1,015**	**8,104**	**9,119**

Securitization in the Banking Book

The BNP Paribas Group is involved in securitization transactions as originator, sponsor and investor as defined by Basel 2.5.

The securitization transactions described below are those defined in the CRD (Capital Requirement Directive) and described in Title V of the Decree of February 20, 2007. They are transactions in which the credit risk inherent in a pool of exposures is divided into tranches. The main features of these securitization transactions are:

- there is a significant transfer of risk;
- payments made depend upon the performance of the underlying exposures;
- subordination of the tranches as defined by the transaction determines the distribution of losses during the risk transfer period.

As required by the CRD, assets securitized as part of proprietary securitization transactions that meet Basel 2.5 eligibility criteria, particularly in terms of significant risk transfer, are excluded from the regulatory capital calculation. Only BNP Paribas' positions in the securitization vehicle, and any commitment subsequently granted to the securitization vehicle, are included in the capital requirement calculation using the external ratings based approach.

Proprietary securitization exposures that do not meet the Basel 2.5 eligibility criteria remain in the portfolio to which they were initially assigned. The capital requirement is calculated as if they had not been securitized and is included in the section on credit risk.

Consequently, the securitization transactions discussed below only cover those originated by the Group deemed to be efficient under Basel 2.5, those arranged by the Group in which it has retained positions, and those originated by other parties in which the Group has invested.

Accounting Methods

Set out below is a summary of the Bank's accounting methods used in respect of securitization positions. For further information, see Note 1 to the Group's consolidated financial statements for the year ended December 31, 2011 (Summary of significant accounting policies applied by the Group).

Proceeds from the sale of securitization positions are recognized in accordance with rules for the category of origin of positions sold.

Therefore, for positions classified as loans and receivables and as available-for-sale assets, proceeds from asset sales are deducted from cost of risk in an amount equal to the net amount previously recognized. Any remaining amount is recognized as net gain on available-for-sale assets and other financial assets not stated at fair value.

For positions classified at fair value through profit or loss, proceeds from asset sales are recognized as net gains on financial instruments measured at fair value through profit or loss.

1) Securitization positions classified as "Loans and receivables" are measured according to the amortized cost method as described in Note 1.c.1 to the Group's consolidated financial statements. The effective interest rate used to recognize interest income is measured on the basis of an expected cash flow model.

For assets that have been transferred from another accounting category (see Note 1.c.6), upward revisions of recoverable estimated flows are recognized as an adjustment to the effective interest rate as of the date the estimate is changed. Downward revisions are reflected by an adjustment in the carrying value. The same applies to all revisions of recoverable estimated flows of assets not transferred from another accounting category. Impairment losses are recognized on these assets in accordance with the principles set out in Note 1.c.5 concerning Loans and Receivables.

2) Securitization positions classified on an accounting basis as available-for-sale assets are measured at their fair value (see Note 1.c.3 and 1.c.10). Any changes to this amount, excluding accrued income, are presented in a specific sub-section of equity. On the sale of these securities, these unrealized gains or losses previously recognized as equity are

recognized in the income statement. The same applies to impairment losses. The fair value is determined in accordance with the principles set out in Note 1.c.10.

Assets pending securitization are recognized in the "loans and receivables" category and in the prudential banking portfolio in the case of exposures resulting from the bank's balance sheet, for which the Bank will be originator in the future securitization within the meaning of Basel II.

Meanwhile, assets pending securitization are recognized in the "fair value through profit or loss" category and in the prudential banking portfolio in the case of exposures purchased and put into warehousing, for which the Bank will be arranger in the future securitization .

Securitization Risk Management

The monitoring of securitized assets includes Credit, Market and Liquidity Risk on the underlying assets, and Counterparty Risk on hedge counterparties of unfunded protections.

Procedure for Credit Risk on Securitized Assets

Approval of securitization assets outside of the trading book are subject to specific Securitization Credit Committees. For new transactions a pre-screening may be conducted prior to the committee's meeting in order to identify areas of further analysis to be performed. All approvals are subject to an annual review. Exposures are monitored daily against the limits set by the relevant Securitization Credit Committees.

The performance of the underlying assets is closely monitored by region and by collateral type and securitization positions may be added to the "Watchlist" and "Doubtful" lists should the credit quality of their collateral deteriorate. Such positions are then subject to the Asset Securitization Watchlist and Doubtful process, which requires review at least twice a year in addition to the regular Securitization Credit Committees. The process is held quarterly for assets where the Bank is an investor. If a shortfall of assets relative to liabilities seems plausible under likely scenarios, then impairments are taken.

Re-securitization originated by the Bank are subject first to specific Transaction Approval Committees. The resulting assets are subsequently monitored under the Securitization processes described above.

Reporting

Positions are closely monitored by asset type, seniority and in terms of rating migration. The distance between the Net Book Value after provisions and the Fair Value (Level 2) is also monitored, and reported on a quarterly basis.

Market Risks Within the Banking Book

On fixed rate ABS positions, a macro hedge consisted of fixed/variable rate swaps was put in place to cover interest rate risk. The hedge is recorded in accordance with the rules of accounting for hedges.

Liquidity Risk

The funding of securitized assets is secured by ALM department, on the basis of their weighted average lifetime.

Counterparty Risk

Derivatives on unfunded ABS positions are captured as Derivatives Counterparty exposures to the hedge counterparties. The Counterparty risk on hedge counterparties is monitored within the regular derivative counterparty framework.

BNP Paribas Securitization Activity

The Group's activities in each of its roles as originator, sponsor and investor, are described below:

Securitized Exposures and Securitization Positions (Held or Acquired) by Role

(in millions of euros)	December 31, 2011		December 31, 2010	
BNP Paribas role	Securitized exposures originated by BNP Paribas(*)	Securitization positions held or acquired (EAD)(**)	Securitized exposures originated by BNP Paribas(*)	Securitization positions held or acquired (EAD)(**)

Originator	13,332	3,086	15,985	4,351
Sponsor	251	16,544	217	17,440
Investor	0	25,535	0	30,140
TOTAL	**13,583**	**45,165**	**16,202**	**51,931**

(*) Securitized exposures originated by the Group correspond to the underlying exposures recognized on the Group's balance sheet which have been securitized.
(**) Securitization positions correspond to tranches retained in securitization transactions originated or arranged by the Group, tranches acquired by the Group in securitization transactions arranged by other parties, and facilities granted to securitization transactions originated by other parties.

Proprietary Securitization (Originator Under Basel 2.5)

As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets by securitizing loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers.

Four securitization transactions were carried out in 2011 including three by BNP Paribas Personal Finance and one by French Retail Banking.

Securitized customer assets totaled €4.6 billion in 2011:

- €3.1 billion of notes issued were retained by the Group, including €1.5 billion that can be used as collateral for refinancing operations;
- €1.5 billion of notes issued were sold on the market.

These transactions have no reducing effect on the calculation of regulatory capital because they do not give rise to any significant risk transfer. The relevant exposures are therefore included in the section on credit risk.

36 transactions, totaling a securitized exposure (Group BNP Paribas' share) of €60.2 billion, are outstanding at December 31, 2011. These include €17.5 billion for BNP Paribas Personal Finance, €0.3 billion for Equipment Solutions, €6.9 billion for BNL, €34.5 billion for BNP Paribas Fortis and €1 billion for Retail Banking France.

Only five of these transactions, representing a total securitized exposure of €3.4 billion, have been excluded from Basel 2.5 credit risk framework and integrated in Basel 2.5 securitization framework due to significant risk transfer, and are included in the table above. Securitization positions retained in these transactions amount to €1.5 billion at December 31, 2011 compared with €1.2 billion at December 31, 2010.

When the Bank acquired the Fortis Group entities, the riskiest portion of their structured asset portfolio was sold to a dedicated SPV, Royal Park Investment. The SPV's securitized exposure amounted to €9.1 billion as of December 31, 2011. The Group retains €1.4 billion in securitization exposure in the SPV at December 31, 2011 compared with €2.9 billion at December 31, 2010, including €0.2 billion of the equity tranche, €0.5 billion of financing corresponding to a senior tranche and €0.6 billion of financing corresponding to a super senior tranche (compared with €2.2 billion at December 31, 2010).

Lastly, the exposures retained in securitization transactions originated by BNP Paribas amounted to €0.2 billion at December 31, 2011, unchanged compared with December 31, 2010.

Securitization as Sponsor on Behalf of Clients

CIB Fixed Income carries out securitization programs on behalf of its customers. Under these programs, liquidity facilities and, where appropriate, guarantees are granted to special purpose entities. Special purpose entities over which the Group does not exercise control are not consolidated.

Short-Term Refinancing

At December 31, 2011, five non-consolidated multiseller conduits (Eliopée, 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. Liquidity Facilities granted to the five conduits remained stable at €9.7 billion, compared to €9.6 billion at December 31, 2010.

Medium/Long-Term Refinancing

In Europe and Northern America, the BNP Paribas Group's structuring platform remained active in providing securitization solutions to its clients, based on products adapted to current conditions in terms of risk and liquidity. "Technical" liquidity facilities, designed to cover maturity mismatches are also granted, where appropriate, to non consolidated funds, arranged by the Group for receiving securitized customer assets. The total of these facilities, including the few residual positions retained, amounted to €1.9 billion at December 31, 2011 compared with €1.7 billion at December 31, 2010.

BNP Paribas Fortis has also granted liquidity facilities to the Scaldis multiseller conduit, totaling €4.7 billion at December 31, 2011 compared with €6.1 billion at December 31, 2010.

During 2011, BNP Paribas continued to manage CLO (collateralized loan obligation) conduits for third-party investors. In the context of a primary CLO market still closed due to adverse market conditions, BNP Paribas acquired a CLO management agreement from another collateral manager. Securitization positions retained amounted to €25 million as at December 31, 2011 (unchanged compared with 2010).

Securitization as Investor

The BNP Paribas Group's securitization business as an investor (within the meaning of the regulation rules) is mainly carried out by CIB, Investment Solutions and BancWest, aside from the portfolio positions inherited from BNP Paribas Fortis.

CIB Fixed Income is responsible for monitoring and managing an ABS portfolio (Asset Backed Securities), which represented a total of €2.9 billion of ABS at December 31, 2011 compared with €4.4 billion at December 31, 2010. Fixed Income also manages liquidity facilities granted by banking syndicates to ABCP (Asset Backed Commercial Paper) conduits managed by a number of major international industrial groups that are BNP Paribas clients representing a total of €0.6 billion at December 31, 2011, compared with €0.5 billion at December 31, 2010.

In addition, Fixed Income also houses Negative Basis Trade (NBT) positions representing an exposure at default of €5.2 billion of euros, compared with €5.5 billion at December 31, 2010.

CIB Resource & Portfolio Management (RPM) also managed securitization programs as an investor in 2011, particularly with a mixed investment program (securitization exposure and corporate loan exposure) that was launched in the fourth quarter of 2010 (€80 million). RPM also yielded €12 million of exposures to the American real estate market. The exposure of the RPM-managed portfolio stood at €0.5 billion at December 31, 2011, compared with €0.5 billion at December 31, 2010.

During 2011, Investment Solutions realized 0.1 million of fresh investment in securitization programs. Meanwhile, repayments (€0.5 billion) and disposals (€0.3 billion) allowed to reduce exposure from €2.1 billion on December 31, 2010 to €1.4 billion on December 31, 2011, primarily due to reimbursements and sales.

BancWest invests exclusively in securitization positions in listed securities as a core component of its refinancing and own funds investment policy. BancWest continued to reduce positions requiring significant amounts of capital in 2011. At December 31, 2011, BancWest's securitization positions amounted to €0.3 billion compared with €0.5 billion at December 31, 2010.

BNP Paribas Fortis' portfolio of structured loans (Portfolio IN), which was not assigned to a business line and is housed in "Other activities", is worth €6.1 billion, compared with 8.4 billion at December 31, 2010.

This portfolio carries a guarantee by the Belgian State on the second level of losses. Beyond a first tranche of final loss, against the notional value of €3.5 billion largely provisioned in BNP Paribas Fortis' opening balance sheet, the Belgian State guarantees on demand a second loss tranche of up to €1.5 billion.

In addition, BNP Paribas Fortis' investments in Dutch RMBS came to €8.1 billion, unchanged compared with December 31, 2010.

Securitized Exposures

Securitized Exposures Originated by BNP Paribas by Securitization Type

(in millions of euros)		Securitized exposures originated by BNP Paribas	
Securitization type	**Calculation approach**	**December 31, 2011**	**December 31, 2010**
Traditional	IRBA	9,978	13,312
	Standardized	2,548	2,890
SUB-TOTAL		**12,526**	**16,202**
Synthetic	IRBA	1,057	0
TOTAL		**13,583**	**16,202**

Securitized Exposures by BNP Paribas by Securitization Type and Underlying Asset Category

(in millions of euros)				**December 31, 2011**
		Third-parties exposures		**Total securitized exposures by BNP Paribas**
Securitization type and asset category(*)	**BNP Paribas exposures**		**of which ABCP**	
Residential mortgages	11,509	12,496	668	24,005
Consumer loans	-	2,195	1,538	2,195
Credit card receivables	-	-	-	-
Loans to corporates	821	4,826	795	5,647
Commercial and industrial loans	-	2,866	2,290	2,866
Commercial real estate properties	-	688	474	688
Finance leases	-	1,369	156	1,369
Other assets	196	684	174	880
Traditional	**12,526**	**25,124**	**6,095**	**37,650**
Loans to corporates or SMEs	1,057	-	-	1,057
Synthetic	**1,057**	**0**	**0**	**1,057**
TOTAL	**13,583**	**25,124**	**6,095**	**38,707**

(*) This breakdown is based on the predominant underlying asset in the securitization.

Slightly less than two-thirds of exposures securitized by the Group are for third parties and 16% correspond to ABCP.

The securitized exposures from the Bank's balance sheet are essentially made up of residential mortgages. Among them, at December 31, 2011, five securitization transactions on real estate properties were efficient from a Basel 2.5 perspective: four operations on residential mortgages ((Vela Home 2, Vela Home 3, Vela Home 4 and Vela ABS) originated by BNL for a total exposure of €2.4 billion and a transaction on SME loans carried out by BDDF, with a guarantee from the European Investment Bank, for a total of securitized exposures of €one billion. Furthermore, the securitization exposures of the special purpose vehicle Royal Park Investment (RPI), €9.1 billion, are essentially made up of residential mortgages.

At the same date, no consumer loan securitization transaction was efficient from a Basel 2.5 perspective. In addition, BNP Paribas did not securitized for its own account revolving exposures subject to early amortization treatment.

At December 31, 2011, €0.8 billion of loans to corporates had been securitized within transactions arranged by the Group.

Assets Awaiting Securitization

(in millions of euros)		**December 31, 2011**
Asset category	**Exposures awaiting securitization by BNP Paribas**	**Exposures awaiting securitization in warehousing**
Residential mortgages	1,800	0
Consumer loans	5,900	0
TOTAL	**7,700**	**0**

Assets awaiting securitization above will be retained (inefficient from a Basel 2.5 perspective), except for €700 million of consumer loans.

Securitization Positions

Securitization Positions Held or Acquired, by Underlying Asset Category

(in millions of euros)		Securitization positions held or acquired (EAD)					
		December 31, 2011			December 31, 2010		
BNP Paribas role	**Asset category(*)**	**Balance sheet**	**Off-balance sheet**	**Total**	**Balance sheet**	**Off-balance sheet**	**Total**
Originator	Residential mortgages	1,828	65	1,893	4,201	-	4,201
	Loans to corporates	1,182	9	1,191	121	9	130
	Re-securitization positions				16	-	16
	Other assets	2	-	2	4	-	4
TOTAL ORIGINATOR		**3,012**	**74**	**3,086**	**4,342**	**9**	**4,351**
Sponsor	Residential mortgages	985	457	1,442	678	141	819
	Consumer loans	266	3,075	3,341	33	2,054	2,087
	Credit card receivables	630	-	630	773	37	810
	Loans to corporates	2,924	1,605	4,529	3,133	1,262	4,395
	Commercial and industrial loans	8	4,036	4,044	36	3,678	3,714
	Commercial real estate properties	180	494	674	308	577	884
	Finance leases	864	729	1,593	1,121	1,592	2,713
	Re-securitization positions				453	426	880
	Other assets	114	177	291	108	1,030	1,138
TOTAL SPONSOR		**5,971**	**10,573**	**16,544**	**6,643**	**10,797**	**17,440**
Investor	Residential mortgages	12,005	373	12,378	14,173	466	14,639
	Consumer loans	3,204	707	3,910	3,562	492	4,054
	Credit card receivables	14	-	14	180	-	180
	Loans to corporates	5,846	-	5,846	6,120	-	6,120
	Commercial and industrial loans	-	-	-	31	-	31
	Commercial real estate properties	3,014	43	3,057	3,829	-	3,829
	Finance leases	53	-	53	226	-	226
	Re-securitization positions				423	-	423
	Other assets	277	-	277	638	-	638
TOTAL INVESTOR		**24,412**	**1,123**	**25,535**	**29,182**	**958**	**30,140**
TOTAL		**33,396**	**11,769**	**45,165**	**40,166**	**11,765**	**51,931**

(*) Based on the predominant asset class in the asset pool of the securitization in which the position is held. in the case of the underlying asset is
a position of securitization or of Re-securitization, CRD3 Regulation prescribes to report the ultimate underlying asset of the program concerned.

Banking Book Securitization Position Quality

At December 31, 2011, 92% of the securitization positions held or acquired by the Group were senior tranches, compared with 89% at December 31, 2010, reflecting the high quality of the Group's portfolio. The corresponding Exposures at Default (EADs) and risk weights are given in the following tables:

(in millions of euros)	**Securitization positions held or acquired (EAD)**	
Tranche quality	**December 31, 2011**	**December 31, 2010**
Senior tranche	41,746	46,091
Mezzanine tranche	2,910	5,162
First-loss tranche	509	678
TOTAL	**45,165**	**51,931**

Under the standardized approach, risk-weighted assets are calculated by multiplying Exposure at Default by a risk weight based on an external rating of the securitization position, as required by Article 222 of the French Decree of 20 February 2007. In a small number of cases, a look-through approach may be applied. Securitization positions rated B+ or lower or without an external rating are given a risk weighting of 1,250%. The standardized approach is used for securitization positions originated by BNL or UCI and for securitization investments made by BancWest and the Investment Solutions division.

Under the IRB Approach, risk-weighted assets are calculated according to one of the following methods:

- if the securitization position has an external rating, the Group uses an external rating-based method whereby the position's risk weight is determined directly from a correspondence table provided by the banking supervisor that matches risk weights to external ratings;
- if the securitization position does not have an external rating, and if the Bank is the originator or sponsor, the Group uses the Supervisory Formula Approach. In this approach the risk weight is calculated from a formula provided by the banking supervisor that factors in the internal credit rating of the underlying asset portfolio, as well as the structure of the transaction (most notably the amount of credit enhancement subscribed out by the Group);
- the internal ratings approach is applied for liquidity facilities in the ABCP programs of the BNP Paribas Fortis and BGL BNP Paribas portfolios for which there are no external ratings. This approach has been approved by the BNB;
- a look-through approach may be applied to derive the risk weight in a very small number of cases.

At December 31, 2011, the IRB Approach is used for positions held by the CIB division and BNP Paribas Fortis.

For rated securitization positions, the Group uses external ratings from the Standard & Poor's, Moody's, and Fitch rating agencies. These ratings are mapped to equivalent credit quality levels in accordance with the instructions of the French banking supervisor.

Starting from December 31, 2011, the European directive CRD3, which integrates the new Basel 2.5 regulation, applies and amends the Capital Requirements for securitization by requiring an increase of the capital charge for the positions known as of re-securitization, i.e. the positions of a program whose underlying assets comprise at least one securitization position.

Securitization Positions and Risk Weight by Calculation Approach

(in millions of euros)	December 31, 2011		December 31, 2010	
Calculation approach	**Securitization positions held or acquired (EAD)**	**Risk-weighted assets**	**Securitization positions held or acquired (EAD)**	**Risk-weighted assets**
IRBA	42,985	22,665	48,147	22,916
Standardized	2,180	1,711	3,784	2,288
TOTAL	**45,165**	**24,376**	**51,931**	**25,204**

Risk-weighted assets corresponding to securitization positions held or acquired by the Group amounted to €24 billion at December 31, 2011, or 4% of BNP Paribas total risk-weighted assets, compared with €25 billion at December 31, 2010.

Securitization Positions by Approach, Calculation Method, and Risk Weight

IRB Approach

(in millions of euros)				December 31, 2011
	Exposure at Default		**Risk-weighted assets**	
Calculation method	**Securitization positions**	**Re-securitization positions(*)**	**Securitization positions**	**Re-securitization positions(*)**
7%-10%	18,684		1,371	
12%-18%	864		79	
20%-35%	2,857	336	526	60
40%-75%	733	2,677	301	741
100%	310	78	36	82
225%		105		249
250%	262		633	
350%		257		817
425%	77		133	
650%	27	122	30	559
750%		197		1,561
850%		250		2,253
External ratings based method	**23,814**	**4,022**	**3,109**	**6,322**
1250%	**844**	**369**	**7,609**	**1,852**
Internal Assessment Approach	**1,307**		**31**	
[0%-7%]	7,606	0	532	0
]7%-100%]	2,773	1,528	812	363
]100%-350%]	14	153	27	358
]350%-1,250%]	36	519	456	1,193
Supervisory Formula Approach	**10,429**	**2,200**	**1,827**	**1,914**
TOTAL	**36,394**	**6,591**	**12,576**	**10,088**

(*) At the meaning of the CRD3, which applies starting from December 31, 2011.

(in millions of euros)				December 31, 2010
	Exposure at Default		Risk-weighted assets	
Calculation method	**Securitization positions**	**Re-securitization positions(*)**	**Securitization positions**	**Re-securitization positions(*)**
6%-10%	24,151		1,596	
12%-18%	1,860		80	
20%-35%	3,514		616	
50%-75%	1,131		425	
100%	456		233	
250%	290		659	
425%	350		1,276	
650%	115		416	
External ratings based method	**31,867**		**5,301**	
1250%	**1,600**		**13,673**	
Internal Assessment Approach	**1,856**		**52**	
[0%-7%]	8,145		559	
]7%-100%]	3,986		1,142	
]100%-350%]	164		264	
]350%-1,250%]	529		1,925	
Supervisory Formula Approach	**12,824**		**3,890**	
TOTAL	**48,147**		**22,916**	

(*) At the meaning of the CRD3, which applies starting from December 31, 2011.

Out of the €28 billion of securitization positions with an external rating:

- 67% by EAD are rated above A+ and therefore have a risk weight of less than 10% at December 31, 2011, compared with 76% at December 31, 2010;
- the great majority (82% by EAD) are rated above BBB+ at December 31, 2011, compared with 93% at December 31, 2010).

Standardized Approach

(in millions of euros)				December 31, 2011
	Exposure at Default		Risk-weighted assets	
Calculation method	**Securitization positions**	**Re-securitization positions(*)**	**Securitization positions**	**Re-securitization positions(*)**
20%	1,421		284	
40%		2		1
50%	215		107	
100%	116	27	110	27
225%		92		45
350%	65		212	
650%				
External ratings based method	**1,817**	**121**	**713**	**73**
1250%	**175**		**900**	
Weighted Average method	**65**		**24**	
Look-through approach	**2**		**2**	
TOTAL	**2,059**	**121**	**1,639**	**73**

(in millions of euros)				December 31, 2010
	Exposure at Default		Risk-weighted assets	
Calculation method	**Securitization positions**	**Re-securitization positions(*)**	**Securitization positions**	**Re-securitization positions(*)**
20%	2,808		505	
40%				
50%	355		81	
100%	294		100	

225%		
350%	162	365
650%		
External ratings based method	**3,619**	**1,051**
1250%	**162**	**1,231**
Look-through approach	**3**	**7**
TOTAL	**3,784**	**2,288**

(*) *At the meaning of the CRD3, which applies starting from December 31, 2011.*

Of the €1.9 billion of securitization positions with an external rating, a large majority (73% by EAD at December 31, 2011) is rated above AA- and therefore bears a risk weight of 20%.

Guarantees on securitization positions amounted to €4.9 billion at December 31, 2011. The Belgian government's guarantee on the RPI senior debt accounts for €4.8 billion.

The only one re-securitization position guaranteed is the senior debt of the Royal Park Investments portfolio held by BNP Paribas Fortis. It is ensured by the Belgian government, rated AA (Standard & Poor's).

Counterparty Risk

Exposure to Counterparty Risk

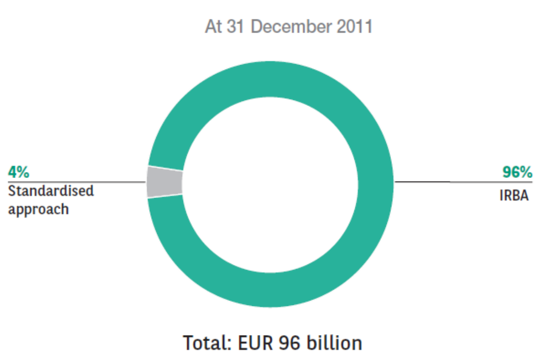
The table below shows exposure to counterparty risk (measured as exposure at the time of default) by Basel asset class on derivatives contracts and securities lending/borrowing transactions, after the impact of any netting agreements.

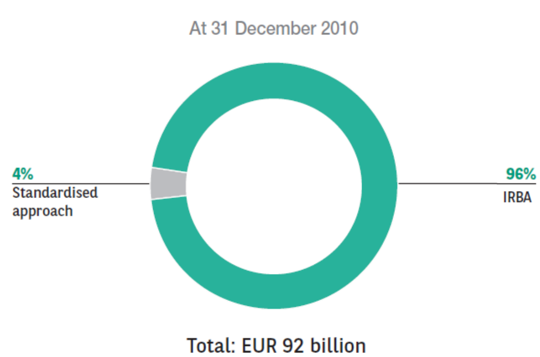
Exposure at Default to Counterparty Risk by Basel Asset Class of Derivatives and Securities Lending/Borrowing Instruments

	December 31, 2011				December 31, 2010			
(in millions of euros)	IRBA	Standardized Approach	Total	2011 Average EAD	IRBA	Standardized Approach	Total	2010 Average EAD
Central governments and central banks	11,142	2	11,144	10,073	8,997	6	9,003	8,293
Corporates	45,324	2,484	47,808	46,288	42,212	2,555	44,767	47,525
Institutions(*)	35,803	1,163	36,966	37,750	37,635	898	38,533	40,307
Retail	-	19	19	15	0	12	12	13
TOTAL EXPOSURE	**92,269**	**3,668**	**95,937**	**94,126**	**88,844**	**3,471**	**92,315**	**96,138**

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

Counterparty Exposure at Default by Approach





The Bank is exposed to counterparty risk on its capital markets transactions. This risk is managed through the widespread use of standard close-out netting and collateral agreements and through a dynamic hedging policy. Changes in the value of the Bank's exposure are taken into account in the measurement of over-the-counter financial instruments through a credit value adjustment process.

Netting Agreements

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

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

Transactions affected by this are processed in accordance with bilateral or multilateral trading agreements that are consistent with national or international standards. The main forms of bilateral agreements are those issued by Fédération Bancaire Française (FBF), and on an international basis by International Swaps and Derivatives Association ("ISDA").

Counterparty Exposure Valuation

The Exposure at Default (EAD) for counterparty risk is measured using an internal model and is subsequently incorporated into the credit risk evaluation system. This measure was developed ten years ago and is regularly updated. It is based on "Monte Carlo" simulations which assess possible exposure movements. The stochastic processes used are sensitive to parameters including volatilities and correlations, and are calibrated on historical market data. The potential future counterparty risk exposures are measured using an internal model ("ValRisk"), which can simulate thousands of potential market scenarios and perform the valuation of each counterparty trading portfolio at several points in the future (from one day to more than 30 years for the longest transactions). Value changes are calculated up to the maturity of transactions.

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

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

For counterparty risk exposures from portfolios of BNP Paribas Fortis and BGL BNP Paribas that have not been migrated in the BNP Paribas systems, the Exposure at Default (EAD) is not based on an internal model.

Supervision and Monitoring of Counterparty Risk

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

Credit Adjustments on Financial Instruments Traded Over-the-Counter (OTC)

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

Dynamic Management of Counterparty Credit Risk

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

In order to reduce the inherent risk associated with credit quality deterioration in a financial instrument portfolio, the Bank may use a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments.

Counterparty risk exposures on derivative instruments cover all derivative portfolio exposures of BNP Paribas, all underlying and all combined poles. Fixed Income exposures represent the large majority of these exposures.

The exposure on securities financing transactions and deferred settlement transactions concern the Fixed Income business (primarily bonds), the Equity and Advisory business, primarily equity (stock lending and borrowing) and BNP Paribas Securities Services (BP2S), both bonds and equity.

Exposures at Default (EAD) by Calculation Approach

Exposures at Default (EAD) by Calculation Approach

							December 31, 2011
	Internal model (EEPE)(*)			NPV(**) + Add-On			
(in millions of euros)	IRBA	Standardized	Sub-total	IRBA	Standardized	Sub-total	TOTAL
Derivatives	65,540	8	**65,548**	12,693	3,650	**16,343**	**81,891**
Securities financing transactions and deferred settlement transactions	11,415	4	**11,419**	2,621	6	**2,627**	**14,046**
TOTAL	**76,955**	**12**	**76,967**	**15,314**	**3,656**	**18,970**	**95,937**

							December 31, 2010
	Internal model (EEPE)(*)			NPV(**) + Add-On			
(in millions of euros)	IRBA	Standardized	Sub-total	IRBA	Standardized	Sub-total	TOTAL
Derivatives	59,491	67	**59,558**	13,094	3,401	**16,495**	**76,053**
Securities financing transactions and deferred settlement transactions	13,715	3	**13,718**	2,544		**2,544**	**16,262**
TOTAL	**73,206**	**70**	**73,276**	**15,638**	**3,401**	**19,040**	**92,315**

(*) *Effective Expected Positive Exposure.*
(**) *Net Present Value.*

The measure of the Exposure at Default (EAD) for counterparty risk is based mainly on the internal model method described in the Note 4.d. of the Group's consolidated financial statements and clearly takes into account the derivative trade guarantees for the calculation of the Effective Expected Positive Exposure (EEPE).

For the perimeter not covered by internal models (about 3% of historical perimeter's exposures of BNP Paribas, plus Fortis's perimeter since 2009), the Exposure at Default (EAD) is calculated using the evaluation method at market price (Net Present Value + Add-On).

For exposures corresponding to credit derivative transactions, the modeling of the correlation between market data and probability of default is included in the internal model. The exposure is therefore conditional upon default, and includes wrong-way correlation risk. On a case-by-case basis, for significant transactions, a specific remodeling of the exposure in case of default is performed including the wrong-way correlation risk. Moreover, additional specific stress tests are performed to monitor transactions presenting a wrong-way correlation risk.

Collateral guarantees used in the standard method to reduce the EAD increased to €313 million on December 31, 2011, compared with €199 million on December 31, 2010.

Risk-weighted assets linked to counterparty credit risk are computed by multiplying the EAD by an appropriate weighting according to the approach used (standard approach or IRB Approach).

When EAD is modeled and weighted according to the IRB Approach, the LGD (Loss Given Default) is not adjusted according to the existing collateral-guarantees since they are already taken into account in the "Effective Expected Positive Exposure" computation.

Market Risk

Market Risk Related to Trading Activities

Introduction

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

- interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- equity risk arises from changes in the market prices and volatilities of equities and equity indices;
- commodities risk arises from changes in the market prices and volatilities of commodities and/or commodity indices;
- credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer; and
- options give rise to an intrinsic volatility and correlation risk, whose parameters can be determined from observable prices of options traded in an active market.

Organization Principles

Governance

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

Market risk monitoring is structured around several committees:

- the Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to capital markets. It is responsible for addressing, in a coherent manner, the issues related to market and counterparty risk. The CMRC sets the aggregate trading limits, outlines risk approval procedures, and reviews loss statements and hypothetical losses estimated on the basis of stress tests. It generally meets on a monthly basis and is chaired by either the Group CEO or by one of the Bank's COOs;
- the Product and Financial Control Committee (PFC) is the arbitration and decision-making Committee. It meets quarterly and discusses the actions of the CIB Financial Control teams and their work to enhance control effectiveness and the reliability of the measurement and recognition of the results of market transactions. It is chaired by the Group Chief Financial Officer and brings together the Directors of Group Development and Finance-Accounting, Corporate Investment Banking and Group Risk Management;
- at business unit level, the Valuation Review Committee (VRC) meets monthly to examine and approve the results of market parameters review and any changes in reserves. The Valuation Review Committee also acts as the referee in any disagreements between trading and control functions. The committee is chaired by the Senior Trader and other members include representatives from trading, GRM, Group Valuation and Risk Control, and Group Development and Finance. Any disagreement is escalated to the PFC;
- created in 2009, the Valuation Methodology Committee (VMC) meets two to three times each year per business line to monitor model approvals and reviews, monitor relevant recommendations and present model governance improvements.

Risk Monitoring Set-Up and Limit Setting

The Group uses an integrated system called Market Risk eXplorer (MRX) to follow the trading positions on a daily basis and manage VaR calculations. MRX not only tracks the VaR, but also detailed positions and sensitivities to market parameters based on various simultaneous criteria (currency, product, counterparty, etc.). MRX is also configured to include trading limits, reserves and stress tests.

Risk-IM's responsibility in terms of market risk management is to define, monitor and analyze risk sensitivities and risk factors, and to measure and control Value at Risk (VaR), which is the global indicator of potential losses. Risk-IM ensures that all business activity complies with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters (MAP review) in association with the Valuation and Risk Control department (V&RC).

Responsibility for limit-setting and monitoring is delegated at three levels, which are, in order, CMRC, Business Line and Activity (head of a trading book). Limits may be changed either temporarily or permanently, in accordance with the level of delegation and the prevailing procedures.

Core Risk Analysis and Reporting to Executive Management

Risk-Investment and Markets reports, through various risk analysis and reports, to Executive Management and business lines Senior Management on its risk analysis work (limit, VaR monitoring, core risk analysis). The Global Risk Analysis and Reporting team is responsible for generating/circulating main global risk reports.

The following risk reports are generated on a regular basis:

- weekly "Main Position" reports for each business line (equity derivatives, commodities, credit, fixed income and currency derivatives), summarizing all positions and highlighting items needing particular attention; these reports are principally intended for business line managers;
- bi-monthly "Over €50m at Risk" reports sent to Executive Management;
- CMRC Supporting documents (CMRC Event Summaries, Global Counterparty Exposure Summary, GEaR and Stress Results summary, Back testing summary), prepared as an obligor during CMRC meetings;
- "Position Highlights" reports focusing on specific issues;
- geographical dashboards (e.g., "Monthly UK Risk Dashboard"); and
- the "Global risk dashboard" circulated to CIB and GRM managers to ensure coordinated efforts in risk management and make decisions in light of recent market developments and changes in counterparties' circumstances.

Valuation Control

The financial instruments that are part of the prudential Trading Book are valued and reported at market or models Value through P/L, in compliance with applicable accounting standards. Such can also be the case of financial instruments classified in the banking book.

The valuation control is insured within the Charter of Responsibility on Valuation, defining how responsibilities are split as well as the creation of a dedicated Valuation and Risk Control team (V&RC) who shares the control of market parameters with Risk-IM. These policies and governance applies to all CIB Market Activities (Fixed Income, GECD, RPM) and is being extended to ALM Treasury.

In addition to the Charter of Responsibilities, the relevant valuation controls are detailed in specific policies. We detail below the main processes that form together the valuation control governance.

Transaction Accounting Control

This control is under the responsibility of Middle-Office within the Operations Department. However, certain complex transactions are controlled by Risk-IM.

Market Parameter Review - Independent Price Verification

Price Verification is managed and shared by Risk-IM Department and Valuation and Risk Control Department (V&RC), daily controls are performed on the most liquid parameters and a comprehensive and formal review of all the market parameters is performed at month end. The types of parameters controlled by V&RC are precisely listed, these are essentially the parameters for which an automatic control against external sources can be implemented (security prices, vanilla parameters), this may include the use of consensus price services. Risk-IM is in charge of controlling valuation methodologies as well as the most complex parameters that are very dependent on the choice of models.

The general principles of the Market parameter reviews are described in the Charter of responsibility on Valuation as well as specialized global policies such as the Global marking and Independent Price Verification Policy. The specific methodologies are described in documents known as the MAP Books organized by product lines and regularly updated. The responsibilities of Risk-IM and V&RC are defined for each point of time and the conclusions of the Market Parameter reviews are documented in the MAP review finding documents. The outcome of the Market parameter review is the estimation of valuation adjustments communicated to Middle-Office who enters it in the book of account. The results are communicated to the Trading management during the Valuation review Committees, where arbitrages can be made. The opinion of the control functions prevails, however, significant and persistent disagreement can be escalated to the PFC.

Model Approval and Reviews

The governance of model controls is described in the Valuation Methodology Control Policy. Activity specific guidelines are detailed in the model review guidelines documents for each product lines.

Front–Office quantitative analysts propose and design the methodologies used to value the product and measure the risks that are used to take trading decisions. The research team and IT are responsible for the implementation of these models in the systems.

The independent control of the valuation models is under the responsibility of Risk IM. The main processes are:

- the approval of models, by which a formal decision to approve or reject a model is taken following any modification of the valuation methodology called a "Valuation Model Event". In any case, the approval decisions are taken by a senior Risk-IM analyst. The review required by the approval decision can be fast track or comprehensive. In the latter case, the reasons and conditions of approval are detailed in a model approval document. If the approval requires a public discussion, a model approval committee can be gathered;
- the review of models can be conducted at inception (linked to an approval) or during the life of a model (re-review). The review is an investigation on the suitability of a model used to value certain products in the context of a certain market environment;
- the control of using and setting up models, which is a continuous control of the correct parameterization or configuration of the models as well as the adequacy of the mapping between products and models.

Reserve and other Valuation Adjustments

Risk-IM defines and calculates reserves. From an accounting point of view, reserves are part of the fair value adjustments. They take into account the exit cost of a position (cost to sell or to hedge) as well as a risk premium that a market participant would charge for positions containing non-hedgeable or non-diversifiable risks.

The reserves cover mainly:

- the bid-offer and liquidity spreads;
- the model or market parameters uncertainties;
- the elimination of non-headgeable risks (smoothing digital or barrier pay-offs).

A general Valuation adjustment policy exists. Reserve methodologies are documented by Risk-IM for each product lines and these documentations are updated regularly. The analysis of reserve variations is reported at the monthly VRC.

Reserve methodologies are improved regularly and any change is a Valuation Model event. Reserve improvements are generally motivated by the conclusion of a model review or by the calibration to market information during the Market parameter review process.

"Day One Profit and Loss"

Some transactions are valued with "non-observable" parameters. IAS 39 requires to defer any initial profit or loss for non-observable transactions as the initial fair value needs to be calibrated with the transaction price.

Risk IM works with the Bank's Development and Finance office, middle-office and business lines on identifying and handling these profit and loss items in order to determine whether a type of parameter or transaction is observable (in accordance with the observability rules) and properly documented.

The impact of the deferral on the Bank's income statement is calculated by the Middle-Office.

Observability rules are also used for the financial information required by IFRS 7 reporting.

Market Risk Exposure

Market risk is first analyzed by systematically measuring portfolio sensitivity to various market parameters; The results of these sensitivity analyses are compiled at various aggregate position levels and compared with market limits.

VaR (Value at Risk)

VaR is calculated using an internal model. It estimates the potential loss on a trading portfolio under normal market conditions over one trading day, based on changes in the market over the previous 260 business days with a confidence level of 99%. The model has been approved by the banking supervisor and takes into account of all usual risk factors (interest rates, credit spreads, exchange rates, equity prices, commodities prices, and associated volatilities), as well as the correlation between these factors in order to include the effects of diversification. It also takes into account of specific credit risk.

The algorithms, methodologies and sets of indicators are reviewed and improved regularly to take into account of growing market complexity and product sophistication.

In December 2010, BNP Paribas Fortis requested the extension of the BNP Paribas Internal model to the Fortis Bank SA/NV legal entity by the French (Autorité de Contrôle Prudentiel – Home) and Belgian (Banque Nationale de Belgique - Host) regulators. The ACP approved the perimeter extension and, since July 1, 2011, the market risk regulatory capital charge on the BNP Paribas Fortis trading portfolio has been based on the VaR figure computed pursuant to the BNP Paribas Internal Model.

The VaR Internal Model for BNL has been approved.

Historical VaR (10 days, 99%) in 2011

The VaRs set out below are calculated from an internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated value at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). They are based on a ten-day time horizon and a 99% confidence interval.

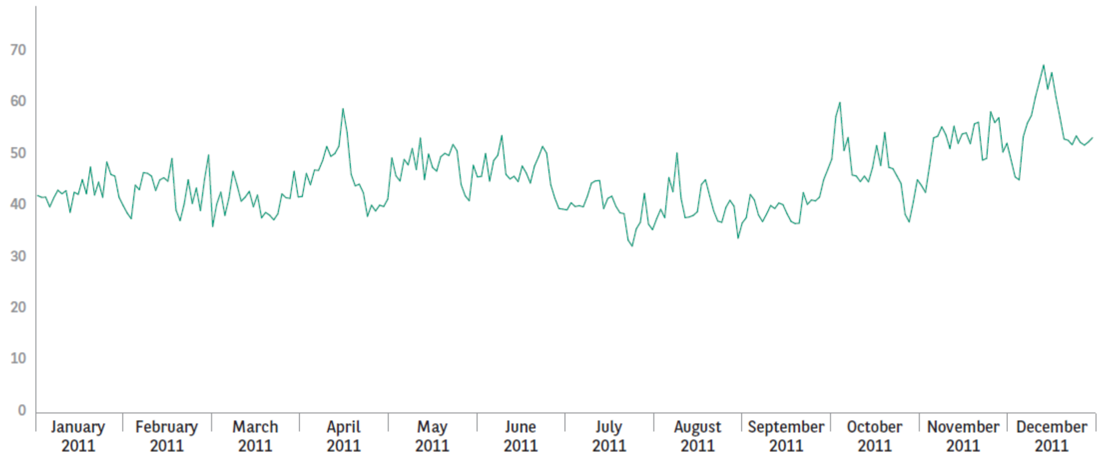
In 2011, total average VaR for the BNP Paribas scope excluding Fortis is €144 million (with a minimum of €103 million and a maximum of €214 million), after taking into account the -€178 million netting effect between the different types of risks. These amounts break down as follows:

Value at Risk (10 days - 99%): Breakdown by Risk Type

	Year to 31 Dec. 2011			**December 31, 2011**	**Year to 31 Dec. 2010**	**December 31, 2010**
(in millions of euros)	**Minimum**	**Average**	**Maximum**		**Average**	
Interest rate risk	69	101	166	81	84	109
Credit risk	82	118	166	121	115	118
Foreign exchange risk[1]	14	33	74	44	31	22

Equity price risk	29	51	110	58	74	53
Commodity price risk	11	19	35	13	13	13
Netting Effect	*(102)*	*(178)*	*(336)*	*(148)*	*(173)*	*(174)*
TOTAL VALUE AT RISK	**103**	**144**	**214**	**169**	**144**	**141**
(1) The VaR for foreign exchange risk is outside the scope of Pillar I.						

Change in VaR (1 Day-99%) in Millions of Euros in 2011



GRM continuously tests the accuracy of its internal model through a variety of techniques, including a regular comparison over a long-term horizon between actual daily losses on capital market transactions and one-day VaR.

A 99% confidence level means that in theory the Bank should not incur daily losses in excess of VaR more than two or three days a year.

The standard VaR backtesting method makes a comparison of the daily global trading book VaR to the one-day changes of the portfolio's value. This test for 2011 demonstrates that there were no days observed during the period where any P&L losses were greater than the VaR level.

New CRD3 Requirements

Starting from December 31, 2011, the European directive CRD3, which integrates the new Basle 2.5 regulation, applies and amends the Capital Requirements for market risk (Stressed VaR, Incremental Risk Charge (IRC), Comprehensive Risk Measure (CRM) and trading book securitization).

Stressed VaR

A Stressed VaR (SVaR) calibrated on a fixed one year period during the crisis to keep a minimum level to the VaR. A 12 month period (2008) has been considered as a reference period for the calibration of the Stressed VaR. This choice is subject to annual review, and was motivated by the extreme market variations that occurred during the year 2008. For the calculation of the capital requirement, this is on top of the VaR to correct the "short memory" of the VaR and to reinforce the Specific Risk.

Stressed Value at Risk (10 Days - 99%)

(in millions of euros)	Quarter to 31 Dec. 2011 Minimum	Average	Maximum	December 31, 2011
Stressed Value at Risk	232	296	366	267

Incremental Risk Charge (IRC)

The IRC approach measures losses due to default and ratings migration at the 99.9 % confidence interval over a capital horizon of one year, assuming a constant level of risk on this horizon. The approach to capture the incremental default and migration risks covers all positions subject to a capital charge for specific interest rate risk including all government bonds, but excluding securitization positions and n^{th}-to-default credit derivatives.

The model is currently used in the risk management processes. This model was approved by the ACP.

The calculation of IRC is based on the assumption of a constant level of risk over the one-year capital horizon, implying that the trading positions or sets of positions can be rebalanced during the one-year capital horizon in a manner that maintains the initial risk level, measured by the VaR or by the profile exposure by credit rating and concentration. This rebalance frequency is called the liquidity horizon.

The model is built around a rating-based simulation for each obligor, which captures both the risk of the default as well as the risk of rating migration. The dependence among obligors is based on a multi-factor asset return model. The valuation of the portfolios is performed in each simulated scenario. The model uses a constant one year liquidity horizon. It has been internally approved by an independent unit. The review considered the consistency of the proposed methodologies, the scope of the risk factors and the coherency between the calibration of model parameters and their usage in the course of simulations with a further focus on the production and on the definition of perimeter.

Correlation Portfolio

The corporate correlation activity is an activity that consists of trading and risk managing mainly corporate CDO, to less extent corporate CDO^2 and their hedges using single name CDS, CDS indices and Index tranches.

The valuation framework use both market observable prices (CDS, Index and index tranche) and model prices to value the bespoke CDO which are less observable than the previously mentioned products.

This activity falls under the structured credit activity trading within BNP Paribas Fixed income.

The model used is an internally approved and market standard model that prices the value of the bespoke CDO using market CDS spread and implied correlation levels of the observed Index CDO tranches.

Securitization Positions in Trading Books Outside Correlation Portfolio

For the positions of securitization treated as “market values” for accounting purposes, the variations of market values, except accrued interest of the fixed income securities, are stored as “net gain on financial instruments at fair value by P/L” of the profit and loss account.

ABS in the trading book are subject to limits as defined by the Debt Trading Risk Policy (DTRP). The DTRP defines a global envelope along with concentration limits. Limits are monitored daily and Trading is notified of any breaches.

For Trading Book ABS positions outside the correlation book, the standardized capital charge applies (as per the standard method for banking books). The capital requirements are hence calculated as a weighting of the Risk Weighted Assets (RWA), which is determined based on the rating of the asset. Capital calculations are based on the second worst rating of the three rating agencies.

Breakdown of Trading Book Securitization Positions Outside Correlation Book by Asset Type

(in millions of euros)	**December 31, 2011**	
	Securitization positions held or acquired (EAD)	
Asset category	**Short positions**	**Long positions**
Residential mortgages	-	208
Consumer loans	-	23
Credit card receivables	-	13
Loans to corporates	-	141
Commercial real estate properties	-	5
Finance leases	-	28
Other assets	-	0
TOTAL BALANCE SHEET	**-**	**417**
Other assets	514	20
TOTAL OFF-BALANCE SHEET	**514**	**20**
TOTAL	**514**	**437**

Quality of Trading Book Securitization Positions Outside Correlation Book

(in millions of euros)	**December 31, 2011**	
	Securitization positions held or acquired (EAD)	
Tranche quality	**Short positions**	**Long positions**
Senior tranche	-	404
Mezzanine tranche	393	13
First-loss tranche	121	21
TOTAL	**514**	**437**

Capital Requirement for Market Risk

Capital Requirement for Market Risk, by Calculation Approach

	December 31, 2011			**December 31, 2010**		
(in millions of euros)	**Market risk excl. foreign exchange risk**	**Foreign exchange risk**	**Total market risk**	**Market risk excl. foreign exchange risk**	**Foreign exchange risk**	**Total market risk**
Internal model	2,827		2,827	756	7	763
Standardized approach	13	178	191	79	533	612
Trading book securitization positions	62		62			
TOTAL	**2,902**	**178**	**3,080**	**835**	**540**	**1,375**

The market risk calculated using the standardized approach covers the market risk of some entities of the Group that are not covered by internal models.

The standardized approach is used to calculate foreign exchange risk for all banking and trading books.

Capital Requirement for Market Risk

Type of approach	Type of risk	December 31, 2011	December 31, 2010
	VaR	659	763
	Stressed VaR	1,328	
	IRC	515	
	Correlation portfolio	325	
TOTAL INTERNAL MODEL		**2,827**	**763**
	Commodity risk	*-*	*15*
	Interest rate risk	*13*	*62*
	Equity position risk	*-*	*2*
	Foreign exchange risk	*178*	*533*
TOTAL STANDARDIZED APPROACH		**191**	**612**
TRADING BOOK SECURITISATION POSITIONS		**62**	
TOTAL		**3,080**	**1,375**

Breakdown of Trading Book Securitization Positions Outside Correlation BOOK by Type, Approach and Riskweight

(in millions of euros)									**December 31, 2011**
	Securitization positions held or acquired (EAD)						**Capital requirement**		
	Short positions			**Long positions**					
Calculation method	**Securitization**	**Re-securitization**	**Total**	**Securitization**	**Re-securitization**	**Total**	**Short positions**	**Long positions**	**Total**
7%-10%	-	-	-	399	-	399	-	3	-
12%-18%	-	-	-	12	-	12	-		-
20%-35%	-	-	-		-		-		-
40%-75%	-	-	-	4	-	4	-		-
425%	-	-	-	2	-	2	-	1	-
External ratings based method	-	-	-	**417**	-	**417**	-	**3**	-
1250%	-	**514**	**514**		**20**	**21**	**62**	**21**	**62**
TOTAL	-	**514**	**514**	**417**	**20**	**437**	**62**	**24**	**62**

Stress Testing

The Group performs a range of stress tests to simulate the impact of extreme market conditions on the value of trading portfolios at the global level of the Group. Stress tests cover all market activities: Fixed Income, Foreign Exchange, Equity Derivatives, Commodities and Treasury (except banking portfolios of sovereign debt) and a range of different market conditions. These ‘top down’ macro scenarios are referred to as “Global CMRC” scenarios and they are presented to and reviewed by the CMRC at each meeting.

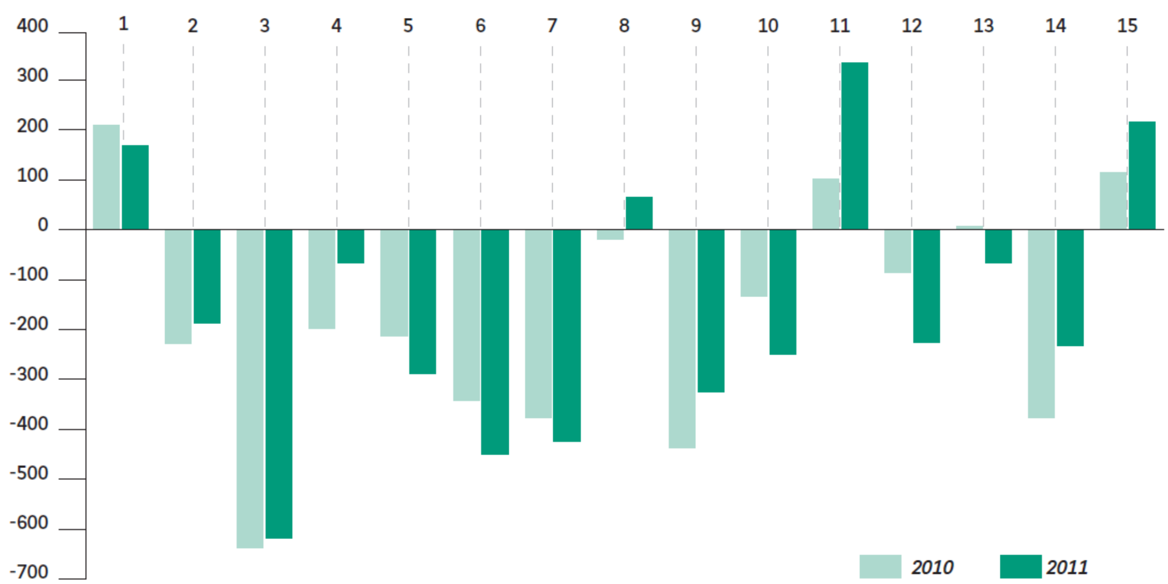
The “Global CMRC” stress scenarios currently comprise a range of fifteen different stress tests.

- scenario 1: sharp increase in inflation expectations, driving rates higher with a steepening of the interest rate curve;
- scenario 2: unexpected rate hike by central banks, driving short-term rates higher with a flattening of the interest rate curve;
- scenario 3: stock market crash, coupled with a flight to quality and central bank intervention, leading to a drop and a steepening of the interest rate curve;
- scenario 4: emerging market crisis driven from Asia;
- scenario 5: emerging markets crisis driven from Latin America;
- scenario 6: credit crunch, leading to a general risk aversion;
- scenario 7: Hedge Fund systemic crisis, leading to sharp moves in all markets where hedge funds are active (CDO correlation, convertibles, etc.);
- scenario 8: Euro confidence crisis;

- scenario 9: Middle East crisis with severe consequences on energy markets;
- scenario 10: major terrorist attack in Western countries;
- scenario 11: change in Japanese monetary policy, with surge and flattening of the JPY interest rate curve and a strongly negative impact on the JPY currency;
- scenario 12: major earthquake in California with consequences on EUR/$exchange rate and interest rate differentials;
- scenario 13: collapse of US dollar;
- scenario 14: eruption of flu pandemic leading to a general risk aversion and sharp fall in equity and credit markets;
- scenario 15: mild rally in equity and emerging markets, low realized volatility and drop in implied volatility in all markets.

Risk-IM also produces 'bottom up' stress tests which quantify the risk coming from specific portfolios or concentrations of risk. These 'micro' scenarios can capture more complicated market movements which may not occur in the global level macro scenarios (such as a dislocation of a particular point on an interest rate curve or one market credit sector behaving differently to another whereas both would usually have a strong correlation.

Average Annual Decrease in 2010 and 2011 Revenues From Market Activities Trading Portfolios As A Result of Each of the 15 Stress Scenarios (In Millions of Euros)



Results of the micro and macro market risk stress testing scenarios can be used to construct an adverse case for the BNP Paribas trading books.

Market Risk Related to Banking Activities

The market risk related to banking activities encompasses the risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand. Only the equity and foreign exchange risks give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

Interest rate and foreign exchange risks related to banking intermediation activities and investments mainly concern retail banking activities in domestic markets (France, Italy, Belgium and Luxembourg), the specialized financing and savings management subsidiaries, the CIB financing businesses, and investments made by the Group. These risks are managed by the ALM-Treasury Department.

At Group level, ALM-Treasury reports directly to one of the Chief Operating Officers. Group ALM-Treasury has functional authority over the ALM and Treasury staff of each subsidiary. Strategic decisions are made by the Asset and Liability Committee (ALCO), which oversees ALM-Treasury's activities. These committees have been set up at Group, division and operating entity level.

Equity Risk

The following table provides a breakdown of the Group's equity risk exposures by investment objective.

Breakdown of Risk Exposure by Investment Objective

	Exposure(*)	
(in millions of euros)	**December 31, 2011**	**December 31, 2010**
Strategic objective	2,068	2,254
Return on investment objective	4,798	6,017
Equity investments related to business	5,849	7,312
TOTAL	**12,715**	**15,883**

(*) Fair value (balance sheet + off-balance sheet).

Exposures at December 31, 2011 amounted to €12.7 billion, versus €15.9 billion at December 31, 2010. Off-balance sheet items amounted to €3.8 billion at December 31, 2011, versus €5.1 billion at December 31, 2010 and are guarantees given to UCITS shareholders.

Exposure

Scope

Equity interests held by the Group outside the trading book are securities that convey residual, subordinated claims on the assets or income of the issuer or have a similar economic substance.

They include:

- listed and unlisted equities and units in investment funds;
- options embedded in convertible and mandatory convertible bonds;
- equity options;
- super-subordinated securities;
- private fund commitments;
- equity hedges; and
- interests in companies accounted for by the equity method.

Accounting Principles and Valuation Methods

Accounting principles and valuation methods are set out in Note 1 of the Bank's financial statement (Summary of significant accounting policies applied by the BNP Paribas Group - 1.c.9 Determination of market value).

Exposure(*) to Equity Risk

(in millions of euros)	**December 31, 2011**	**December 31, 2010**
Internal model method	**11,198**	**13,797**
Listed equities	3,111	4,529
Other equity exposures	5,343	5,994
Private equity in diversified portfolios	2,744	3,274
Simple risk weight method	**622**	**658**
Listed equities	5	5
Other equity exposures	34	82
Private equity in diversified portfolios	584	571
Standardized approach	**895**	**1,427**
TOTAL	**12,715**	**15,883**

(*) Fair Value.

Total Gains and Losses

Total gains and unrealized losses recorded in shareholders' equity are set out in Note 5.c. of the

Group's consolidated financial statements (Available-for-sale financial assets).

Equity Risk Model

On the historical scope of BNP Paribas, the Group uses an internal model, derived from the one used for the calculation of daily Value-at-Risk of trading portfolios. However, the application of horizon parameters and confidence interval differs in accordance with Article 59.1-c, section (ii) of the decree of February 20, 2007 of the French Ministry of Economy, Finance and Industry. This model allows the estimation on this perimeter the value at risk of the group at a 99% confidence level over a three-month horizon.

Various types of risk factors are used to measure equity risk and they depend largely on the level of available or useable share price information.

- share price is the risk factor used for listed equities with a sufficiently long historical track record;
- for other listed and unlisted equities, each line is assigned an industry and country-specific systemic risk factor, plus an equity-specific risk factor; and
- if the exposure is outside the Euro-zone, an exchange rate risk factor is also added.

This model was approved by the French banking supervisory authorities in the context of calculation of capital requirements for equity.

Temporarily, with the pending method of convergence, the approach used for BNP Paribas Fortis's scope and BGL BNP Paribas is the one approved by the Belgian regulator, the BNB.

Foreign Exchange Risk

Calculation of Risk-Weighted Assets

Foreign exchange risk relates to all transactions whether part of the trading book or not.

Group entities calculate their net position in each currency, including the euro. The net position is equal to the sum of all asset items less all liability items plus off-balance sheet items (including the net forward currency position and the net delta-based equivalent of the currency option book), less structural, non-current assets (long-term equity interests, property, plant and equipment, and intangible assets). These positions are converted into euros at the exchange rate prevailing on the reporting date and aggregated to give the Group's overall net open position in each currency. The net position in a given currency is long when assets exceed liabilities and short when liabilities exceed assets. For each Group entity, the net currency position is balanced in the relevant currency (i.e. its reporting currency) such that the sum of long positions equals the sum of short positions.

The rules for calculating the capital requirement for foreign exchange risk are as follows:

- matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions;
- CFA and CFP francs are matched with the euro, and are not subject to a capital requirement;
- positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount; and
- other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

Foreign Exchange Risk and Hedging of Earnings Generated in Foreign Currencies

The Group's exposure to operational foreign exchange risks stems from the net earnings in currencies other than the euro. The Group's policy is to systematically hedge the variability of its earnings due to currency movements. Earnings generated locally in a currency other than the operation's functional currency are hedged locally. Net earnings generated by foreign subsidiaries and branches and positions relating to portfolio impairment are managed centrally.

Foreign Exchange Risk and Hedging of Net Investments in Foreign Operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies, financed by purchasing the currency in question.

The Group's policy consists of hedging portfolio exposure to liquid currencies. This policy is implemented by borrowing amounts in the same currency as the one in which the equity investment is made. Such borrowings are documented as hedges of net investments in foreign operations.

Interest Rate Risk

Organization of the Group Interest Risk Management

Interest rate risk on the commercial transactions of the domestic retail banking (France, Italy, Belgium and Luxembourg) and international retail banking, the specialized financing subsidiaries, and the savings management business lines in the Investment Solutions and CIB's Corporate Banking divisions are managed centrally by ALM-Treasury through the client intermediation book. Interest rate risk on the Bank's equity and investments is also managed by ALM-Treasury, in the equity intermediation and investments book.

Transactions initiated by each BNP Paribas business line are transferred to ALM-Treasury via internal contracts booked in the management accounts or via loans and borrowings. ALM-Treasury is responsible for managing the interest rate risk inherent in these transactions.

The main decisions concerning positions arising from banking intermediation activities are taken at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, Group Development and Finance and GRM.

Measurement of Interest Rate Risk

Banking book interest rate gaps are measured, 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 deal with early repayments, current accounts in credit and debit and savings accounts. Theoretical maturities of equity capital are determined according to internal assumptions.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items, through an earnings sensitivity indicator. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioral options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes. Lastly, for products with underlying behavioral options, a specific option risk indicator is analyzed in order to fine-tune hedging strategies.

The choice of indicators and risk modeling, as well as the production of indicators, are controlled by independent Product Control teams and by dedicated Group Risk Management teams. The results of these controls are presented regularly to ad-hoc committees and once a year to the Board of Directors.

These indicators are systematically presented to the ALM committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

Risk Limits

For the customer banking intermediation books, overall interest rate risk for Retail Banking entities is subject to a primary limit, based on the sensitivity of revenues to changes in nominal and real interest rates and in the inflation rate over at least a three-year timeframe. The limit is based on annual revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the three-year 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 specialized financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralization of risks at ALM-Treasury level. The residual risk is controlled by technical interest rate gap limits that are monitored by the ALM committee of the relevant business line.

Sensitivity of Revenues to General Interest-rate Risk

The sensitivity of revenues to a change in interest rates is one of the key indicators used by the Group in its analysis of overall interest-rate risk, both at local and at Group level. The sensitivity of revenues is calculated across the entire banking book including the customer banking intermediation businesses, equity, excluding market activities, and for all currencies to which the Group is exposed. It relies on reasonable activity assumptions at one year horizon.

The indicator is presented in the table below. Over this one-year horizon, the banking intermediation book's exposure to interest-rate risk is limited: an increase of 100 basis points in interest rates right across the yield curve would lead to an increase of about 0.8% in the Group's revenues, all currencies combined.

Sensitivity of Revenues to General Interest-Rate Risk Based on a 100 Basis Point Increase in Interest Rates

	December 31, 2011		
(in millions of euros)	**Euros**	**Other currencies**	**Total**
Sensitivity of 2011 revenues	224	119	343

	December 31, 2010		
(in millions of euros)	**Euros**	**Other currencies**	**Total**
Sensitivity of 2010 revenues	(44)	5	(39)

Since the books of financial instruments resulting from the Group's banking intermediation activities are not intended to be sold, they are not managed on the basis of their value. Nonetheless, the sensitivity of the value of these books is calculated in order to measure the overall interest-rate risk over all time horizons. The sensitivity of the value to a 200 basis point increase in interest rates is below 1% of the Group's regulatory capital, compared with the limit of 20% required by the Basel regulations.

Hedging of Interest Rate and Foreign Exchange Risks

Hedging relationships initiated by the Group mainly consist of interest rate or currency hedges using derivative financial instruments (swaps, options and forwards).

Depending on the hedging objective, derivative financial instruments used for hedging purposes are qualified as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Interest Rate Risk in the Banking Book

The Bank's strategy for managing global interest rate risk is based on closely monitoring the sensitivity of the Bank's earnings to changes in interest rates. This permits an optimum level of offset between different risks to be achieved. This procedure requires an extremely accurate assessment of the risks incurred so that the Bank can determine the most appropriate hedging strategy, after taking into account the effects of netting the different types of risk. These hedging strategies are defined and implemented by business line and for each portfolio and currency.

During 2011, there were two distinct phases in Euro-zone market conditions. In the first quarter, the European Central Bank raised interest rates twice, causing the euro yield curve to rise. Then after the summer, as the sovereign debt crisis spread more widely, liquidity and credit spreads widened sharply and there was a marked decline in long rates.

During 2011, the balance between loan production and inflows of fixed-rate deposits and those showing little correlation with market rates differed fairly significantly from one Euro-zone domestic market to another:

- in France, loan origination remained buoyant, particularly in the mortgage segment. Meanwhile, the aim to improve the loan-to-deposit ratio led to strong growth in deposit inflows in 2011. Given the interest rate structure of retail loans on the one hand and financing for subsidiaries specialized in loans to consumers and businesses on the other, the overall interest rate position generated by retail banking activities in France gave rise to a net hedging requirement for fixed-rate loans;
- in Italy, commercial activity did not generate any significant shift in the interest-rate position, even though actions were taken to boost the proportion of fixed-rate lending;
- in Belgium and Luxembourg, after two years of strong deposit growth in order to regain market share, deposit inflows returned to a more normal level and, given the fall in long rates, a higher proportion of new loans were made at fixed rates. Consequently, the overall interest rate position generated by BeLux retail banking activities did not change significantly.

There was also a marked reduction in the Group's exposure to sovereign risk in 2011. However, these divestments had no impact on the banking book's overall interest-rate position as the position was systematically adjusted using fixed-income derivatives. In Belgium, the impact of divestments on the overall interest-rate position was not entirely offset.

Against this backdrop, the hedging strategies implemented in 2011 varied from one domestic market to another. In France, derivative-based strategies (in the form of swaps) were supplemented by option-based hedges of intermediation margin contraction risks.

The hedges comprising derivatives and options are typically accounted for as fair value hedges or cash flow hedges. They may also take the form of government securities and are mostly accounted for in the "Available For Sale" category.

Structural Foreign Exchange Risk

Currency hedges are contracted by the ALM department in respect of the Group's investments in foreign currencies and its future foreign currency revenues. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

A hedging relationship is applied and documented for investments in subsidiaries and branches financed by foreign currency loans so as to record movements in exchange rates symmetrically and avoid impacts on the profit and loss account. These instruments are designated as net investment hedges.

Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies. During 2011, no Net Investment Hedges relationship was disqualified.

The Group hedges the variability of components of BNP Paribas' earnings, in particular the highly-probable future revenue streams (mainly interest income and fees) denominated in currencies other than the euro generated by the Group's main businesses, subsidiaries or branches.

Hedging of Financial Instruments Recognized in the Balance Sheet (Fair Value Hedges)

Fair value hedges of interest rate risks relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans (property loans, equipment loans, consumer credit and export loans);

- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behavior (prepayment assumptions and estimated default rates).

Demand deposits, which do not bear interest at contractual rates, are qualified as fixed-rate medium-term financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analyses. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex-post basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

Cash Flow Hedge

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of foreign exchange risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity bands.

The table below concerns the scope of BNP Paribas SA's medium- and long-term transactions and shows the amount of hedged future cash flows (split by forecast date of realization), which constitute the majority of the Group's transactions.

Cash Flows Hedged

(in millions of euros)	December 31, 2011				December 31, 2010			
Period to realization	**Less than 1 year**	**1 to 5 year**	**More than 5 years**	**Total**	**Less than 1 year**	**1 to 5 year**	**More than 5 years**	**Total**
Hedged cash flows	746	1,796	1,132	3,674	186	556	607	1,350

In the year ended December 31, 2011, several hedges of future income representing a non-material impact on profit and loss were requalified as ineligible for hedge accounting on the grounds that the related future event would be no longer highly probable (see Note 2.c).

Liquidity and Refinancing Risk

Liquidity and refinancing risk refers to the risk of the Group being unable to fulfill current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position. This risk may arise as a result of total or partial lack of liquidity in certain assets or to the disappearance of certain funding sources. It may be related to the Bank itself (reputation risk) or to external factors (crisis in certain markets).

Liquidity and refinancing risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity position is assessed on the basis of internal standards, warning flags and regulatory ratios.

Liquidity Risk Management Policy

Policy Objectives

The objectives of the Group's liquidity management policy are to (i) secure a balanced financing mix for the Group's activities; (ii) ensure that the Group is always in a position to discharge its obligations to its customers; (iii) ensure that it does not trigger a systemic crisis solely by its own actions; (iv) comply with the standards set by the local banking supervisor; (v) cope with any liquidity crises; and (vi) control its cost of refinancing.

Roles and Responsibilities in Liquidity Risk Management

The Internal Control, Risk and Compliance Committee reports quarterly to the Board of Directors on liquidity policy principles and the Group's position.

The Group's Executive Committee sets the general liquidity risk management policy, including risk measurement principles, acceptable risk levels and internal liquidity billing rules. Responsibility for monitoring and implementation has been delegated to the Group ALM Committee. Dashboard reports are sent to the Group's Executive Committee monthly, weekly or daily depending on the market environment (monthly, weekly, or daily).

Group ALM Committee authorizes implementation of the liquidity policy proposed by ALM Treasury, which relies on the principles set by the Executive Committee. The Executive Committee is notably informed on a regular basis of liquidity risk indicators, stress tests, and the execution of funding program. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

After validation by Group ALM Committee, ALM-Treasury is responsible for implementing the policy throughout the Group.

The business line and entity ALM Committees implement at local level the strategy approved by Group ALM Committee.

Group Risk Management (GRM) contributes to defining liquidity policy principles. It also provides second-line control by validating the models, risk indicators (including liquidity stress tests), limits and market parameters used. GRM take part of Group ALM Committee and the local ALM Committees.

Centralized Liquidity Risk Management

ALM-Treasury is responsible for managing liquidity for the entire Group across all maturities. In particular, it is responsible for refinancing and short-term issues (certificates of deposit, commercial paper, etc.), while the ALM unit is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds, etc), preferred share issues, and loan securitization programs for the retail banking business and the financing business lines within Corporate and Investment Banking. ALM-Treasury is tasked with providing internal financing to the Group's core businesses, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily liquidated in the event of a liquidity squeeze.

Liquidity Risk Management and Supervision

Liquidity risk management and supervision is predicated on the following four factors:

- • internal standards and indicators at various maturities;
- regulatory ratios;
- available refinancing capacity;
- other measures supplementing these indicators.

Internal liquidity management is based on a full range of standards and indicators at various maturities: thus the Group's consolidated liquidity position is measured regularly, by currency and on various maturities, at both Group and entity level.

An overnight target is set for each Treasury unit, limiting the amount raised on interbank overnight markets. This applies to the major currencies in which the Group operates.

Liquidity stress tests are performed, regularly on short maturities, based on market factors and/or factors specific to BNP Paribas that would adversely affect its liquidity position.

Medium and long term liquidity management is mainly based on the medium and long term liabilities as compared to assets mismatch analysis. At a one year horizon, the liabilities/assets ratio has to be greater than 80%, with a target of not less than 85%. It is also monitored on the 2 to 5 years maturities. This ratio is based on the liquidity schedules of the balance sheet and off-balance sheet items for all Group entities, under assumptions concerning clients behavior (anticipated pre-payments on loans, modeling customer behavior for regulated savings accounts) or under a number of conventions.

In addition, regulatory ratios complete the liquidity risk management framework.

These include the one-month liquidity ratio, which is calculated monthly for the parent company BNP Paribas SA (French operations and branches) and separately by each subsidiary concerned by the regulations.

Foreign subsidiaries and branches may be required to comply with local regulatory indicators.

The availability of sufficient liquidity reserves to cope with an unexpected surge in liquidity needs is regularly measured at Group and business lines level. These reserves mainly comprise available securities and loans eligible for central bank refinancing, deposits with central banks, available ineligible securities that can be sold under repurchase agreements or immediately on the market, and overnight loans not bound to be renewed.

These arrangements are supplemented by additional measures: diversification of BNP Paribas' sources of short-term funds on a worldwide basis (by counterparty, business sector, refinancing market, country and currency), renewal of market-based funding, volume of assets that may be used as collateral for medium- and long-term issues, external pricing policy (trends in prices paid) and internal re-invoicing.

Risk Exposure in 2011

Consolidated Balance Sheet Evolution

The Group had total assets of €1,965 billion at December 31, 2011, a decrease of -€33 billion compared with end-December 2010, due to the general asset optimization plan undertaken by the Bank in early 2011 to reduce its balance sheet.

Excluding the fair value of derivatives,[76] the balance sheet was reduced by -€141 billion over the year. On the assets side, this stemmed mainly from a -€123 billion contraction in trading book securities and repurchase agreements. On the liabilities side, trading book securities and repos contracted by -€53 billion. The remainder stemmed principally from the adjustment of financing needs to the balance sheet size.

Cash Balance Sheet Evolutions

From balance sheet, in order to facilitate the analysis of the net assets to be refinanced, a cash balance is produced in which trading assets and payables/receivables are cleared with comparable liabilities.

Net assets to be refinanced[77] amounted to €965 billion, a decrease of -€132 billion compared with December 31, 2010. Funding needs generated by commercial customer assets, net trading book assets and tangible and intangible assets, accounted for €746 billion, and are widely covered by the stable resources (equity, commercial customer deposits and market financing over one year), since the stable resources excess is €31 billion.

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76 Including hedging derivatives.

77 Excluding Insurance and Klépierre.

Internal Medium- and Long-Term Liquidity Ratios

Over one year liabilities/assets ratio for the same maturity was 88% at the end of December 2011 for the consolidated BNP Paribas Group, versus 86% at end-December 2010.

Regulatory Liquidity Ratios

The average one-month regulatory liquidity ratio for BNP Paribas SA (parent company and branches) was 150% in 2011 compared with a minimum requirement of 100%.

Risk Mitigation Techniques

The main liquidity risk mitigation techniques are building up a liquidity reserve, diversifying funding sources and extending financing maturities.

The Bank's treasury position is adjusted by managing the liquidity reserve, which comprises deposits with central banks and highly liquid assets. One way to strengthen the liquidity reserve is to transform less liquid assets into more liquid assets by securitizing pools of loans.

Funding sources are diversified through the various distribution networks, entities, currencies and collateralized or non-collateralized financing programs.

The financing structure can also be improved by seeking more stable funding sources and extending their maturity.

Given market environment in 2011, the Group also took measures to adapt its solvency, liquidity and balance sheet model. A general asset optimization plan aimed at reducing the balance sheet was defined and implemented. The main thrust of the plan involved refocusing the business lines on their core activities as well as a specific action plan at CIB for U.S. dollar liquidity. The plan is being implemented over the second half of 2011 and into 2012.

Funding raised by the Group in the markets with an initial maturity of over one year came to €47.4 billion in 2011 (€36.5 billion in 2010), with an average maturity of 6 years and including 32% in USD.[78]

The amount of these issues placed through the branch networks came to €8.6 billion and private placements to €9.9 billion.

Operational Risk

Risk Reduction and Hedging Policy

Risk Management Framework

Regulatory Framework

Operational risk management is governed by a strict regulatory framework:

- Basel Committee regulations, which require the allocation of capital to operational risk;
- Regulation CRBF 97-02 as amended, which requires implementation of a risk management system covering all types of risk and an internal control system that ensures the effectiveness and quality of the Bank's internal operations, the reliability of internal and external information, the security of transactions and compliance with all laws, regulations and internal policies.

Objectives and Principles

To meet this dual requirement of measuring and managing operational risk, BNP Paribas has developed a five-stage iterative risk management process:

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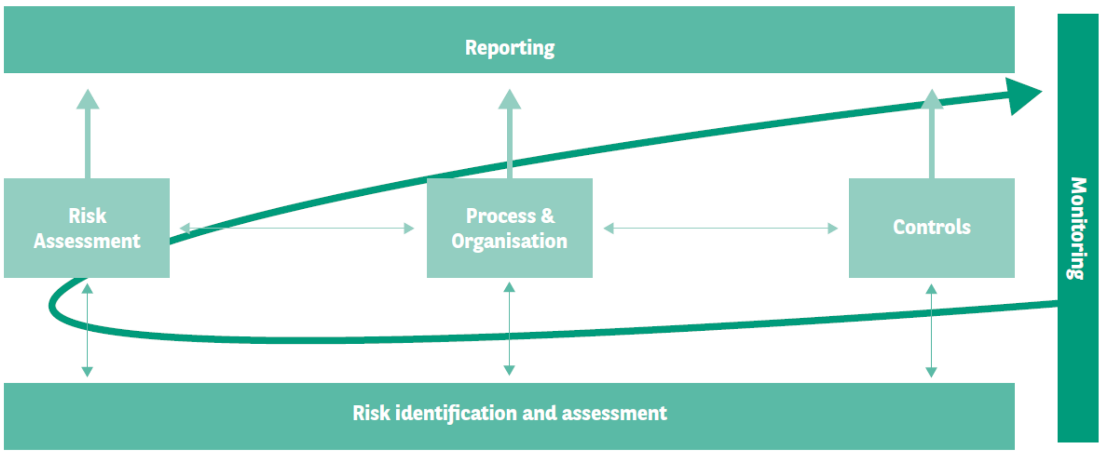
78 Included the other-currency denominated issues swapped in USD.

- identifying and assessing operational risks;
- formulating, implementing and monitoring the risk-mitigation system, including procedures, checks and all organizational elements designed to help to control risk, such as segregation of tasks, management of clearance rights, etc.;
- producing risk measures and calculating the capital charge for operational risk;
- reporting and analyzing oversight information relating to the permanent operational control process;
- managing the system through a governance framework that involves members of management, preparing and monitoring action plans.



There are two key components to the system, which are structuring in scope and illustrate the complementary nature of the Group's operational risk and permanent control systems:

- calculating capital requirements for the BNP Paribas scope excluding Fortis is based on a hybrid approach that combines an internal model for the majority of entities with the standardized or basic approach for other entities depending on their level of maturity. Under the Advanced Measurement Approach (AMA), loss distributions are modeled and calibrated using two sets of data: historical event data since 2002 for the Group and the major international banks, and internally constructed potential event scenarios to take better account of the extreme risks to which the Bank is exposed. This model was approved by the ACP in 2008;
- widespread use of control plans: BNP Paribas has rolled out a process of formulating "control plans", which have three objectives: harmonizing practices, rationalizing the system and standardizing controls. This practice will also cover the Group's international operations and thereby support its structural enhancements. It is based on a risk mapping exercise carried out to identify and quantify potential risk scenarios, involving all of the Group's core businesses, retail operational entities, business lines and Group functions.

Key Players and Governance

The BNP Paribas Group's objective is to implement a permanent control and operational risk management system organized around two types of participants:

- heads of operational entities, who are on the front line of risk management and implementation of systems to manage these risks.
- specialized teams, who are present at every level of the Group (core businesses, retail operational entities, functions, business lines) and coordinated centrally by the 2OPC team (Oversight of Operational Permanent Control), which is part of Group Compliance and a participant in the Group's risk management process. These teams are, in particular, responsible for:
    - coordinating throughout the areas within their remit the definition and implementation of the permanent control and operational risk management system, its standards and methodologies, reporting and related tools;
    - acting as a second pair of eyes that is independent of the operational managers to scrutinize operational risk factors and the functioning of the operational risk and permanent control system, and issuing warnings, where appropriate.

More than 400 employees on a full-time equivalent basis are responsible for these supervisory activities.

Issues that arise in relation to permanent operational risk management and business continuity are discussed with the Group's Executive Committee on a regular basis, and periodically with the Internal Control Coordination Committee. This committee is chaired by the Internal Control Coordinator and brings together key players in the internal control process. The Group's core businesses, retail operational entities, business lines and functions tailor this governance structure to their own organizations, with the participation of Executive Management. Most other Group entities, particularly the major subsidiaries, have set up a similar structure.

Scope and Nature of Risk Reporting and Measurement

Group Executive Committees, core businesses, retail operational entities, business lines and functions are tasked with overseeing the management of operational and non-compliance risk and permanent control in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees approve the quality and consistency of reporting data, examine their risk profile in light of the tolerance levels set and assess the quality of risk control procedures in light of their objectives and the risks they incur. They monitor the implementation of risk mitigation measures.

Operational risk management has developed a system of data collection of actual or potential incidents using an approach structured by operational process and entity (activities in a country and a single legal entity) focusing on the cause-and-effect chain behind events. This information is used as the basis for risk mitigation and prevention measures.

The most significant information is brought to the attention of staff at various levels of the organization, up to and including executive and decision-making bodies, in line with a predefined information reporting process.

Merger of BNP Paribas with the BNP Paribas and BGL BNP Paribas Entities

The Fortis Group entities acquired by BNP Paribas have a very similar operational risk management system to that of BNP Paribas. BNP Paribas Fortis and BGL BNP Paribas were AMA approved before joining the BNP Paribas Group and have established a system that analyzes historical incidents and forward-looking data. The BNP Paribas Group's system should be extended to encompass BNP Paribas Fortis and BGL BNP Paribas in 2012.

Components of Operational Risk Related to Legal, Tax and Information Security Risks

Legal Risk

In each country where it operates, the Bank is bound by specific local regulations applicable to companies engaged in banking, insurance and financial services. The Group is notably required to respect the integrity of the markets and the primacy of clients' interests.

For many years, the Legal Department has had an overarching internal control system designed to anticipate, detect, measure and manage legal risks. The system is organized around:

- specific committees:
  - the Executive Legal Affairs Committee,
  - the Global Legal Committee, which coordinates and supervises the activities of the legal function throughout the Group in all countries that have their own legal staff, and ensures that the Group's legal policies are consistent and applied in a uniform manner,
  - the Legislation Tracking Committee, which monitors draft legislation, and analyzes, interprets and distributes throughout the Group the texts of new laws and regulations, as well as details of changes in French and European case law,
  - the Legal Internal Control Committee, whose focuses include overseeing operational risk,
  - the Litigation Committee, which deals with major litigation proceedings in which the Group is the plaintiff or defendant;
- the participation of the Director of Legal Affairs (or one of his/her representatives) as a standing

member of the Internal Control, Risk and Compliance Committee;

- internal procedures and databases providing a framework for (i) managing legal risk, in collaboration with the Compliance function for all matters which also fall under their responsibility, and (ii) overseeing the activities of the Group's legal staff and operating staff involved in legal areas. At the end of 2004, a procedures database detailing all internal procedures was set up on the Group intranet;
- legal reviews, which are carried out in Group entities to ensure that local systems for managing legal risks are appropriate, legal risks are properly managed and tools correctly used;
- internal reporting tools and analytical models, which are upgraded on an ongoing basis by Group Legal Department and contribute to the identification, assessment and analysis of operational risk.

In a difficult economic environment marked by increasing regulations and heavier regulatory requirements, the legal function must be able to take a global view and anticipate the impact of future regulations.

With this in mind, the new Group Legal Department has reorganized the legal function to give the various general or specialist committees more responsibility and ensure that they work more closely together. The various legal departments, particularly at the central level, have been restructured to make their areas of involvement clearer. A stronger focus has also been placed on sharing strategic data. For example, the objectives and operating methods of the Legal Practice Groups (LPG) have been clarified, a Steering Center for European Law common to BNP Paribas and BNP Paribas Fortis has been created to encourage greater knowledge-sharing in this area and to provide a knowledge management tool, the Legal Portal has been developed for exchanging legal and organizational information provided by the central and local legal teams in France and abroad.

In addition, further work was carried out on developing a broader legal outsourcing policy with a view to combining quality with cost control.

Tax Risk

In each country where it operates, the Bank is bound by specific local tax regulations applicable to companies engaged for example in banking, insurance or financial services.

The Group Tax Department is a global function, responsible for overseeing the consistency of the Group's tax affairs. It also shares responsibility for monitoring global tax risks with Group Development and Finance. The Group Tax Department performs controls to ensure that tax risks remain at an acceptable level and are consistent with the Group's reputation and profitability objectives.

To ensure its mission, the Group Tax Department has established:

- a network of dedicated tax specialists in 16 countries completed by tax correspondents covering other countries where the Group operates;
- a qualitative data reporting system in order to manage tax risks and assess compliance with local tax laws;
- regular reporting to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

The Group Tax Department co-chairs the Tax Coordination Committee with Group Development and Finance. The Committee also includes the Compliance function and may involve the core businesses when appropriate. It is responsible for analyzing key tax issues for the Group.

In addition, Group Development and Finance is obliged to consult the Group Tax Department on any tax issues arising on transactions processed.

Lastly, the Group Tax Department has drawn up procedures covering all core businesses, designed to ensure that tax risks are identified, addressed and controlled appropriately.

Information Security

Information, and digital data in particular, is a key commodity for banks and effective management of information security risk is vital in an era of near full-scale migration to electronic media, growing demand for swift online processing of ever more sophisticated transactions, and widespread use of the internet or multiple networks as the primary interface between a bank and its individual or institutional customers.

Information security incidents experienced by the banking and credit/payment card industries, their cost and media attention in various countries requires the Group to continuously strengthen its ability to anticipate, prevent, protect, detect and react in order to counter the major threats and track regulations and case law on data protection.

The Group's information security policy is set out in a corpus of reference documents geared to its various needs, both functional and technical. These documents include the general security policy; more specific policies for various issues related to information systems security; ISO 27001 requirements; practical guides to security requirements; operational procedures and all documents intended to raise the awareness of employees and users of the Group's information systems.

The security framework is drilled down to each individual business line, taking account of any regulatory requirements, the security risk appetite of the business line in question and the specific threats it faces. Each business line uses the Group's standardized approach to managing information security (the primary methodology used is ISO 27005, supported by the French EBIOS risk analysis methodology), objective indicators, residual risk assessments and action plans. This approach is supported by information security control plans designed to assess its effectiveness (deployment and quality) with regard to all of the Group's key assets and to measure the level of maturity of the various structure. It forms part of the permanent and periodic control framework set up for each banking activity pursuant to CRBF regulation 97-02 (amended in 2004) in France or similar regulations in other countries.

Each of BNP Paribas' business lines is exposed to some specific form of information security risk, with some risks common to all businesses. The Group's policy for managing these risks takes into consideration the specific nature of the business, often made more complex by legally and culturally-specific regulations in the different countries in which the Group does business.

The availability of information systems is vital to allow BNP Paribas to continue operating in a crisis or emergency. Although it is impossible to guarantee 100% availability, the Group maintains, improves and regularly verifies its information back-up capabilities and system robustness, in line with its values of operational excellence, in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.). Its action in this area is consistent with the Group's general business continuity plan.

Confidentiality of customer data and transaction integrity are also areas covered by the Bank's continuous progress approach, not only to counter the threats described earlier but also to provide its customers with a service that meets their expectations.

BNP Paribas seeks to minimize information security risk and optimize resources by:

- updating the procedural framework for each business line governing day-to-day practices to take account of developments in business activities and new trends;
- raising employees' awareness of information security imperatives and training key players in the appropriate procedures and behavior related to information system resources;
- rolling out and developing controls for BNP Paribas entities and external partners, and strengthening support actions;
- strengthening the security of IT developments, better measurement of responsiveness in terms of information security and preventing data leaks;
- monitoring incidents and developing intelligence of technological vulnerability and information systems attacks.

BNP Paribas takes a continuous progress approach to information security. Apart from investing heavily in protecting its information systems assets and information resources, the level of security must be supervised and controlled continuously. This enables the Bank to adjust swiftly to new threats caused by cyber crime. As a result of this continuous progress approach, the security model has been revised to ensure that it takes account of technological changes that have a strong impact on interactions between users (clients and employees) and their information systems. This requires Group-level investments in developing tools to scale up security processes, set up a security community and continue the major projects forming part of the Group's information security development plan.

Approach and Scope

The Group Compliance department has outlined the Group's operational risk management approach, by delegation from the Risk Management Department. This approach uses an operational risk model scaled to be proportionate to the risk being incurred and aims to ensure that the vast majority of operational risks are covered.

The corresponding capital requirement is calculated for each legal entity in the BNP Paribas Group's prudential scope. The amount of risk-weighted assets is calculated by multiplying the capital requirement by 12.5.

BNP Paribas uses a hybrid approach combining the Advanced Measurement Approach (AMA), the standardized approach and the basic indicator approach.

In the Group's pre-Fortis configuration, the AMA methodology had been deployed in the most significant entities of each Division or Retail Banking Operational entities. This includes most of Retail Banking in France and Italy, CIB and Investment Solutions.

BNP Paribas Fortis and BGL BNP Paribas business lines are also due to use the Group's AMA model as of 2012. For other entities, an AMA transition plan has been set up for future years.

In the meantime, or for smaller entities, the standardized or even the basic approach is used.

Advanced Measurement Approach (AMA)

Under the Advanced Measurement Approach (AMA) for calculating capital requirements as deployed within the historical scope of BNP Paribas (before the acquisition of Fortis), the Bank must develop an internal operational risk model based on internal loss data (historical and potential), external loss data, various scenario analyses, environmental factors, and internal controls.

BNP Paribas' internal model meets the AMA criteria and includes the following features:

- the model uses an aggregate annual loss distribution, meaning that the frequency and severity of losses from operational risks are modeled using an actuarial approach and according to distributions calibrated with available data;
- it uses historical data as well as forecasts to calculate capital requirements, with a predominance for forecasts because forecast can be shaped to reflect severe risks;
- the model is faithful to its input data, so that its results can be used easily by each of the Group's business lines. Most of the assumptions are therefore included in the data themselves;
- it is prudent in its capital requirement calculations. The input data are thoroughly reviewed, and any supplemental data are added if needed to cover all relevant risks within the Group.

The AMA uses VaR (Value at Risk), or the maximum potential loss over one year, at a 99.9% confidence level to calculate regulatory capital requirements.

Capital requirements are calculated on an aggregate level using data from all Group entities that have adopted the AMA, then allocated to individual legal entities.

Fixed-Parameter Approaches

BNP Paribas uses fixed-parameter approaches (basic or standardized) to calculate the capital requirements for entities in the Group's scope of consolidation that are not integrated in the internal model.

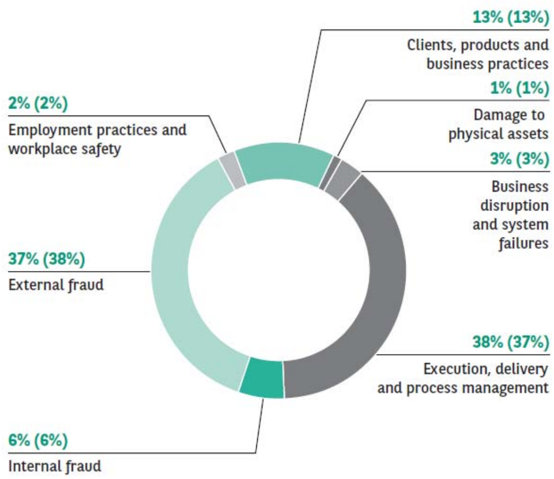
Basic indicator approach: The capital requirement is calculated by multiplying the entity's average net banking income (the exposure indicator) over the past three years by an alpha parameter set by the regulator (15% risk weight).

Standardized approach: The capital requirement is calculated by multiplying the entity's average net banking income over the past three years by a beta factor set by the regulator according to the entity's business category. Therefore in order to use the banking supervisor's beta parameters, the Group has divided all of its business lines into eight business categories, with each business line assigned to a category, without exception or overlap.

BNP Paribas Group Operational Risk Exposure

Banking regulation divides operational loss events into seven categories: (i) internal fraud, (ii) external fraud, (iii) employment practices and workplace safety (such as an anomaly in the recruitment process), (iv) customers, products and business practices (such as product defects, mis-selling, etc.), (v) damage to physical assets, (vi) business disruption and system failures and (vii) failures in process execution, delivery and management (data entry error, error in documentation, etc.).

Operational Losses: Breakdown by Event Type (Average 2007 -2011) (*)



(*) Percentages in brackets correspond to average loss by type of event for the 2006-2010 period.

Process failures, typically arising from execution or transaction processing errors, and external fraud, represent the main operational loss event. Fraud of this kind, such as payment and credit fraud, is fairly common in the world of retail banking. In CIB, incidents of fraud are rarer but of larger scale.

The third biggest loss event corresponds to events associated with business practices, and the prevalence of these has been trending to stabilize over time after a phase of increase. Internal fraud accounts for about 6% of the groups operational losses, with marked differences in geographic concentration.

The remaining types of incidents account for relatively small amounts of losses.

The BNP Paribas Group pays the utmost attention to analyzing its operational risk incidents in order to improve its already well-structured control system.

Risk Reduction Through Insurance Policies

Risks incurred by the BNP Paribas Group may be covered by major insurers with the dual aim of protecting its balance sheet and profit and loss account. The Group's insurance policy is based on a risk identification and assessment procedure underpinned by risk mapping, detailed operating loss data and forward-looking analysis.

The Group purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible.

In order to optimize costs and effectively manage its exposure, the Group self-insures some well identified risks whose impact in terms of frequency and cost is known or can be adequately estimated.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned.

Detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality of coverage and risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis in light of new standards and regulations.

Compliance and Reputation Risks

Effective management of compliance risk is a core component of the Bank's internal control framework and covers adherence to applicable laws, regulations, codes of conduct and standards of good practice. Compliance also involves protecting the Group's reputation as well as the reputation of its investors and customers; ensuring that members of staff act in an ethical manner and avoid conflicts of interest; protecting the interests of its customers and the integrity of the market; implementing anti-money laundering procedures, combating corruption and terrorist financing; and respecting financial embargos.

As required by French regulations, the Compliance function manages compliance risk for all of the Group's domestic and international businesses. The Compliance function reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control, Risk and Compliance Committee.

The function includes a central structure in Paris responsible for overseeing and supervising all compliance matters, and local teams within the Group's various core businesses, retail operational entities, business lines and functions acting under delegated authority from the central team. This system is reinforced on a continuous basis.

Management of compliance and reputation risks is based on a system of permanent controls built on four axes:

- general and specific procedures;
- coordination of action taken within the Group to guarantee the consistency and effectiveness of monitoring systems and tools;
- deployment of tools for detecting and preventing money laundering, terrorist financing and corruption, and detecting market abuses, etc.;
- training, both at Group level and in the divisions and business lines.

Protecting the Bank's reputation is high on the Group's agenda. It requires ongoing revisions to the risk management policy in line with developments in the external environment. The Group has strengthened its anti-money laundering, terrorist financing and corruption techniques due to the international climate, the increasing number of fraudulent practices in the market and the introduction of tighter regulations by many countries.

Insurance Risks

The insurance subsidiaries' risk exposures result from the sale, in France and abroad, of savings and protection contracts.

Financial Risks

Financial risks arise mainly in the Savings business, which accounts for over 95% of the insurance subsidiaries' liabilities.

There are three types of financial risk:

Interest Rate and Asset Values Risk

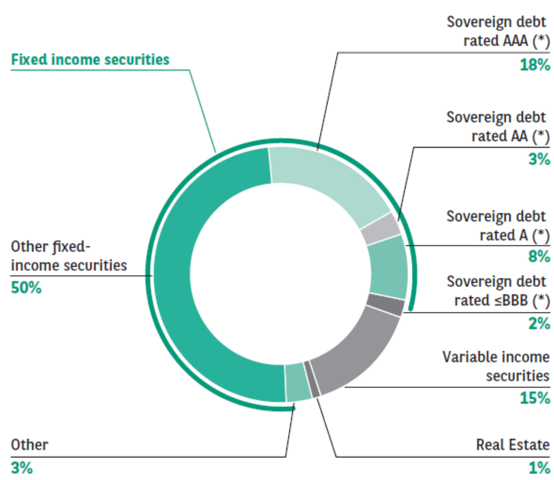
Policyholder yields on non-unit-linked life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a fixed floor rate. All of these policies give rise to an interest rate and asset values risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual yield payable to policyholders.

This risk is managed centrally by the BNP Paribas Cardif Asset/Liability Management unit, which coordinates its activities with the BNP Paribas ALM-Treasury Department. Regular asset-liability matching reviews are performed to measure and manage the financial risks, based on medium and/or long-term income statement and balance sheet projections prepared according to various economic scenarios. The results of these reviews are analyzed in order to determine any adjustments to assets (through diversification, use of derivatives, etc.) that are required to reduce the risks arising from changes in interest rates and asset values.

The management of interest rate risk for the General Insurance Fund and the assets diversification policy drive to invest in real estate assets portfolios, equities and fixed income securities, among which government bonds in particular of the Euro-zone countries.

The sovereign risk exposure remains, however, limited for the BNP Paribas Group Cardif. Indeed, the mechanism attached to the participation insurance contracts leads to affect the (revaluation) reserve for deferred participation in profits made up for the benefit of insured persons by the main part of the variation of the asset value hold by General Insurance Fund.

Breakdown of Sovereign Debts Expressed As A Percentage of Assets Under Management



Total assets: EUR 103 billion at 31 December 2011

* Standard & Poor’s ratings.

In France, to cover future potential financial losses, estimated over the life of the policies, a provision for future adverse deviation (*provision pour aléas financiers*) is booked when total amount of technical interest plus the guaranteed yield payable to policyholders through technical reserves is not covered by 80% of the yield on the admissible assets. No provision for future adverse deviation was booked at December 31, 2011 or 2010 as the yields guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

Surrender Risk

Savings contracts include a surrender clause allowing the insured to request reimbursement of all or part of their accumulated savings. The insurer is exposed to the risk of surrender rates being higher than the forecasts used for ALM purposes, which may force it to sell assets at a loss.

The surrender risk is limited, however, as:

- most policies provide for the temporary suspension of surrender rights in the event that the insurer’s financial position were to be severely impaired such that the surrenders would deprive other policyholders of the ability to exercise their rights;

- policyholder behavior is monitored on an ongoing basis, in order to regularly align the duration of assets with that of the corresponding liabilities and reduce the risk of abrupt, large-scale asset sales. Changes in assets and liabilities are projected over periods of up to 40 years, in order to identify mismatches giving rise to a liquidity risk. These analyses are then used to determine the choice of maturities for new investments and the assets to be sold. Short-term (one-year) liquidity analyses are also carried out, which include various surrender rate increase assumptions to ensure that the Group can face stress situations;
- in addition to the guaranteed yield, policyholders are paid dividends that raise the total yield to a level in line with market benchmarks. These dividends, which are partly discretionary, reduce the risk of an increase in surrender rates in periods of rising market interest rates;
- the return on financial assets is protected mainly through the use of hedging instruments.

Unit-Linked Contracts with a Capital Guarantee

The carrying amount of linked liabilities is equal to the sum of the fair values of the assets held in the unit-linked portfolios. The insurer's liability is therefore covered by corresponding assets. The match between linked liabilities and the related assets is checked at monthly intervals.

Certain unit-linked contracts include whole life cover providing for the payment of a death benefit at least equal to the cumulative premiums invested in the contract, whatever the conditions on the financial markets at the time of the insured's death. The risk on these contracts is both statistical (probability of a claim) and financial (market value of the units).

The capital guarantee is generally subject to certain limits. In France, for example, most contracts limit the guarantee to one year and a maximum of €765,000 per insured. In addition, the guarantee is not normally available beyond the insured's 80th birthday.

The capital guarantee reserve is reassessed every quarter and takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The capital guarantee reserve amounted to €19 million at December 31, 2011 (versus €16 million at December 31, 2010).

Insurance Underwriting Risks

The insurance underwriting risks arise mainly in the Protection Business Line, which accounts for some 5% of the insurance subsidiaries' liabilities.

They result mainly from the sale of loan protection insurance worldwide and other personal risk insurance (individual death and disability, extended warranty, annuity policies in France).

The actuarial oversight system set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe (i) the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, (ii) the tasks to be performed by the actuaries and their reporting obligations and (iii) practices that are banned or that are allowed only if certain conditions are met.

Underwriting limits are set at various local and central levels, based on capital at risk, estimated maximum acceptable losses, estimated Solvency II capital requirements and estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria such as credit risk, the type of guarantee and the insured population). Each contract is priced by reference to the margin and return-on-equity targets set by the executive management of BNP Paribas Cardif.

Risk exposures are monitored at quarterly intervals by BNP Paribas Cardif's Executive Committee, based on an analysis of loss ratios.

Loan protection insurance covers death, total or partial disability, loss of employment and financial loss risks for personal loans and home loans. The insurance book comprises a very large number of individual policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs.

Loss ratios for annuity contracts are based on mortality tables applicable under insurance regulations, adjusted in some cases by portfolio specific data which is certified by independent actuaries. Annuity risks are low.

Actual loss ratios are compared with forecast ratios on a regular basis by the actuarial department, and premium rates are adjusted when necessary.

The insurance subscription risks are covered by various technical reserves, including the unearned premiums reserve generally calculated on an accruals basis policy-by-policy, the outstanding claims reserve, determined by reference to reported claims, and the IBNR (claims incurred but not reported) reserve, determined on the basis of either observed settlements or the expected number of claims and the average cost per claim.

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations generally.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions, payment institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The ACP supervises financial institutions and insurance firms and is in charge of ensuring the protection of consumers and the stability of the financial system. The ACP was created in January, 2010 as a result of the merger of the Banking Commission (*Commission bancaire*), the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) and the Insurance and Pensions Control Authority (*Autorité de contrôle des assurances et des mutuelles*) and assumed the functions previously exercised by these authorities. The ACP is chaired by the Governor of the *Banque de France*. With respect to the banking sector, the ACP makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions, as well as investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly or quarterly) accounting reports to the ACP concerning the principal areas of their activity. The ACP may also request additional information that it deems necessary and may carry out on-site inspections (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements). These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use.

The ACP may enjoin financial institutions to comply with applicable regulations and to cease conducting activities which may adversely affect the interests of clients. The ACP may also require a financial institution to take measures to strengthen or restore its financial situation, improve its management methods and/or adjust its organization and activities to its development goals. When a financial institution's solvency or liquidity, or the interests of its clients are or could be threatened, the ACP is entitled to take certain provisional measures, including: submitting the institution to special monitoring and restricting or prohibiting the conduct of certain activities (including deposit-taking), the making of certain payments, the disposal of assets, and/or the distribution of dividends to its shareholders.

Where regulations have been violated, the ACP may act as an administrative court and impose sanctions, which may include warnings, fines, suspension or dismissal of managers, and deregistration of the bank, resulting in its winding up. The ACP also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. The decisions of the ACP may be appealed to the French Administrative Supreme Court (*Conseil d'Etat*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the ACP.

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times. French credit institutions are entitled to opt for the "advanced" approach with respect to liquidity risk, upon request to the ACP and under certain conditions. Under the advanced approach, the credit institution is able to use its internal methodologies to determine the liquidity risk and ensure that it has sufficient liquidity at all times to honor its commitments.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer (and related entities) may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. Individual exposures exceeding 10% (and in some cases 5%) of the credit institution's regulatory capital are subject to specific reporting requirements.

French credit institutions are required to maintain on deposit with the *Banque de France* a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France.* Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €100,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional Funding

The Governor of the *Banque de France,* as chairman of the ACP, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails.

French credit institutions are required to have a system for analyzing and measuring risks in order to assess their exposition to credit, market, global interest rate, intermediation, liquidity and operational risks. Such system must set forth criteria and thresholds allowing to identify as significant the incidents revealed by internal control procedures. Any fraud generating a gain or loss of a gross amount superior to 0.5% of the tier one capital is deemed significant provided that such amount is greater than €10,000.

With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the ACP regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Compensation Policy

French credit institutions and investment firms are required to ensure that their compensation policy is compatible with sound risk management principles. A significant fraction of the compensation of employees whose activities may have a significant impact on the bank's risk exposure must be performance-based, and a significant fraction of this performance-based compensation must be non-cash and deferred. The aggregate amount of variable compensation must not hinder the bank's capacity to strengthen its capital base if needed.

Money Laundering

French credit institutions are required to report to a special government agency (TRACFIN) placed under the authority of the Minister of the Economy all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that they suspect to be the result of offence punishable by a minimum sentence of at least one-year imprisonment or that could participate in the financing of terrorism. French credit institutions are also required to establish "know your customer" procedures allowing identification of the customer (as well as the beneficial owner) in any transaction and to have in place systems for assessing and managing money-laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

In particular, the BNP Paribas Group is required to comply with the French regulations that transpose European Union capital adequacy directives (Directive on the Capital Adequacy of Investment Firms and Credit Institutions and Financial Conglomerates Directive) into French law. In the various countries in which the Group operates, BNP Paribas also complies with specific regulatory ratios in line with procedures overseen by the relevant supervisory authorities. These ratios mainly address capital adequacy, risk concentration, liquidity and asset/liability mismatches.

Regulatory Background

Basel II Capital Framework

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the 1988 accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. They have been amended and applicable to French credit institutions since 1998.

In 2004, the Basel Committee issued a final comprehensive version of a revised framework for the International Convergence of Capital Measurement and Capital Standards (commonly referred to as the "Basel II Accord") intended to update and replace the 1988 BIS capital accord. In 2006, the European Parliament approved a new Capital Requirements Directive (the "EU Capital Requirements Directive") based on Basel II, with certain adaptations in order to take into account the European context. The EU Capital Requirements Directive came into force as of 2007.

Basel II Pillars

The Basel II capital framework consists of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline.

Under the first pillar, minimum capital requirements consist of capital charges for credit risk, market risk and operational risk.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions are expected to maintain capital at some level in excess of the mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in the first pillar (such as interest rate risk in the banking book and credit concentrations). Supervisors must review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasizes public disclosures to enhance market discipline. The framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies. For the year ended December 31, 2011, this disclosure was included as Chapter 5 (Pillar 3) of BNP Paribas' reference document filed with the French *Autorité des marchés financiers* (available at http://invest.bnpparibas.com); Chapter 5 is incorporated by reference herein.

Since January 1, 2008, the Group's capital adequacy ratio has been calculated in accordance with the decree issued by the French Ministry of the Economy, Finance and Industry on February 20, 2007 introducing the Basel II capital adequacy ratio, i.e., regulatory capital expressed as a percentage of the sum of:

- risk-weighted assets calculated using the standardized approach or the internal ratings based approach (as defined above), depending on the relevant entity or Group business; and
- the regulatory capital requirement for market and operational risks, multiplied by 12.5. The capital requirement for operational risk is measured using the basic indicator, standardized or advanced measurement approach (as defined above), depending on the relevant Group entity.

Breakdown of Regulatory Capital

Regulatory capital is determined in accordance with *Comité de la Réglementation Bancaire et Financière* (the "CRBF") regulation 90-02, dated February 23, 1990. It includes three components – Tier 1 capital, Tier 2 capital and Tier 3 capital – determined as follows:

- core capital (Tier 1) corresponds to consolidated equity (excluding unrealized or deferred gains and losses), adjusted for certain items known as "prudential filters". The main adjustments consist of (i) deducting the planned dividend for the year, as well as goodwill and other intangibles, (ii) excluding consolidated subsidiaries that are not subject to banking regulations – mainly insurance companies – and (iii) applying limits to the eligibility of certain securities, such as undated super subordinated notes;
- supplementary capital (Tier 2) comprises some subordinated debt and any positive credit and counterparty risk valuation differences between provisions for incurred losses taken under the book method and expected losses on credit exposure measured using the internal ratings based approach;
- a discount is applied to subordinated debt with a maturity of less than five years, and dated subordinated debt included in Tier 2 capital is capped at the equivalent of 50% of Tier 1 capital. Total Tier 2 capital is capped at the equivalent of 100% of Tier 1 capital;
- Tier 3 capital comprises subordinated debt with shorter maturities and can only be used to cover a certain proportion of market risks; and
- the following items are deducted for the purpose of calculating regulatory capital, half from Tier 1 capital and half from Tier 2 capital: (i) the carrying amount of investments in credit institutions and finance companies accounted for by the equity method; (ii) the regulatory capital of credit institutions and finance companies more than 10% owned by the Group; (iii) the portion of expected losses on credit exposure measured using the internal ratings based approach which is not covered by provisions and other value adjustments.

BNP Paribas Group Regulatory Capital

The following table sets forth BNP Paribas Group's regulatory capital at December 31, 2011 and 2010.

(in millions of euros)	**December 31, 2011**	**December 31, 2010**
Consolidated equity before appropriation of income[(1)]	**85,626**	**85,629**
Regulatory deductions and other items	**(14,633)**	**(17,093)**
Intangible assets deductions	(13,929)	(13,837)
of which goodwill	(11,738)	(11,735)
Subordinated debt *(Notes 5.a and 5.i)*	3,358	3,187
Other regulatory items	(4,062)	(6,443)
of which dividend payment	(1,430)	(2,511)
of which deductions of 50% for uneligible items	(1,653)	(1,303)
TIER 1 CAPITAL	**70,993**	**68,536**
Total Tier 2 capital	**14,422**	**20,109**
of which positive difference between provisions and expected losses over 1 year	548	482
Regulatory deductions for remaining uneligible items	**(1,653)**	**(1,303)**
Allocated Tier 3 capital	**2,200**	**982**
REGULATORY CAPITAL	**85,962**	**88,324**

(1) Dividend to be recommended at the Annual General Meeting of shareholders.

Capital Requirements and Risk-Weighted Assets

The Group's capital requirement is calculated in accordance with the transposition into French law of the EU Directive on capital adequacy for investment firms and credit institutions (Decree of 20 February 2007 amended).[79]

At December 31, 2011, requirement is calculated in accordance with the CRD3, in force on that date, which modifies primarily the treatment of market risk and of securitisation positions.

At December 31, 2011, the total amount of Basel 2 Pillar 1 risk-weighted assets was €614 billion, versus €600 billion at December 31, 2010, broken down as follows by type of risk, calculation approach, and asset class:

Pillar 1 Risk-Weighted Assets And Capital Requirements

	December 31, 2011		December 31, 2010	
In millions of euros	Risk-weighted assets	Capital Requirement	Risk-weighted assets	Capital Requirement
Credit and counterparty risk	**494,674**	**39,574**	**503,872**	**40,310**
Credit risk	**471,050**	**37,684**	**481,103**	**38,488**
Credit risk – IRBA	**215,516**	**17,241**	**230,703**	**18,456**
Central governments and central banks	4,310	345	4,628	370
Corporates	136,889	10,951	144,459	11,557
Institutions	13,391	1,071	18,253	1,460
Retail	38,127	3,050	40,244	3,220
Real estate loans	*10,311*	*825*	*10,777*	*862*
Revolving exposures	*6,530*	*522*	*7,114*	*569*
Other exposures	*21,286*	*1,703*	*22,353*	*1,788*
Securitisation positions	22,665	1,813	22,915	1,833
Other non credit-obligation assets	134	11	204	16
Credit risk – Standardised approach	**255,534**	**20,443**	**250,400**	**20,032**
Central governments and central banks	3,458	277	5,181	415
Corporates	117,083	9,367	111,453	8,916
Institutions	7,282	582	7,237	579
Retail	82,922	6,634	81,826	6,546
Real estate loans	*26,818*	*2,145*	*27,121*	*2,170*
Revolving exposures	*4,295*	*344*	*4,118*	*329*
Other exposures	*51,810*	*4,145*	*50,588*	*4,047*
Securitisation positions	1,712	137	2,288	183
Other non credit-obligation assets	43,077	3,446	42,415	3,393
Counterparty risk	**23,624**	**1,890**	**22,769**	**1,822**
Counterparty risk – IRBA	**20,863**	**1,669**	**20,092**	**1,608**
Central governments and central banks	180	14	153	13
Corporates	16,344	1,308	14,463	1,157
Institutions	4,339	347	5,476	438
Counterparty risk – Standardised approach	**2,761**	**221**	**2,677**	**214**
Central governments and central banks	1	0	6	0
Corporates	2,426	194	2,477	198
Institutions	320	26	185	15
Retail	14	1	9	1
Other exposures	*14*	*1*	*9*	*1*
Equity risk	**25,775**	**2,062**	**22,475**	**1,798**
Internal model	23,461	1,877	18,995	1,519
Private equity exposures in diversified portfolios	*6,215*	*497*	*4,802*	*384*
Listed equities	*8,670*	*694*	*8,677*	*694*
Other equity exposures	*8,576*	*686*	*5,516*	*441*
Simple weighting method	1,248	100	1,406	113
Private equity exposures in diversified portfolios	*1,109*	*89*	*1,085*	*87*
Listed equities	*14*	*1*	*15*	*1*

79 Issued by the French Ministry of the Economy, Finance and Industry of February 20, 2007, modified by the decrees of October 19, 2007, September 11, 2008, October 29, 2009, August 25, 2010, December 13, 2010 and November 23, 2011.

In millions of euros	December 31, 2011 Risk-weighted assets	Capital Requirement	December 31, 2010 Risk-weighted assets	Capital Requirement
Other equity exposures	*125*	*10*	*307*	*25*
Standardised approach	1,066	85	2,074	166
MARKET RISK	**38,501**	**3,080**	**17,187**	**1,375**
Internal model	35,338	2,827	9,532	763
VaR	*8,230*	*659*		
Stressed VaR	*16,605*	*1,328*		
Incremental Risk Charge	*6,440*	*515*		
Comprehensive Risk Measure	*4,063*	*325*		
Standardised approach	2,386	191	7,655	612
Trading book securitisation positions	777	62		
Operational risk	**54,617**	**4,369**	**56,890**	**4,551**
Advanced Measurement Approach (AMA)	38,628	3,090	35,619	2,849
Standardised approach	9,470	758	13,624	1,090
Basic indicator approach	6,519	521	7,647	612
TOTAL	**613,567**	**49,085**	**600,424**	**48,034**

The ARC (All Reportings on Capital) system consolidates all capital calculations produced by the risk management and accounting functions. It generates and circulates capital reports both for internal and external communication purposes.

Risk-Weighted Assets by Type of Risk at December 31, 2011(*)

Total: EUR 614 billion at 31 December 2011
(EUR 600 billion at 31 December 2010)

(*) The percentages between brackets correspond to the breakdown as of December 31, 2010.
(**) Including other non credit-obligation assets.

Capital Adequacy

Under the European Union regulation transposed into French law by regulation 91-05, the Group's capital adequacy ratio must at all times be at least 8%, including a Tier One ratio of at least 4%. Under United States capital adequacy regulations, the Bank is qualified as a Financial Holding Company and as such is required to have a capital adequacy ratio of at least 10%, including a Tier One ratio of at least 6%.

Ratios are monitored and managed centrally, on a consolidated basis, at Group level. Where a French or international entity is required to comply with banking regulations at its own level, its ratios are also monitored and managed directly by the entity.

Until December 31, 2011, the transitional regulatory decree set the floor for Basel II risk-weighted assets at 80% of the Basel 1 risk weighted assets. As of December 31, 2010, this floor was above the level of the Basel II risk-weighted assets and was therefore used in calculating the solvency ratio, i.e., €601.3 billion for the Tier 1 ratio. However, the floor had no effect on December 31, 2011.

The Bank is also subject to additional supervision as a financial conglomerate, in accordance with a European Directive transposed into French law by the Order of September 19, 2005. Under this regulation, a financial conglomerate engaged in the insurance business must comply with an additional requirement with respect to consolidated capital adequacy: the margin requirement for entities with an insurance business known as the solvency margin is added to the bank solvency requirement and the sum of the two is compared to the total equity of the financial conglomerate to determine a surplus or a shortfall of capital.

As of December 31, 2011, the capital surplus of the conglomerate was estimated at €32.5 billion (compared to €36.6 billion as of December 31, 2010).

The following table presents the Group's solvency ratio as of December 31, 2011 and December 31, 2010.

(in millions of euros)	December 31, 2011	December 31, 2010
TIER 1 CAPITAL	**70,993**	**68,536**
Tier 2 capital	**14,422**	**20,109**
Tier 2 regulatory deductions	**(1,653)**	**(1,303)**
Allocated Tier 3 capital	**2,200**	**982**
REGULATORY CAPITAL	**85,962**	**88,324**
Credit risk	471,050	481,103
Counterparty risk	23,624	22,769
Equity risk	25,775	22,475
Market risk	38,501	17,187
Operational risk	54,617	56,890
Basel II Risk-weighted assets (ex floor)	**613,567**	**600,424**
Effect of Basel I floor on Tier 1 risk-weighted assets		*847*
CRD risk-weighted assets for Tier 1 ratio (*)		**601,271**
Effect of Basel I floor on total risk-weighted assets		*6,872*
CRD RISK-WEIGHTED ASSETS FOR TOTAL CAPITAL RATIO (**)		**607,296**
TIER 1 RATIO	**11.6%**	**11.4%**
TOTAL CAPITAL RATIO	**14.0%**	**14.5%**

(*) *80% of Basel I risk-weighted assets.*
(**) *80% of Basel I risk-weighted assets including the positive difference between provisions and expected losses.*

Capital Management and Planning

Capital adequacy ratios are managed prospectively on a prudent basis that takes into account the Group's profitability and growth targets. The Group maintains a balance sheet structure that allows it to finance business growth on the best possible terms while preserving its very high quality credit rating. In line with the commitment to offering shareholders an optimum return on their investment, the Group places considerable emphasis on efficiently investing equity capital and attentively managing the balance between financial strength and shareholder return. In 2010 and 2011, the BNP Paribas Group's capital adequacy ratios complied with regulatory requirements and its own targets.

Regulatory capital levels are managed using information produced during the budget process, including forecast growth in earnings and risk-weighted assets, planned acquisitions, planned issues of hybrid capital instruments and exchange rate assumptions. Changes in ratios are reviewed by the Group's executive management at monthly intervals and whenever an event occurs or a decision is taken that will materially affect consolidated ratios.

Pillar 2 Process

The second pillar of the Basel Agreement, as transposed in the CRD, provides that the ACP, the "main" supervisor of BNP Paribas, shall determine whether the policies, strategies, procedures and arrangements implemented by the Group on the one hand, and the equity held on the other hand, are adequate for risk management and coverage purposes. Pillar 2 also provides that the supervisor may, in the event of non-compliance with CRD requirements, request the Bank promptly to take the necessary actions or moves to address the situation. To enforce these provisions, Article L.13-16 of the French Monetary and Financial Code allows the supervisor to ask a credit institution to hold more capital than the regulatory minimum.

The Pillar 2 approach thus structures the dialogue between the Group and the supervisor regarding the adequacy of its capital ratios using two additional measures laid down by the Committee of European Banking Supervisors (CEBS) and published in 2006.

The ICAAP, or Internal Capital Adequacy Assessment Process, developed by the Group: this is an internal assessment of the Group's capital requirements to cover all risks, whether they fall within the scope of Pillar 1 or not. The internal assessment of the appropriate level of capital for the Group takes into account the objective of a high quality credit rating aimed at maintaining its origination capabilities, anticipated regulatory changes (in particular Basel 3), the Group's development projects, as well as the sensitivity of the capital level required for stress tests, such as carried out at least once a year within the framework of the budget process. The appropriate level of capital is thus determined on the basis of target solvency ratios addressing the various constraints mentioned above.

SREP, or Supervisory Review Process, conducted by the supervisor: this is a review of the Group's intrinsic situation on the basis of CRD criteria (strategy and quality of the overall organization of the institution and its corporate governance, type, volume and complexity of the businesses, degree of exposure to the major types of risk, e.g. credit, concentration, market, operating, liquidity and interest-rate risk, quality of the organization of internal control procedures, performance and profitability of current operations, level, structure and sustainability of equity), based on both quantitative and qualitative data. Upon completion of the review, the supervisor assigns a rating on a scale of one to five, and requires a minimum core-capital ratio (Tier 1) to comply with under Pillar 2.

All of the exchanges between the Group and the ACP and the level of the prescribed minimum solvency ratio are confidential. The regular contact maintained throughout the year between the Group and the supervisor through on-site visits, "close monitoring" interviews, quarterly presentations of operations and results by the Executive Management to the General Secretariat of the supervisor and the regular short and medium term projections of solvency ratios allow the supervisor to form an opinion on the adequacy of the Group's strategy, risk management policies, organization and governance, and to define the minimum capital adequacy ratio that it deems necessary for the Group to address the risks of its operations under Pillar 2.

Summary of Solvency Position as of December 31, 2011 and March 31, 2012

December 31, 2011

As at December 31, 2011, the Basel 2.5 common equity Tier 1 ratio, which includes the European Capital Requirements Directive 3 (CRD3) regulatory regime that came into force at the end of 2011, was 9.6%. The target of 9% solvency by the end of June 2012 set by the European Banking Authority (EBA), which, beyond CRD3, mandates an additional deduction for unrealised capital losses from European sovereign bonds held, has thus already been achieved 6 months ahead of schedule with a 9.2% ratio. According to the EBA's official measurement, this additional deduction is actually 40 basis points for BNP Paribas.

This high solvency has been reinforced each year and helped double the common equity Tier 1 in three years, in particular thanks to retaining most of the earnings.

Risk-weighted assets were €614 billion, including the impact of the switch to Basel 2.5 which added a further €32 billion, essentially in capital markets. The deleveraging plan helped reduce the risk-weighted assets by €25 billion, of which €8 billion from the adaptation to Basel 2.5.

By the end of 2012, based on the Basel 2.5 common equity Tier 1 ratio of 9.6% at the end of 2011, the Basel 3 9% common equity Tier 1 ratio (fully loaded) target should be attained by combining the conventional 40 basis point deduction, as an extension of the EBA rule, for European sovereign debt held; the impact of the other CRD4 directives currently anticipated by BNP Paribas to be -180 basis points[80]; the deleveraging plan producing an additional +68 basis points on top of the 32 basis points already realized in 2011; lastly, the payment of the dividend in shares and the 2012 organic generation of capital respectively bring in an additional +20 basis points[81] and +72 basis points[82].

The Group's balanced portfolio of activities has been a stabilising factor that has helped it to continue to remain profitable throughout the crisis. This equilibrium will not be affected by the switch to Basel 2.5, since the share of retail banking business operations is still above 50%, CIB's share is close to one-third and Investment Solutions' is about one-sixth of the capital allocated to the operating divisions.

March 31, 2012

As at March 31, 2012, the Basel 2.5 common equity Tier 1 ratio, which includes the European Capital Requirements Directive 3 (CRD3) regulatory regime that came into force at the end of 2011, was 10.4%. The target of 9% solvency by the end of June 2012 set by the European Banking Authority (EBA), which, beyond

80 Since CRD4 is still being debated in the European Parliament, its directives remain subject to interpretation and can still be amended.

81 Assumption that, on average, 50% of the dividend is paid in shares for both 2011 and 2012.

82 Based on the Bloomberg consensus as at 10 February 2012 with a 25% payout ratio.

CRD3, mandates an additional deduction for unrealized capital losses from European sovereign bonds held (40 basis points for BNP Paribas), was largely surpassed.

This improvement of solvency by 80 basis points compared to December 31, 2011 is primarily the result of reduced risk-weighted assets and organic generation of capital this quarter. The effect of the sale of Klépierre under Basel 2.5 is negligible due to the corresponding decline in minority interests. Under Basel 3, the sale will contribute +32 basis points to the ratio.

The common equity Tier 1 totaled €60.1 billion as at March 31, 2012, up €1.2 billion compared to December 31, 2011. Risk-weighted assets[83] were €576 billion, down €38 billion compared to December 31, 2011, due primarily to the plan to adjust the balance sheet, which led to a reduction in risk-weighted assets by €16 billion, and an additional €16 billion reduction due in particular to the low level of market risks.

Given the Basel 2.5 common equity Tier 1 ratio of 10.4% as at March 31, 2012, the 9% target, as of January 1, 2013, taking into account all the CRD4 rules without transitional arrangements (Basel 3 fully loaded), should be attained by combining the conventional -40 basis point deduction, as an extension of the EBA rule, for European sovereign debt held; the impact of the other CRD4 rules currently anticipated by the Bank to be -180 basis points[84]; the impending effect of signed sales agreements (sale of Reserve-Based Leasing in the United States and the sale of a 28.7% stake in Klépierre) for +37 basis points; the remaining deleveraging plan producing an additional +20 basis points; the payment of the dividend in shares bringing in an additional +20 basis points[85] and, lastly, the balance to be made up through organic generation of capital of no more than +3 basis points[86] given the aforementioned assumptions.

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83 Basel 2.5.

84 Since CRD is still being debated in the European Parliament, its directives remain subject to interpretation and are still subject to amendment.

85 Assuming that, on average, 50% of the dividend is paid in shares for both 2011 and 2012.

86 Given the 25% payout rate.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 14 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2011 was €841,507.

The following table sets forth the names of the members of the Board of Directors as of May 31, 2012, their current function at the Bank, their business address and their principal business activities[87] outside of the Bank as at December 31, 2011:

Name	Function	Business Address	Principal Outside Activities
Baudouin Prot	Chairman, BNP Paribas	3, rue d'Antin 75002 Paris, France	**Director of:** Pinault-Printemps-Redoute, Veolia Environnement, *Erbé SA (Belgium), Pargesa Holding SA (Switzerland)* **Member of:** *Vice-Chairman of the International Monetary Conference, Institute of International Finance (IIF), International Advisory Panel of the Monetary Authority of Singapore*
Michel Pébereau	Honorary Chairman, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** AXA, Compagnie de Saint-Gobain, Lafarge, Total, *BNP Paribas (Suisse) SA, Eads NV (Netherlands), Pargesa Holding SA (Switzerland)* **Member of the Supervisory Board of:** *Banque Marocaine pour le Commerce et l'Industrie (Morocco)* **Non-voting Director of:** *Société Anonyme des Galeries Lafayette* **Chairman of:** *Management Board of Institut d'Études Politiques de Paris* **Member of**: *Académie des Sciences morales et politiques, Executive Committee of Mouvement des Entreprises de France, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*
Claude Bébéar[88]	Honorary Chairman of AXA	25, avenue Matignon, 75008 Paris, France	**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**: *IMS-Entreprendre pour la Cité, Institut Montaigne*

87 The directorships shown in italics are not governed by provisions of the French Commercial Code (Code de Commerce) concerning multiple directorships.

88 Mr. Claude Bébéar's mandate ended on May 23, 2012.

Name	**Function**	**Business Address**	**Principal Outside Activities**
			Member of: *International Advisory Panel of the Monetary Authority of Singapore*
Jean-Laurent Bonnafé	Director and Chief Executive Officer	3, rue d'Antin, 75002 Paris, France	**Director of:** Carrefour, BNP Paribas Personal Finance, *Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium)*
Pierre-André de Chalendar[89]		Les Miroirs 92096 La Défense Cedex France	**Chairman and Chief Executive Officer of:** Saint-Gobain **Director of**: Veolia Environnement
Denis Kessler		1, avenue du Général-de-Gaulle 92074 Paris La Défense Cedex, France	**Director of:** Bolloré, Dassault Aviation, Fonds Stratégique d'Investissement, *Invesco Ltd (United States)* **Member of the Supervisory Board of**: *Yam Invest NV (Netherlands)* **Member of**: *Commission Économique de la Nation, Board of Directors of Le Siècle, Board of Directors of Association de Genève, Board of the French Foundation for Medical Research, Strategic Board of the European Insurance Federation, Global Reinsurance Forum, Reinsurance Advisory Board*
Meglena Kuneva		Ul. "Plachkovica" - 1 Vhod A Sofia 1164 Bulgaria	**Member of:** *Board of trustees of the American University in Bulgaria*
Jean-François Lepetit		30, boulevard Diderot, 75572 Paris Cedex 12 France	**Director of:** Smart Trade Technologies S.A, Shan S.A. **Member of:** *Board of the Qatar Financial Center Regulatory Authority (Doha)*
Nicole Misson	Customer Adviser, BNP Paribas	22, rue de Clignancourt 75018 Paris France	*Judge at the Paris Employment Tribunal, Management Section* *Member of the Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission)*
Thierry Mouchard	Administration, Customer transaction services	41, boulevard du Maréchal Foch 49000 Angers France	None.
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	**Chairman of:** *Mouvement des Entreprises de France (MEDEF)* **Director of**: Coface SA **Member of the Supervisory Board of**: *Compagnie Générale des Etablissements Michelin*
Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	**Director of**: Lafarge, *Ferring SA (Switzerland), Sofina (Belgium)* **Permanent representative of**: *Pechel Industries Partenaires (SAS) to Ypso Holding (Luxembourg), Goëmar Développement (France), Laboratoires*

[89] During the Bank's Annual General Meeting on May 23, 2012, Mr. Pierre-André de Chalendar was elected as a director of BNP Paribas. Mr. de Chalendar replaces Mr. Claude Bébéar.

Name	Function	Business Address	Principal Outside Activities
			Goëmar (France), Goëmar Holding (Luxembourg), Store Electronic Systems (France) **Member of the Supervisory Board of**: Publicis Groupe **Manager of**: *Hélène Ploix SARL, Hélène Marie Joseph SARL, Sorepe Société Civile, Goëmar Holding (Luxembourg)* **Member of**: *United Nations Joint Staff Pension Fund Investment Committee (until end-2011), Independent Expert Oversight Advisory Committee (IEOAC) of the World Health Organization (WHO), Institut Français des Administrateurs*
Louis Schweitzer		8-10, avenue Emile Zola 92109 Boulogne Billancourt, France	**Chairman of the Board of Directors of:** *AstraZeneca plc (United Kingdom), AB Volvo (Sweden)* **Director of**: L'Oréal, Veolia Environnement **Member of the Advisory Committee of**: *Allianz (Germany), Bosch (Germany)* **Member of the Board of**: *Fondation Nationale des Sciences Politiques, Musée du quai Branly* **Chairman of**: *Avignon Arts Festival, Maison de la Culture of the Seine-Saint-Denis district (near Paris)*
Michel Tilmant		Rue du Moulin 10 B – 1310 La Hulpe Belgium	**Chairman of:** *Green Day Holdings Limited (Jersey), Green Day Acquisitions Limited (U.K.)* **Director of**: *Sofina SA (Belgium), Groupe Lhoist SA (Belgium), Foyer Assurances SA (Luxembourg), CapitalatWork Foyer Group SA (Luxembourg), Université Catholique de Louvain (Belgium), Royal Automobile Club of Belgium* **Senior Advisor at**: *Cinven Ltd (U.K.)*
Emiel Van Broekhoven		Zand 7 – 9 B – 2000 Antwerp Belgium	None.
Daniela Weber-Rey		Mainzer Landstraße 46 D 60325 Frankfurt am Main Germany	**Member of:** *German Government's Code of Corporate Governance Commission, Stakeholder Group of the European Insurance and Occupational Pensions Authority (EIOPA), Clifford Chance Partnership Council*
Fields Wicker-Miurin		3 - 5 Richmond Hill Richmond, Surrey TW10 6RE United Kingdom	**Director of:** *CDC Group plc, Ballarpur International Graphic Paper Holdings* **Member of**: *Battex School of Leadership - University of Virginia Board of advisors*

Conflicts of Interests

To the knowledge of the Bank, none of the members of the Board of Directors of the Bank has any conflicts of interest between any of their duties to the Bank and such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. These committees—the Financial Statements Committee, the Internal Control, Risk Management and Compliance Committee, the Compensation Committee and the Corporate Governance and Nominations Committee—are described below.

- ***Financial Statements Committee***

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Denis Kessler, Hélène Ploix and Emiel Van Broeckoven.

- ***Internal Control, Risk Management and Compliance Committee***

This Committee's duties involve, among other things, (i) reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection department and their main findings, and correspondence with the French banking regulator (*Commission bancaire*), (ii) reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues, (iii) holding discussions, occasionally outside the presence of executive management, with the heads of the General Inspection and Internal Audit departments, Ethics and Group Risk Management, (iv) reviewing the Group's compliance policy relating to reputation risk and professional ethics, and (v) presenting to the Board of Directors the Committee's assessment of the Group's methods and procedures. Its current members are Jean-François Lepetit (Chairman), Nicole Misson and Michel Tilmant.

- ***Compensation Committee***

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. The Committee's current members are Denis Kessler (Chairman) and Jean-François Lepetit.

- ***Corporate Governance and Nominations Committee***

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Michel Pébereau (Chairman), Laurence Parisot and Daniela Weber-Rey.

Executive Committee

The Executive Committee of BNP Paribas is a management committee composed of senior executive officers, one of whom (as indicated below) is also a Board member. The Executive Committee currently consists of the following members:

Name	Position
Jean-Laurent Bonnafé[90]	Chief Executive Officer and Director
Philippe Bordenave[91]	Chief Operating Officer
Georges Chodron de Courcel[92]	Chief Operating Officer
François Villeroy de Galhau[93]	Chief Operating Officer
Jacques d'Estais	Deputy Chief Operating Officer and Head of Investment Solutions, Personal Finance and International Retail Banking
Alain Papiasse	Deputy Chief Operating Officer and Head of Corporate and Investment Banking
Jean Clamon	Managing Director and Head of Compliance and Internal Control
Marie-Claire Capobianco	Head of French Retail Banking
Stefaan Decraene	Head of International Retail Banking
Fabio Gallia	Head of BNP Paribas Italy
Yann Gérardin	Head of Global Equities and Commodity Derivatives
Maxime Jadot	Chief Executive Officer of BNP Paribas Fortis
Frédéric Janbon	Head of Fixed Income
Michel Konczaty	Head of Group Risk Management
Theirry Laborde	Head of BNP Paribas Personal Finance
Frédéric Lavenir	Head of Group Human Resources
Eric Lombard	Chief Executive Officer of BNP Paribas Cardif
Eric Raynaud	Head of Asia-Pacific Region

90 Mr. Bonnafé's principal outside activities include the following: Director of Carrefour.

91 Mr. Bordenave does not have any significant outside activities.

92 Mr. Chodron de Courcel's principal outside activities include the following: Chairman of Compagnie d'Investissement de Paris SAS; Director of Alstom; Director of Bouygues; Director of Société Foncière, Financière et de Participations SA; Director of Nexans; Director of Compagnie Nationale à Portefeuille; Director of Erbé SA; Director of Groupe Bruxelles Lambert; Director of SCOR Holding (Switzerland) AG; Director of SCOR Global Life Rückversicherung Schweiz AG; Director of SCOR Switzerland AG; Director or Verner Investissements SAS; Member of the Supervisory Board of Lagardère SCA; and Non-Voting Director of SCOR SE.

93 Mr. Villeroy de Galhau's principal outside activities include the following: Member of Supervisory Board of Bayard Presse; and Member of Supervisory Board of Villeroy-Boch AG.

INDEPENDENT STATUTORY AUDITORS

The Group's consolidated financial statements as of December 31, 2011 and for the year ended December 31, 2011 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars as joint independent statutory auditors (*Commissaires aux comptes*).

The Group's consolidated financial statements as of December 31, 2010 and for the year ended December 31, 2010 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars as joint independent statutory auditors (*Commissaires aux comptes*).