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 May 28, 2009

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This information statement contains forward-looking statements. The Bank and the Group may also make forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Bank's and/or 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 Bank and the Group undertake 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, 2008 included in the English-language version of our 2008 Registration Document (*Document de reference*) filed with the AMF under the number D.09-0114 and our consolidated financial statements for the year ended December 31, 2007 included in the English-language version of our 2007 Registration Document (*Document de reference*) filed with the AMF under the number D.08-0108 are incorporated by reference in this information statement. Each *Document de référence* may also be consulted at 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 27, 2009, the exchange rate as published by Bloomberg at approximately 12:30 p.m. (New York time) was $1.39 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 2009 (through May 27, 2009)	1.39	1.36	1.40	1.33
April 2009	1.32	1.32	1.35	1.30
March 2009	1.33	1.30	1.37	1.25
February 2009	1.27	1.28	1.31	1.25
January 2009	1.28	1.32	1.39	1.28
December 2008	1.39	1.35	1.44	1.26
November 2008	1.27	1.27	1.30	1.25
October 2008	1.27	1.33	1.41	1.24
Year **U.S. dollar/Euro**				
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
2005	1.18	1.24	1.35	1.17
2004	1.36	1.25	1.36	1.18

* 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, 2008, 2007 and 2006 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. The Group's fiscal year ends on December 31, and references in this Prospectus to any specific fiscal year are to the twelve-month period ended December 31 of such year.

RISK FACTORS

Risks Related to the Bank and its Industry

Principal Categories of Risk.

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

Credit and Counterparty Risk.

Credit risk is the risk of incurring an economic loss on loans and receivables (existing or potential based on commitments given) resulting from a change in the creditworthiness 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 Bank's assessment of creditworthiness.

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.

Credit risk arises in relation to lending operations as well as market, investment and/or payment transactions that potentially expose the Bank to the risk of counterparty default. Counterparty risk is the risk that the other party in a transaction will default. The extent of this risk may vary over time in line with the market indicators that impact the value of the underlying instrument.

Market Risk.

Market risk is the risk of incurring an economic loss of value due to adverse trends in market factors, whether directly tradable or not.

Tradable market factors include, but are not limited to, exchange rates, interest rates, prices of securities and commodities, prices of derivatives, prices of other goods, as well as other factors that may be directly determined from these factors, such as credit spreads, volatilities and implied correlations.

Non-tradable factors are those based on working assumptions such as parameters contained in models or based on statistical analysis, such as correlations.

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, as a consequence of 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 an economic loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. The management of operational risk is underpinned by a causal analysis.

The internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, among others, floods, fire, earthquakes and terrorist attacks. Credit or market events such as defaults or fluctuations in value do not fall within the scope of operational risk.

In general, therefore, operational risk encompasses human resources risks, legal risks, tax risks, information system risks, processing risks, risks related to published financial information and the financial implications resulting from reputational and compliance risks.

Compliance and Reputational Risk.

According to French regulations, compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the financial loss that a bank may incur as a result of its failure to comply with all the laws, regulations, codes of conduct and best practices 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 mere financial loss and may actually damage the Bank's reputation, the Bank treats compliance risk separately.

Reputational risk is the risk of damaging the trust placed in a company by its customers, counterparties, suppliers, employees, shareholders, regulators and any other third-party whose trust is an essential condition for the company to carry out its business in the ordinary course.

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 an economic loss as a result of discrepancies in the 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 discrepancies arising from changes in the value of shares and other assets (particularly real estate) held by the general insurance fund.

Refinancing (Liquidity) Risk.

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil its payment obligations at an acceptable price at any given place and currency.

Insurance Subscription Risk.

Insurance subscription risk corresponds to the risk of a financial loss caused by a sudden, unexpected increase in insurance claims. Depending on the type of insurance business (life, personal risk or annuities), this risk may be statistical, macro-economic or behavioral, or may be related to public health issues or natural disasters. It is not the main risk factor in the life insurance business, where asset-liability management risk is predominant.

Breakeven Risk.

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

Concentration Risk.

Concentration risk and the related effects of diversification, are embedded within credit, market and operational risks using the correlation parameters taken into account by the corresponding risk models.

It is assessed at the consolidated Group level and at the financial conglomerate level.

Deteriorating economic conditions have adversely affected the Bank's industry and the Bank's results and could in the future have a material adverse effect on the Bank's liquidity, earnings and financial condition.

As a global financial institution, the Bank's businesses are highly sensitive to changes in the financial markets and economic conditions generally in Europe (especially in France and Italy), the United States, and elsewhere around the world. Adverse changes in market and economic conditions have increasingly since mid-2007 and could continue to create a challenging operating environment for financial institutions. Actual or potential such adverse changes have resulted and could result, in particular, from a deterioration in credit market conditions, regional or global recessions, fluctuations in commodity prices (including oil), increases or decreases in interest rates, inflation or deflation, and adverse geopolitical events (such as natural disasters, acts of terrorism and military conflicts).

Significant declines in housing markets globally, and particularly the United States, starting in 2007 and accelerating in 2008, with falling residential real estate prices and increasing foreclosures negatively affected the credit performance of mortgage loans and securities backed by them, particularly of the "subprime" variety, and resulted in significant write-downs of asset values by financial institutions around the world. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, caused many financial institutions around the world, and particularly in the United States and Europe, to seek additional capital, to merge with other institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit conditions have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility, steep declines in stock market indices and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected the results of operations and financial condition of financial institutions globally.

A continuation or worsening of adverse market and economic conditions could exacerbate their effects on financial institutions generally and the Bank in particular. In addition to the risks discussed elsewhere in this section, the Bank could face the following risks in connection with these events:

- market developments and adverse economic conditions may continue to affect consumer confidence levels and cause changes in payment patterns, causing increases in delinquencies and default rates, which would increase the Bank's cost of risk. These developments and conditions could lead to a continued increase in the rate of defaults by corporate borrowers, which constitute a substantial portion of the Bank's borrower base, and continued reduction in the credit-worthiness of, or demand for credit by, corporate borrowers;

- the Bank's ability to issue debt on the market, to borrow from other financial institutions or to engage in securitization funding transactions on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by rating agencies (such as the recently announced downgrading by Standard & Poors of the Bank's long term rating from AA+ to AA with negative outlook) and deteriorating investor expectations;

- equity markets in France, in Europe and elsewhere may continue to decline or experience continued high or even increased volatility, which could lead to further trading and investment losses or a further decline in capital markets transactions, cash inflows and commissions from asset management.

There can be no assurance that legislative action and other measures taken by governments and regulators in France or globally will fully and promptly stabilize the financial system, and the Bank and its shareholders may be adversely affected by measures taken in connection with such legislation.

In response to the financial crisis, governments and regulators have enacted legislation and taken measures to help stabilize the financial system and increase the flow of credit to the economy. These measures have included the purchase or guarantee of distressed or illiquid assets; recapitalization through the purchase of securities issued by financial institutions (including ordinary shares, preferred shares, or hybrid or quasi-equity instruments); government guarantees of debt issued by financial institutions; and government-sponsored mergers and acquisitions of and divestments by financial institutions. In France, the government is implementing a program in two parts: the creation of a liquidity facility for financial institutions through a French State-guaranteed special purpose company, and the purchase by another French State-guaranteed special purpose company of preferred shares or hybrid super-subordinated securities issued by financial institutions. In each case, financial institutions must undertake to make loans to finance economic activity, and to abide by ethical obligations relating to themselves and their management (including compensation policy). In connection with this program, on December 11, 2008, the Bank issued €2.55 billion of undated super-subordinated notes, the proceeds of which constitute Tier 1 capital, to a French State-owned entity. On March 31, 2009, the Bank issued €5.1 billion of non-voting shares to the French State, the proceeds of which constitute "core Tier 1," and redeemed the previously-issued undated super-subordinated notes.

There can be no assurance as to the actual impact that these measures and related actions will have on the financial markets generally and on the Bank specifically, including the extreme levels of volatility and limited credit availability that has characterized the market for some time. The failure of these measures and related actions to help stabilize the financial markets and a continuation or worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, materially and adversely affect the Bank's business, financial condition, results of operations, access to credit or the trading price of the Bank's securities.

In addition, the Bank made several undertakings to the State in connection with the above-referenced issuance of non-voting shares, including not to buy back shares for so long as the shares are held by the State (except buybacks necessary to deliver shares under employee shareholding programs or in connection with the Bank's ordinary course business), and to increase by 4% in 2009 its outstanding loans to borrowers in France. The increased lending commitment could expose the Bank to further credit risk to the extent it entails any lowering of lending standards. The limitation on share buy-backs and potentially, as has been required in connection with government assistance in countries other than France, on dividend payments, could reduce the returns to the Bank's shareholders. Finally, a number of conditions were required by the European Commission in connection with its finding that the French bank recapitalization program was compatible with European State aid regulations. If these conditions were not respected by the French State or the Bank, the Bank could be become ineligible for future State aid or be required to reimburse aid already received.

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

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in private equity, property and other assets. These positions could be adversely affected by volatility in financial and other markets, i.e. the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. The capital and credit markets have been experiencing unprecedented volatility and disruption since mid-2007 and particularly since the bankruptcy filing of Lehman Brothers in mid-September 2008, and as a result the Bank incurred significant losses on its trading and investment activities in the fourth quarter of 2008. There can be no assurance that this extreme volatility and market disruption will not continue in the near future and that the Bank will not continue to incur substantial losses on its trading activities as a result. Volatility trends that prove substantially different from the Bank's expectations may lead to losses relating to a broad range of other trading and hedging products the Bank uses, including swaps, forwards and futures, options and structured products.

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

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 increases in non-performing assets or for other reasons, as was the case in the second half of 2008. 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 generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.

The recent market downturn has led to a decline in the volume of transactions that the Bank executes for its clients and, therefore, to a decline in its net banking income from this activity. There can be no assurance that this trend will not continue in the future. 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.

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

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

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

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

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

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. A recent example is the fraud allegedly 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 of various types, claims in the context of the bankruptcy proceedings of Bernard Madoff Investment Services (BMIS), and other potential claims relating to counterparty or client investments made, directly or indirectly, in BMIS or other entities controlled by Bernard Madoff.

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.

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to the Bank's ability to attract and retain customers. The Bank's reputation could be harmed if it fails to adequately promote and market its products and services. The Bank's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Bank's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. At the same time, the Bank's reputation could be damaged by, employee misconduct, misconduct by market participants or funds 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 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 supervisory and regulatory regimes in the countries in which it operates.

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

The Group's businesses and earnings can be affected by fiscal measures and other policies adopted by regulatory authorities in France and other European Union countries, foreign governments or international agencies. The agencies regulating the financial services industry also periodically adopt changes to their regulations. The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond the Group's control. In light of current conditions in financial markets, regulators have increased their focus on the regulation of the financial services industry and are considering substantial changes to applicable regulatory regimes. The Bank is unable to predict the nature and extent of possible future changes to regulations applicable to it. Any such changes could affect the Bank in substantial and unpredictable ways and could have an adverse effect on its business, financial condition and results of operations. Compliance with such regulation may increase the Bank's costs and limit its ability to pursue business opportunities. Such changes could include, but are not limited to, the following:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to applicable capital adequacy frameworks;
- changes in tax legislation or the application thereof;
- changes in competitive environment and prices;
- changes in the financial reporting environment; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership.

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 in the recent period, the models and approaches it uses become less predictive of future behaviors, 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 in periods of market disruption not be capable of accurate estimation and which may, 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 modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

The Bank's hedging strategies may not prevent losses.

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

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

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

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

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

The Bank may not achieve the expected benefits from the recent acquisition of Fortis operations in Belgium and Luxembourg, and the integration process may disrupt operations.

On October 6, 2008, the Bank announced its intention to take control of Fortis' operations in Belgium and Luxembourg, as well as its international banking franchises. On March 8, 2009, the Bank announced the terms of a new agreement on the acquisition. On April 28 and 29, 2009, the transaction was approved by Fortis shareholders, and the transaction closed on May 13, 2009. See "Recent Developments—Acquisition of Fortis' banking activities in Belgium and Luxembourg and international banking franchises."

The success of the Fortis transaction will depend, in part, on the Bank's ability to realize the anticipated benefits and cost savings from the combination. If the Bank is unable to successfully combine its businesses with the acquired operations, the anticipated benefits and savings may not be realized fully or at all or may take longer to realize than expected.

Integrating the operations of an acquired business is a complex and lengthy process. Successful integration and the achievement of synergies requires, among other things, the satisfactory coordination of business development and marketing efforts, the retention of key management personnel, effective hiring and training policies and the alignment of information and software systems. Any difficulties encountered in combining operations could result in higher integration costs and lower savings or revenues than expected. Accordingly, there can be no assurances as to the extent to which the 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 Fortis operations could interfere with the activities of one or more of their businesses and divert management's attention from other aspects of the Bank's operations, which could have an adverse effect on the Bank's operations and results.

The Fortis transaction may increase the Bank's exposure to asset quality problems and higher provisions.

The structure for the Fortis transaction includes the ring-fencing of complex structured assets that were transferred to a special purpose vehicle. The Bank is therefore exposed to losses on a portfolio of assets identified as distressed or illiquid. Moreover, there can be no assurance that the Bank will not increase its exposure to asset quality problems and incur higher provisions as a result of the transaction, particularly since it did not have the opportunity to conduct due diligence on Fortis in advance of announcing the acquisition and it intends to apply its existing provisioning policies and procedures to the acquired Fortis Bank operations' credit portfolio.

Many of the difficult market conditions that the Bank faces have had an adverse impact on Fortis as well.

Fortis and its business are subject to many of the same difficulties resulting from the market turmoil and tightening of credit as the Bank. The main categories of risks inherent in Fortis Bank's activities are largely the same as the Bank's, although Fortis Bank may face risks in addition to those the Bank faces. Valuation of Fortis Bank's exposure to risks will continue to be affected by external market factors, including default rates, rating agency actions, and the prices at which observable market transactions occur and the continued availability of these transactions. Fortis Bank's ability to mitigate its risk by selling or hedging its exposures is also limited by the market environment, and its future results may continue to be affected by the adjustments applied to these positions. Many of the risks discussed above relating to the financial institutions industry, the difficult market conditions that exist in the Bank's industry, the volatility of the capital and credit markets and the Bank's credit risks apply to Fortis Bank as well. Certain of these risks may have a differing impact, which in certain cases may be, or may have been, more adverse with respect to Fortis Bank than with respect to the Bank.

Litigation in connection with the Fortis transaction could have an adverse impact on the integration process and on the Bank.

A number of judicial proceedings have been commenced in connection with the Fortis transaction and there can be no assurance that further litigation will not arise in the future. The Bank is unable to predict the outcome of these proceedings. A negative outcome in one or more judicial proceedings could have a material adverse effect on the transaction generally and on the Bank's operations, prospects and results.

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group as of December 31, 2008, 2007, 2006 and 2005 and January 1, 2005 and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004.

The selected financial data for the Group as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2008, 2007 and 2006 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2008 and for the year ended December 31, 2008 and as of December 31, 2007 and for the year ended December 31, 2007, including comparative columns for the year ended December 31, 2006, incorporated by reference herein.

The audited consolidated financial statements of the Group as of and for the years ended December 31, 2008, 2007 and 2006 and the financial statements from which they are derived have been prepared in accordance with IFRS as adopted by the European Union. For a discussion of the Group's transition to IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the year ended December 31, 2005. As discussed therein, there are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS"). Given that the principles for recognition, classification and measurement of financial instruments under EU-IFRS vary significantly from the principles that applied under 2004 IFRS, the effects on the balance sheets of banks are particularly substantial. As a result, the Group decided to disclose not only the effects on the balance sheet at December 31, 2004 of the transition from French GAAP to 2004 IFRS, but also the effects of the transition from 2004 IFRS to EU-IFRS. This has been done by preparing a balance sheet at January 1, 2005 under EU-IFRS. Consequently, this balance sheet and the notes thereto serve as the basis for the comparisons in the table below with the balance sheet as at December 31, 2005.

BNP Paribas Group Consolidated Income Statement (IFRS)	Year ended December 31, 2008	2007	2006	2005*	2004*
	(in millions of euros)				
Net interest income[(1)]	13,498	9,708	9,124	7,733	7,554
Net commission income[(1)]	5,859	6,322	6,104	4,547	4,373
Net gain on financial instruments at fair value through profit or loss[(2)]	2,693	7,843	7,573	5,212	3,366
Net gain on available-for-sale financial assets[(3)]	464	2,507	1,367	1,353	1,450
Net income from other activities	4,862	4,657	3,775	3,009	2,626
Net banking income	**27,376**	**31,037**	**27,943**	**21,854**	**19,369**
Operating expense and depreciation	(18,400)	(18,764)	(17,065)	(13,369)	(12,043)
Gross operating income	**8,976**	**12,273**	**10,878**	**8,485**	**7,326**
Cost of risk	(5,752)	(1,725)	(783)	(610)	(685)
Operating income	**3,224**	**10,548**	**10,095**	**7,875**	**6,641**
Share of earnings of associates	217	358	293	352	407
Net gain on non-current assets	481	153	195	211	64
Change in value of goodwill	2	(1)	(13)	(14)	7
Income taxes	(472)	(2,747)	(2,762)	(2,138)	(1,764)
Minority interests	431	(489)	(500)	(434)	(416)
Net income attributable to the BNP Paribas Group	**3,021**	**7,822**	**7,308**	**5,852**	**4,939**

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

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

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

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

BNP Paribas Group Consolidated Balance Sheet (IFRS)	At December 31, 2008	At December 31, 2007	At December 31, 2006	At December 31, 2005	At January 1, 2005
	(in millions of euros)				
Assets					
Cash and amounts due from central banks and post office banks	39,219	18,542	9,642	7,115	6,888
Financial assets at fair value through profit or loss	1,192,271	931,706	744,858	700,525	539,510
Derivatives used for hedging purposes	4,555	2,154	2,803	3,087	2,581
Available-for-sale financial assets	130,725	112,594	96,739	92,706	75,778
Loans and receivables due from credit institutions	69,153	71,116	75,170	45,009	40,983
Loans and receivables due from customers	494,401	445,103	393,133	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios	2,541	(264)	(295)	(61)	-
Held-to-maturity financial assets	14,076	14,808	15,149	15,445	26,130
Current and deferred tax assets	6,055	2,965	3,443	2,135	2,140
Accrued income and other assets	82,457	60,608	66,915	65,327	41,332
Investments in associates	2,643	3,333	2,772	1,823	2,720
Investment property	9,920	6,693	5,813	5,255	4,551
Property, plant and equipment	14,807	13,165	12,470	9,213	8,159
Intangible assets	1,810	1,687	1,569	1,225	1,175
Goodwill	10,918	10,244	10,162	8,079	6,328
Total Assets	2,075,551	1,694,454	1,440,343	1,258,079	1,002,503
Liabilities and Shareholders' Equity					
Due to central banks and post office banks	1,047	1,724	939	742	256
Financial liabilities at fair value through profit or loss	1,054,802	796,125	653,328	610,681	457,126
Derivatives used for hedging purposes	6,172	1,261	1,335	1,015	450
Due to credit institutions	186,187	170,182	143,650	118,893	100,188
Due to customers	413,955	346,704	298,652	247,494	211,487
Debt securities	157,508	141,056	121,559	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios	282	20	367	901	1,022
Current and deferred tax liabilities	3,971	2,475	2,306	2,206	1,653
Accrued expenses and other liabilities	83,434	58,815	53,661	48,446	34,056
Technical reserves of insurance companies	86,514	93,320	87,044	76,523	64,518
Provisions for contingencies and charges	4,388	4,738	4,718	3,850	3,983
Subordinated debt	18,323	18,641	17,960	16,706	13,042
Minority interests in consolidated subsidiaries	5,740	5,594	5,312	5,275	4,814
Shareholders' equity (group share)	53,228	53,799	49,512	40,718	32,311
Total Liabilities and Shareholders' Equity	2,075,551	1,694,454	1,440,343	1,258,079	1,002,503

BNP Paribas Group Capital Ratios (IFRS)	At December 31,			
	2008	**2007**	**2006**	**2005**
Total ratio	11.1%	10.2%	10.5%	11.0%
Tier 1 ratio	7.8%	7.1%	7.4%	7.6%
Risk-weighted assets (in € billions)	535	533	463	378

CAPITALIZATION OF THE GROUP

Except as set forth in this section, there has been no material change in the capitalization of the Group since March 31, 2009.

The following table sets forth the consolidated capitalization of the Group as of March 31, 2009 and December 31, 2008.

(in millions of euros)	**As of March 31, 2009 (unaudited)**	**As of December 31, 2008**
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	39,047	44,205
Other debt securities	44,367	41,765
Subordinated debt	15,848	16,273
Total Medium- and Long-Term Debt	**99,262**	**102,243**
Shareholders' Equity		
Issued capital (2)	2,198	1,824
Additional paid-in capital	11,630	12,004
Preferred shares and equivalent instruments(3)	13,083	10,521
Retained earnings(4)	31,647	29,502
Unrealized or deferred gains and losses attributable to shareholders	(3,375)	(1,530)
Undated participating subordinated notes(5)	270	270
Undated subordinated FRNs(6)	860	843
Total Shareholders' Equity	**56,313**	**53,434**
Minority interests(7)	5,550	5,395
Total Capitalization	**161,125**	**161,072**

Notes:

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

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

Euro against foreign currency – as of April 30, 2009: CAD = 1.582104; GBP = 0.894593093; CHF = 1.51069314; HKD = 10.27740765; JPY = 130.872811; USD = 1.3261.

2) The number of shares outstanding has increased since December 31, 2008. BNP Paribas' share capital was modified on January 23, 2009 and March 31, 2009: it stood at €2,198,641,552 divided into 912,096,107 common shares with a par value of €2 per share, and 187,224,669 non voting shares with a par value of €2 per share, all fully paid. Subsequently, in connection with the closing of the Fortis transaction, BNP Paribas' share capital was increased on May 13, 2009 by the issuance of 133,435,603 new common shares with a par value of €2 each: as of such date, it therefore stood at €2,465,512,758 divided into 1,045,531,710 common shares with a par value of €2 per share and 187,224,669 non voting shares with a par value of €2 per share, all fully paid.

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% 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 3-month USD Libor plus a margin equal to 1.68% per annum.

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 3-month Euribor plus a margin equal to 1.69% per annum, payable quarterly in arrears on January 12, April 12, July 12 and October 12 of each year commencing on July 12, 2016. As from April 12, 2016, BNP Paribas SA may redeem the notes at par on each interest payment date.

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 3-month GBP LIBOR plus a margin equal to 1.13% per annum, payable quarterly in arrears on January 19, April 19, July 19 and October 19 of each year commencing on July 19, 2016. As from July 19, 2016, BNP Paribas 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 3-month Euribor plus a margin equal to 1.92% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2026.

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

In April 2007, BNP Paribas 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 3-month Euribor plus a margin equal to 1.72% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on July 13, 2017.

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 3-month USD Libor plus a margin equal to 1.29% per annum.

In October 2007, BNP Paribas SA issued GBP200 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 3-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 3-month Euribor plus a margin equal to 3.750% 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 3-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 7.570% 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 3-month Euribor plus a margin equal to 3.925% per annum.

In December 2008, BNP Paribas SA issued €2.55 billion of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.75% 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 3-month Euribor plus a margin equal to 4.55% per annum. These were redeemed in March 2009.

In March 2009, BNP Paribas SA issued €5.1 billion of preferred shares. They are eligible for a dividend equal to 105% of the dividend paid to holders of common shares for the 2009 fiscal year, 110% for the 2010 fiscal year, 115% for 2011 fiscal year to the 2017 fiscal year, and 125% for the 2018 fiscal year and thereafter, subject to the floors and ceilings set forth below. They are not eligible for any dividend with respect to a given financial year if no dividend is paid to holders of common shares with respect to such year. The floor is equal to 7.65% of the issue price (absent a loss absorption) for the fiscal year ended December 31, 2008 pro rata temporis, i.e. €1.6 per share, plus 25 basis points for each subsequent fiscal year until 2014, resulting in a floor of 8.90% for the 2014 fiscal year and subsequent fiscal years. The ceiling is 14.80%, i.e. €4.1 per share.

4) After estimated distribution and deduction at cost of 3,998,016 BNP Paribas shares held by BNP Paribas as at December 31, 2008 and 2,345,072 BNP Paribas shares held by BNP Paribas as at March 31, 2009.

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

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

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

In October 2001, BNP Paribas Capital Preferred III LLC, a wholly-owned subsidiary of BNP Paribas, issued €500 million of noncumulative preferred securities, via BNP Paribas Capital Trust III. They pay a contractual dividend of 6.625% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

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

In January 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.

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, 2008 as compared to the year ended and as of December 31, 2007, and for the year ended and as of December 31, 2007 as compared to the year ended December 31, 2006. 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, 2008 and 2007 and as of and for the years ended December 31, 2007 and 2006.

Economic Conditions

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

	2006	2007	2008
French GDP[1]	2.4%	2.1%	0.7%
Eurozone GDP[2]	2.9%	2.6%	0.8%
U.S. GDP[3]	2.8%	2.0%	1.1%
Short-term interest rates (3-month Euribor)[4]	3.73%	4.68%	2.89%
Long-term interest rates (France)[5]	3.99%	4.42%	3.41%
S&P 500*	13.6%	3.53%	-38.49%
FTSE 100*	10.7%	3.80%	-31.33%
CAC 40*	17.5%	1.31%	-42.68%

1 Source: IMF.
2 Source: Eurostat
3 Source: U.S. Bureau of Economic Analysis
4 Source: Banque de France
5 Source: Banque de France
* Percent change from January 1 through the end of the period.

In 2006, global economic growth was vigorous, including in the United States where growth was strong despite a slow-down at year-end. Oil prices peaked in the middle of 2006, and then significantly decreased in the second half of the year. The first half of 2007 was marked by continued overall growth against the backdrop of continued depreciation of the U.S. dollar against the euro.

In 2006, the main stock market indices ended the year at five-year highs, notwithstanding tensions due to higher oil prices. This trend continued in the first half of 2007, with the main stock market indices reaching record highs in October 2007, followed by a sustained drop in response to the credit crisis, with an overall result for 2007 being generally small gains.

Beginning in the summer of 2007, the global economy was negatively affected by the housing market downturn in the United States, which led to reduced demand for securitized assets and for credit instruments. This in turn led to a broad-based increase in the premiums expected by investors to cover the risk from non-sovereign issuers. With spreads becoming too expensive for certain issuers, the long-term fixed income market contracted sharply, while structured products with a concentrated issuer risk fell in value. The discount on debt products affected debt syndications that were in the process of being arranged when the crisis erupted. In particular, banks that were lead-managing leveraged buy-outs experienced a fall in value of the instruments they were planning to sell to other banks, due to the sharp deterioration in market conditions since they made their initial commitment to the borrower. The liquidity crisis triggered by the risk-averse climate also affected the rollover of short-term issues by securitization conduits. Certain banks that manage their own conduits had to provide replacement financing, thereby increasing their own positions in the asset classes held by the conduits. Lastly, money market funds significantly reduced their investments in short-term assets and focused on overnight investments. This created an imbalance on the money markets and an unusually broad spread between overnight rates and short-term rates, leading to an increase in banks' financing costs. Overall growth for 2007 was lower than in previous years as a result of these factors, particularly in the United States.

The U.S. housing market slowdown that started in the second half of 2007 extended into 2008, making investors wary of structured financial instruments derived from securitization transactions. This in turn affected the market prices of these instruments and the parameters used to value them, and these factors continue to deteriorate. The prolonged U.S. housing market collapse also highlighted the fragile financial health of monoline insurers, or the companies that had guaranteed securitized mortgage assets – especially in the case of subprime mortgages. Rating agencies cut the credit ratings of some monolines, increasing the risk premium on the securities issued by these insurers and consequently impairing their value. Two monoline insurers were able to negotiate commutation agreements with their counterparties for their riskiest commitments, but based on heavily discounted prices.

The financial crisis intensified dramatically on September 15, 2008 when Lehman Brothers declared bankruptcy. The decision by the U.S. government not to bail out Lehman Brothers – even though public backing had already been given to many financial institutions weakened by the crisis – crystallized the systemic risk inherent in the failure of a bank Lehman's size and the web of ties that Lehman had with other players across the financial sector. These other market participants suffered direct losses from their exposure to "Lehman risk", which weighed significantly on their second half 2008 earnings.

The U.S. government's decision had considerable ramifications. 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. These measures helped ease interbank lending rates, after interbank spreads had peaked at 400 basis points for the dollar and 150 basis points for the euro. Spreads on medium-term debt also widened sharply, but to markedly different degrees depending on the market's assessment of the issuer's ability to weather the financial crisis on solid footing.

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. As a result, the governments of the main countries affected by the crisis adopted exceptional measures involving huge sums of money, which were deployed to recapitalise troubled financial institutions and provide guarantees. Entire swathes of the financial sector fell under state control. Companies with less exposure to the crisis still had to shore up their equity to some extent, in order to meet prudential requirements amid the unprecedented uncertainty.

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. Banks' provisions escalated in the fourth quarter of 2008 – particularly noteworthy since their provisions had been exceptionally low in the years preceding the crisis.

The Lehman Brothers bankruptcy announcement sent the already bearish equity markets reeling. Stock market indices tumbled an average of 20% in the fourth quarter of 2008, after falling by approximately 30% in the first three quarters. Banks, along with all market participants, were compelled to recognize hefty write-downs on their equity holdings.

However, beyond the impact to the equity markets, the Lehman Brothers collapse triggered an unparalleled dislocation across all financial markets that was reflected in extreme shocks due to high volatility and an unprecedented level of correlation. These factors weighed heavily on the performance of financial market players, most notably hedge funds that suffered large losses. Hedge fund managers had no choice but to slash their funds' investments in order to restore debt-to-equity ratios, and this large-scale unwinding of positions drove the markets even lower. Hedge fund managers also had to cope with substantial redemption requests from investors. The ensuing pressure on hedge funds helped reveal instances of fraud such as that perpetrated by Bernard Madoff, a fraud of unparalleled scale.

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. In 2006, the Group's dollar-denominated earnings decreased in value as the dollar maintained a moderate downward trend against the euro, which continued and accelerated through most of 2007. This downward trend continued through the first half of 2008, with the dollar reaching new lows in the summer. The second half of 2008 generally saw the dollar regain some lost ground against the euro, ending the year at the rate of 1.39 dollars per one euro. For more information on the euro/dollar exchange rates for the period under review, see "Exchange Rate and Currency Information".

Basis of Presentation

General

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 3 of the audited consolidated financial statements as of and for the year ended December 31, 2008 for further segment information.

The divisional analysis is prepared on a basis that ensures the comparability of results across the Group's divisions by assuming a consistent allocation of Group capital across those divisions. Imputed revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division generally corresponds to the amount required to comply with international capital adequacy ratios and is based on 6% of risk-weighted assets. 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 50% of the net asset value of investments in credit and financial institutions, and, if applicable, 50% of the equity tranches from securitization transactions if these transactions are deducted from prudential capital. The capital allocated to the Insurance business is equal to the solvency requirement calculated according to insurance regulations.

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

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

Reclassification of financial instruments held for trading and initially recognized at fair value through profit or loss

The crisis that shook financial markets worldwide in the second half of 2007 continued through 2008, reaching an unprecedented scale in the fourth quarter of 2008. The effects of the crisis had a particularly significant effect on the volume and duration of interbank financing transactions, the volume and conditions of syndicated leveraged loans, and the trading of structured instruments arising from securitization transactions. The crisis also made liquidity scarce in numerous markets and market segments, and did away with almost all reliable market transactions or reference points for a large number of financial instruments.

These exceptional circumstances prompted the Group to change its accounting treatment of financial instruments initially held for trading. While the Group originally intended to sell these assets, they are now being held within customer loan portfolios or as securities available for sale. The Group has therefore reclassified these assets into the corresponding categories allowed by the amendments to IAS 39 and IFRS 7 adopted by the European Union on October 15, 2008. For a discussion of the amendment to IAS 39, relating to the "fair value option," see Note 1.c.11 to the consolidated financial statements for the year ended December 31, 2008, incorporated by reference herein. For a discussion of the assets that were reclassified in the fourth quarter of 2008, see Notes 1.c.6 and 5.a to the consolidated financial statements for the year ended December 31, 2008, incorporated by reference herein.

Transition from Basel I to Basel II

Following the implementation as of January 1, 2008 of the Basel II capital adequacy ratio, BNP Paribas modified its capital allocation framework. As of January 1, 2008, Basel II risk-weighted assets replaced Basel I risk-weighted assets as the basis for the calculation of capital allocation based on 6% of risk-weighted assets.

Given the broader scope of risks included in the Basel II framework (credit, counterparty, market, equity holdings, operational), the additional amounts previously allocated to cover risks not included in the Basel I framework are no longer relevant. Solely capital allocated to the insurance business remains calculated on the basis of the solvency margin, in accordance with insurance regulations.

Core businesses benefit from the income on the capital allocated to them. This change in the prudential framework had an impact on the normative equity allocated to each business line, and thus the revenue with normative equity, the net income (pretax) and the pretax ROE of the businesses. As a result, annual results for the year ended December 31, 2007 have been restated to serve as a basis for comparison with the results for the year ended December 31, 2008, which reflect the new capital allocation method. The comparison of annual results for the years ended December 31, 2007 and December 31, 2006, however, have not been restated to reflect the implementation of the Basel II framework.

Year Ended December 31, 2008 as Compared with Year Ended December 31, 2007

The following discussion presents the financial condition of the BNP Paribas Group as of December 31, 2008 as compared to December 31, 2007, as well as the results of operations for the BNP Paribas Group for the year ended December 31, 2008 as compared to the year ended December 31, 2007. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

The comparability of the Group's results generally between the year ended December 31, 2008 and the year ended December 31, 2007 is affected by the impact of the acquisition of 50% of the capital of SREI Equipment Finance Private Limited in April 2008 (proportionately consolidated in the second half of 2008), 100% of Banco BGN in October 2008 (consolidated as of its acquisition date), Klépierre's acquisition of 56.1% of Steen & Strom Group in October 2008 (consolidated as of its acquisition date) and Bank of America's prime brokerage business in September 2008, as well as the reclassification of certain financial instruments as noted above.

Overview

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**27,376**	**31,037**	**-11.8%**
Operating expenses and depreciation	(18,400)	(18,764)	-1.9%
Gross operating income	**8,976**	**12,273**	**-26.9%**
Provisions	(5,752)	(1,725)	nm
Operating income	**3,224**	**10,548**	**-69.4%**
Share of earnings of associates	217	358	-39.4%
Other non-operating items	483	152	nm
Total non-operating items	**700**	**510**	**+37.3%**
Pre-tax income	**3,924**	**11,058**	**-64.5%**
Tax expense	(472)	(2,747)	-82.8%
Minority interests	(431)	(489)	-11.9%
Net income Group share	**3,021**	**7,822**	**-61.4%**
Cost/income ratio	**67.2%**	**60.5%**	**+6.7 pts**

Despite an unprecedented financial crisis, BNP Paribas' consolidated net banking income decreased by a relatively limited 11.8% to €27,376 million in 2008, due to the good resiliency of the results of its Retail Banking and AMS divisions.

As a result of cost-cutting measures in all business units and a substantial reduction in bonuses, operating expenses were limited to €18,400 million (down 1.9% from 2007).

The economic downturn, most notably in Spain, the US, and later the Ukraine, combined with numerous counterparty defaults in the dislocated financial markets (a negative impact of over €2 billion impact for the year) pushed provisions up to €5,752 million, or over triple the 2007 level. The Group considers, however, that its corporate loan portfolio remains of good quality with no significant deterioration in 2008. The household indebtedness ratios in France and in Italy, the Group's two domestic markets, are the lowest in Europe.

2008 saw sharp declines in equity markets, with the Eurostoxx 50 plummeting 44.3%. These equity market losses resulted in an impairment charge of €544 million to the Group's listed investment portfolio and of €215 million to the Insurance business.

Pre-tax net income totalled €3,924 million, compared with €11,058 million in 2007. This profit stemmed from the relative strength of Retail Banking and AMS, and their ability to generate returns on pre-tax allocated capital of 25% and 28%, respectively. CIB posted a net loss of €1,189 million in the wake of extremely violent market conditions at the end of the year. This loss was relatively limited, however, in comparison with losses in similar activities in other banks.

Net income Group share was €3,021 million in 2008, compared with €7,822 million in 2007.

Results of operations by division

Corporate and Investment Banking (CIB)

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**4,973**	**8,171**	**-39.1%**
Operating expenses and depreciation	(3,711)	(4,785)	-22.4%
Gross operating income	**1,262**	**3,386**	**-62.7%**
Provisions	(2,477)	(28)	nm
Operating income	**(1,215)**	**3,358**	**nm**
Share of earnings of associates	1	8	-87.5%
Other non-operating items	25	89	-71.9%
Pre-tax income	**(1,189)**	**3,455**	**nm**
Cost/income ratio	74.6%	58.6%	+16.0 pts
Allocated equity (in billions of euros)	10.3	9.5	+9.0%

Net banking income at CIB fell 39.1% in 2008 to €4,973 million, as the business suffered from unprecedented market dislocations following the bankruptcy of Lehman Brothers. Fair value adjustments for the year totalled €2 billion, compared with €819 million in 2007.

The drying-up of liquidity accentuated the sudden, severe collapse in equity markets, the sharp rise in volatility, the closer correlations among stocks and among indices, and the dislocation of ordinary course hedging positions. This accumulation of dire conditions in all markets caused CIB's market-related business to generate losses of €1,149 million in the fourth quarter of 2008. Client business remained robust, however, thanks in particular (the Group believes) to the strengthening of the attractiveness of this franchise.

Performance varied substantially among the business units in 2008. Net banking income at Equity and Advisory came in at negative €341 million for the year, while net banking income at Fixed Income reached €2,407 million. The financing businesses posted a solid €2,907 million of net banking income amid a market trend toward reintermediation.

The accounting reclassifications that were performed from the trading book to the banking book pursuant to the amendment to IAS 39 related to €7.8 billion in assets, mostly in Fixed Income. After the reclassification, these assets contributed €78 million to pre-tax income. Had these assets not been reclassified, the change in fair value after the reclassification date would have resulted in recording a €424 million loss on December 31, 2008. See "—Basis of Presentation—Reclassification of financial instruments held for trading and initially recognized at fair value through profit or loss."

CIB's operating expenses fell 22.4%, resulting in particular from a sharp decrease in bonuses, to €3,711 million in 2008.

Provisions were again heavily impacted by risks in capital markets, and rose sharply to €2,477 million (including €974 million related to monoline insurers, €326 million related to Lehman Brothers, and €345 million related to the Madoff fraud).

In total, CIB generated a pre-tax loss of €1,189 million in 2008, as compared to a profit of €3,455 million in 2007.

Advisory and Capital Markets

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**2,066**	**5,567**	**-62.9%**
of which Equity and Advisory	*(341)*	*2,772*	*nm*
of which Fixed Income	*2,407*	*2,796*	*-13.9%*
Operating expenses and depreciation	**(2,607)**	**(3,588)**	**-27.3%**
Gross operating income	**(541)**	**1,979**	**nm**
Provisions	(2,122)	(65)	nm
Operating income	**(2,663)**	**1,914**	**nm**
Share of earnings of associates	1	8	-87.5%
Other non-operating items	25	38	-34.2%
Pre-tax income	**(2,637)**	**1,960**	**nm**
Cost/income ratio	126.2%	64.5%	+61.7 pts
Allocated equity (in billions of euros)	3.8	3.3	+15.4%

Equity and Advisory posted a solid first nine months of 2008, but suffered in the fourth quarter due to unprecedented market dislocation (volatility, dividends, correlations).

Equity derivatives exposure, mostly generated by client related business, had already been steadily reduced since the beginning of the crisis, as shown by the stability of the value at risk in the first nine months of 2008 despite higher volatility. The management of the books turned out to be very costly, however, in the context of the sudden and violent dislocation of various market parameters in the fourth quarter:

- volatility rising to unprecedented levels;
- sudden decline in dividend payout ratios anticipated by the market;
- sharp increase in the correlations among equities and among indices.

As liquidity evaporated, these exposures were amplified by unprecedented volatility and numerous stresses that generated repeated daily losses. Strong measures to reduce market risks were then taken. They entailed reinforcing hedging despite the high cost, reducing positions that had become illiquid as well as the sensitivity to stress tests.

Fixed Income held up well in relative terms, generating €2,407 million of revenue. Customer demand remained buoyant despite difficult markets, especially in interest rate and currency activities. However, the magnitude of the market movements triggered losses on positions associated with basis risk, and led to a sizable increase in credit adjustments on derivative counterparties (negative €1,635 million), in particular on monoline insurer counterparties (negative €914 million).

Operating expenses fell 27.3% in 2008 to €2,607 million.

Provisions were affected by defaulting counterparties (monolines, Lehman Brothers, Madoff and other market counterparties), and jumped to €2,122 million in 2008, from €65 million in 2007.

Financing Businesses

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**2,907**	**2,604**	**+11.6%**
Operating expenses and depreciation	(1,104)	(1,197)	-7.8%
Gross operating income	**1,803**	**1,407**	**+28.1%**
Provisions	(355)	37	nm
Operating income	**1,448**	**1,444**	**+0.3%**
Non-operating items	0	51	nm
Pre-tax income	**1,448**	**1,495**	**-3.1%**

Cost/income ratio	38.0%	46.0%	-8.0 pts
Allocated equity (in billions of euros)	6.6	6.2	+5.6%

The financing businesses had an excellent 2008 and confirmed their status as a stable source of revenue. Net banking income totalled €2,907 million and grew markedly across the board thanks to strong demand for loans amid a market trend toward reintermediation. Margins increased in line with the higher cost of capital and reduced liquidity.

This performance confirms BNP Paribas' leadership in financing the real economy, especially in sectors such as energy, commodities, asset financing, and corporate acquisitions.

Operating expenses decreased by 7.8% in 2008 to €1,104 million.

Provisions were €355 million, after a €37 million write back in 2007, due to adverse market conditions. The good quality, granularity and diversity (by geography and industry) of the loan portfolio limited the overall amount of provisions.

This good operating performance as well as close monitoring of the increase in risk-weighted assets resulted in a return on allocated capital of 22%.

Asset Management & Services

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**4,935**	**5,264**	**-6.3%**
Operating expenses and depreciation	(3,423)	(3,369)	+1.6%
Gross operating income	**1,512**	**1,895**	**-20.2%**
Provisions	(207)	(7)	nm
Operating income	**1,305**	**1,888**	**-30.9%**
Share of earnings of associates	8	17	-52.9%
Other non-operating items	(3)	10	nm
Pre-tax net income	**1,310**	**1,915**	**-31.6%**
Cost/income ratio	69.4%	64.0%	+5.4 pts
Allocated equity (in billions of euros)	4.7	4.1	+12.5%

The strong attractiveness of the AMS franchise was confirmed by its ability to collect €11 billion in net assets in 2008, making BNP Paribas one of the few banks that recorded a net inflow.

The division's business units continued to gain market share, most notably Private Banking, ranked sixth in the world by Euromoney (up three places), and Asset Management, which grew its French market share by 1.7 point to 9.9% (source: Europerformance, Dec. 2008).

Net banking income totalled €4,935 million, down 6.3% from 2007 as a result of a 13.8% decrease in the value of assets under management, a concentration of asset inflows in short-term products with lower added value, and a €215 million fair value adjustment to the Insurance business' equity portfolio. Netting out the latter effect, the drop in net banking income was only 1.7%. Revenue from Securities Services increased 12.2% in 2008 and continued to benefit from high transaction volumes.

Operating expenses edged up 1.6% in 2008, reflecting the flexibility of the businesses most affected by the market turmoil.

In spite of the crisis, AMS managed to generate a positive pre-tax net income of €1,310 million.

Wealth & Asset Management (WAM)

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**2,373**	**2,719**	**-12.7%**
Operating expenses and depreciation	(1,755)	(1,828)	-4.0%
Gross operating income	**618**	**891**	**-30.6%**
Provisions	(24)	(4)	nm
Operating income	**594**	**887**	**-33.0%**
Share of earnings of associates	4	1	nm
Other non-operating items	1	6	-83.3%
Pre-tax net income	**599**	**894**	**-33.0%**
Cost/income ratio	74.0%	67.2%	+6.8 pts
Allocated equity (in billions of euros)	1.0	0.8	+28.6%

Insurance

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**1,318**	**1,436**	**-8.2%**
Operating expenses and depreciation	(711)	(664)	+7.1%
Gross operating income	**607**	**772**	**-21.4%**
Provisions	(45)	(3)	nm
Operating income	**562**	**769**	**-26.9%**
Share of earnings of associates	3	15	-80.0%
Other non-operating items	(3)	4	nm
Pre-tax net income	**562**	**788**	**-28.7%**
Cost/income ratio	53.9%	46.2%	+7.7 pts
Allocated equity (in billions of euros)	3.3	3.1	+8.7%

Securities Services

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**1,244**	**1,109**	**+12.2%**
Operating expenses and depreciation	(957)	(877)	+9.1%
Gross operating income	**287**	**232**	**+23.7%**
Provisions	(138)	0	nm
Operating income	**149**	**232**	**-35.8%**
Non-operating items	0	1	nm
Pre-tax net income	**149**	**233**	**-36.1%**
Cost/income ratio	76.9%	79.1%	-2.2 pts
Allocated equity (in billions of euros)	0.3	0.3	+11.4%

Retail Banking

French Retail Banking

(in millions of euros)	2008*	2007*	*Change (2008/2007)*
Net banking income	**5,943**	**5,814**	**+2.2%**
Of which interest income	*3,292*	3,126	+5.3%
Of which fees and commissions	2,651	2,688	-1.4%
Operating expenses and depreciation	(3,983)	(3,950)	+0.8%
Gross operating income	**1,960**	**1,864**	**+5.2%**
Provisions	(203)	(158)	+28.5%
Operating income	**1,757**	**1,706**	**+3.0%**
Non operating items	1	0	nm
Pre-tax net income	**1,758**	**1,706**	**+3.0%**
Income Attributable to AMS	(117)	(138)	-15.2%
Pre-tax income of French Retail Banking	**1,641**	**1,568**	**+4.7%**
Cost/income ratio	67.0%	67.9%	-0.9 pt
Allocated equity (in billions of euros)	3.9	3.8	+4.6%

* Including 100% of French Private banking for net banking income to pre-tax net income line items.

Outstanding loans to individuals and corporate clients grew 7.2% and 16.6%, respectively, in 2008, illustrating FRB's commitment to supporting the real economy. The 10.9% growth in deposits marks an acceleration over last year.

FRB continued to win new individual customers, opening 200,000 new checking and savings accounts. FRB also continued to gain market share with corporate clients, especially in terms of deposits, flows, and mutual fund asset inflows. Moreover, effective cross-selling resulted in many customer referrals with private banking throughout 2008.

Net banking income increased 2.2% to €5,943 million in 2008 (excluding the effects of French home savings plans (PELs) and home savings accounts (CELs), and including all of French Private Banking). FRB's growth was limited primarily by a 14.2% drop in financial commissions due to the adverse climate for savings accounts. Banking fees increased 6.8%. Net interest income grew 5.3% thanks to solid business in intermediation, both in terms of deposits and loans.

Despite the ongoing branch renovation program, operating expenses edged up a mere 0.8% (excluding the effects of French home savings plans (PELs) and home savings accounts (CELs), and including all of French Private Banking), allowing the division to attain a 1.4-point positive jaws effect.

Cost of risk remained moderate at 20 basis points of risk-weighted assets in 2008, compared with 17 basis points in 2007.

After allocating to AMS one-third of the net income generated by French Private Banking, pre-tax net income rose 4.7% to €1,641 million (excluding the effects of French home savings plans (PELs) and home savings accounts (CELs)).

BNL banca commerciale (BNL bc)

(in millions of euros)	2008*	2007*	*Change (2008/2007)*
Net banking income	**2,800**	**2,641**	**+6.0%**
Operating expenses and depreciation	(1,757)	(1,744)	+0.7%
Gross operating income	**1,043**	**897**	**+16.3%**
Provisions	(411)	(318)	+29.2%
Operating income	**632**	**579**	**+9.2%**
Non operating items	1	(1)	nm
Pre-tax net income	**633**	**578**	**+9.5%**
Income Attributable to AMS	(5)	(6)	-16.7%
Pre-tax income of BNL bc	**628**	**572**	**+9.8%**
Cost/income ratio	62.8%	66.0%	-3.2 pts
Allocated equity (in billions of euros)	3.6	3.1	+13.2%

* Including 100% of Italian Private banking for net banking income to pre-tax net income line items.

The integration of BNL was successfully completed in 2008. All of the synergies, whose estimated total was revised upward 15% compared to the initial plan in early 2008, were implemented by year-end. This achievement underscores the Group's ability to successfully integrate new acquisitions.

BNL bc continued its development in 2008 despite the adverse environment. The drive to increase its customer base resulted in the opening of over 47,000 checking and savings accounts during the year (compared to 6,100 in 2007, and a negative 86,000 in 2006 when BNL joined the BNP Paribas Group). Business from corporate customers continued to grow at a fast pace through both loans (with outstandings up 17.9% from 2007) and revenue from cash management and trade finance (up 6.5% from 2007).

Net banking income grew 6.0% to €2,800 million (including all of Italian Private Banking) on the back of realized revenue synergies, a 14.6% increase in loan outstandings, and higher cross-selling fees from corporate clients.

Cost synergies helped keep the increase in operating expenses to a modest 0.7% in 2008, despite a branch renovation program (40% of which had been completed at December 31, 2008) and the opening of 50 new branches. The resulting positive jaws effect was 5.3 points. This robust operating performance led to a 16.3% increase in gross operating income, and a further 3.2 point improvement in the cost/income ratio.

Provisions were at €411 million at 2008, up €93 million from 2007 reflects the beginning of the economic downturn in Italy at the end of the year. The amount of provisions corresponds to 73 basis points of risk-weighted assets, against 65 basis points in the prior year.

After allocating to AMS one-third of the net income generated by Italian Private Banking, BNL's pre-tax net income totalled €628 million in 2008, up 9.8% from 2007.

Bancwest

(in millions of euros)	2008	2007	*Change (2008/2007)*
Net banking income	**2,027**	**1,991**	**+1.8%**
Operating expenses and depreciation	(1,070)	(1,052)	+1.7%
Gross operating income	**957**	**939**	**+1.9%**
Provisions	(628)	(335)	+87.5%
Operating income	**329**	**604**	**-45.5%**
Share of earnings of associates	0	0	nm
Other non-operating items	4	15	-73.3%
Pre-tax net income	**333**	**619**	**-46.2%**
Cost/income ratio	52.8%	52.8%	+0.0 pt
Allocated equity (in billions of euros)	2.3	2.4	-1.9%

BancWest confirmed its sales and marketing momentum in 2008 despite the downturn in the U.S. economy. Net banking income increased by 8.5% to €2,027 million in 2008 (at constant exchange rates) despite a €92 million impairment charge on preferred shares of Freddie Mac and Fannie Mae held by BancWest. This performance reflects an 11.6% growth in loans and an 8 basis point increase in the net interest margin (to 3.17%), resulting from a steeper yield curve and wider spreads.

Operating expenses rose by 8.4% in 2008, with total operating expenses of €1,070 million at constant exchange rates.

Provisions grew to €628 million in 2008, from €335 million in 2007. BancWest recognized a €181 million impairment charge on its investment portfolio for the year. This portfolio had little overall exposure (under €200 million) to subprime and Alt-A mortgages, CMBSs, and related CDOs at December 31, 2008. The balance of provisions stems from a deterioration in the loan portfolio's credit quality across all segments in the wake of the recession. The Bank considers, however, that this deterioration has been less pronounced at BancWest than at most of its peers.

Pre-tax net income for the year totalled €333 million, compared to €619 million in 2007. BancWest is one of the few US retail banks that was largely profitable in 2008.

Emerging Market Retail Banking

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net banking income	**1,896**	**1,371**	**+38.3%**
Operating expenses and depreciation	(1,146)	(897)	+27.8%
Gross operating income	**750**	**474**	**+58.2%**
Provisions	(377)	(81)	nm
Operating income	**373**	**393**	**-5.1%**
Share of earnings of associates	14	16	-12.5%
Other non-operating items	147	70	+110.0%
Pre-tax net income	**534**	**479**	**+11.5%**
Cost/income ratio	60.4%	65.4%	-5.0 pt
Allocated equity (in billions of euros)	2.2	1.4	+54.0%

The Emerging Market Retail Banking business continued to expand in 2008, winning 250,000 new customers and opening 167 new branches (mostly in the Mediterranean area). This achievement illustrates the business' effective sales and marketing efforts. Outstanding loans grew 32.6%; by end 2008, over 60% of the loans were in the Mediterranean area (21% at TEB) and less than 20% were in the Ukraine.

Net banking income soared 38.3% (or 35.1% at constant scope and exchange rates) to €1.896 million, thanks to the heavy regional diversification of the business.

Operating expenses grew more slowly than revenue (up 27.8%, or 28.8% at constant scope and exchange rates) in spite of sustained investment spending. The cost/income ratio improved 5.0 points to 60.4%.

Provisions stood at €377 million in 2008, a sharp increase compared to 2007 (€81 million). This increase stems primarily from a €318 million provision in the Ukraine, which includes €244 million of portfolio-based provision related to the economic downturn in the country in the latter part of the year. Provisions remained moderate in the other emerging countries.

The sale of the Lebanese operations and TEB's insurance business generated €145 million of non-operating income in 2008, compared with €70 million of non-operating income in 2007.

Pre-tax net income totalled €534 million in 2008 (compared to €479 million in 2007), underscoring the very good performance of the Group's emerging market operations.

Personal Finance

(in millions of euros)	2008	2007	*Change (2008/2007)*
Net banking income	**3,792**	**3,411**	**+11.2%**
Operating expenses and depreciation	(2,101)	(1,949)	+7.8%
Gross operating income	**1,691**	**1,462**	**+15.7%**
Provisions	(1,218)	(730)	+66.8%
Operating income	**473**	**732**	**-35.4%**
Share of earnings of associates	84	76	+10.5%
Other non-operating items	109	0	nm
Pre-tax net income	**666**	**808**	**-17.6%**
Cost/income ratio	55.4%	57.1%	-1.7 pt
Allocated equity (in billions of euros)	2.7	2.4	+11.3%

Net banking income increased by 11.2% to €3,792 million in 2008, driven notably by the integration of new businesses, particularly in Brazil, and a 14.8% increase in loan outstandings. Cost-cutting measures limited the increase in gross operating expenses to 7.8%, enabling Personal Finance to achieve a solid 15.7% growth in gross operating income and a positive 3.4-point jaws effect.

Provisions, standing at €1,218 million or 222 basis points (compared to 156 basis points in 2007), were driven upwards by deteriorating economic conditions, mainly in Southern and Central Europe.

Including the gain on the sale of the Group's stake in Cofidis, pre-tax net income totalled €666 million in 2008 (compared to €808 million in 2007). Gains from the disposal of the equity investment in Cofidis totaled €123 million.

Equipment Solutions

(in millions of euros)	2008	2007	*Change (2008/2007)*
Net banking income	**1,067**	**1,170**	**-8.8%**
Operating expenses and depreciation	(716)	(727)	-1.5%
Gross operating income	**351**	**443**	-20.8%
Provisions	(155)	(82)	+89.0%
Operating income	**196**	**361**	**-45.7%**
Share of earnings of associates	(15)	(9)	+66.7%
Other non-operating items	(1)	9	nm
Pre-tax net income	**180**	**361**	**-50.1%**
Cost/income ratio	67.1%	62.1%	+5.0 pts
Allocated equity (in billions of euros)	1.6	1.5	+2.2%

The Equipment Solutions business remained buoyant in 2008, with 5.2% growth in loan outstandings and 6.5% growth in managed vehicles. However, revenue slid 8.8% to €1,067 million as a result of lower second-hand vehicle prices.

Operating expenses were well under control, and fell 1.5%. Pre-tax net income decreased to €180 million, from €361 million in 2007, reflecting the sharp rise in provisions that stemmed primarily from one-off provisions on a few transactions.

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Net interest income	13,498	9,708	+39 %
Net commission income	5,859	6,322	-7 %
Net gain on financial instruments at fair value through profit or loss	2,693	7,843	-66 %
Net gain on available-for-sale financial assets	464	2,507	-81 %
Net income from other activities	4,862	4,657	+4 %
Net banking income	**27,376**	**31,037**	-12 %

General. The 12% decrease in net banking income of the Group in 2008 as compared with 2007 was mainly due to a 81% decrease in net gains on available-for-sale financial assets, a 66 % decrease in net gain on financial instruments at fair value through profit or loss, and a 7% decrease in net commission income, partially offset by a 39% increase in net interest income and a 4% increase in net income from other activities.

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

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

- 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, which is 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" and "Available-for-sale financial assets" (in the latter case, calculated using the effective interest method);

- Net interest income (as opposed to changes in fair value, which are recognized in the line item "Net gain on financial instruments at fair value through profit or loss", as discussed in further detail below) from the Group's financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments, calculated using the effective interest method (including interest, fees and commissions and transaction costs);

- 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 floating-rate assets and liabilities. Changes in fair value of the cash flow hedge are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement.

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. Similarly, interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions.

In 2008, net interest income increased by 39% compared to 2007, to €13,498 million. This increase resulted primarily from a 21% increase in net interest income on customer items, from €14,299 million in 2007 to €17,232 in 2008, due principally to a €3,025 million increase in net income on deposits, loans and borrowings. The latter increase was in turn the result of an 11% increase in the outstanding amounts of loans and receivables due from customers, to €494 billion at December 31, 2008.

In addition, interest income from available-for-sale financial assets increased by 28% to €4,954 million mainly as a result of a 25% increase in the volume of such items. Finally, net interest income on the trading book was €1,708 million in 2008, compared to a net interest expense on the trading book of €331 million in 2007. This resulted from a 8% increase in interest income from fixed-income securities to €4,631 million and decreases in net interest expense from repurchase agreements and debt securities of 41% and 35%, to €947 million and €1,870 million, respectively.

These increases were partially offset by:

- An 11% increase in net interest expenses paid on interbank items, from €2,854 million in 2007 to €3,163 million in 2008, due primarily to a 61% increase in net expense paid on repurchase agreements.

- A 12% increase in expenses paid on debt securities issued, from €7,091million in 2007 to €7,935 million in 2008, resulting from a 12% increase in volume of debt securities

- A €420 million decrease in net income from interest rate portfolio hedge instruments from €343 million in 2007 to net expenses from such items of €77 million in 2008.

- A 94% decrease in net income from cash flow hedge instruments from €729 million in 2007 to €42 million in 2008.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". Trends in such assets between December 31, 2007 and December 31, 2008 are summarized in the following balance sheet analysis.

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

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

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

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income decreased by 7%, from €6,322 million in 2007 to €5,859 million in 2008. This resulted in part from a 16% decrease in net commission income related to trust and similar activities, from €2,125 million in 2007 to €1,777 million in 2008, as well as a decrease in volume of customer transactions , notably on financial products.

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

Net gains on financial instruments at fair value through profit or loss decreased by 66%, from €7,843 million in 2007 to €2,693 million in 2008. The gains and losses resulting from cash flows and remeasurement of financial instruments, either cash or derivatives, must be appreciated as a whole, in order to give the fair representation of the profit and loss resulting from trading activities. The profit and loss items relating to variable and fixed rate securities transactions as well as related derivatives instruments amounted to -€128 million (€7,221 million in 2007), including €2,449 million relating to arbitrage transactions (€7,659 million in 2007), and -€2,577 million for derivatives accounted for as fair value hedges (-€438 million in 2007), especially portfolios hedged against interest rates, the revaluation of which led to income of €2,550 million (€399 million in 2007).

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

Net gains on available-for-sale financial assets decreased from €2,507 million in 2007 to €464 million in 2008. The decrease was due primarily to a substantial increase in impairment of available-for-sale variable-income securities from €55 million to €1,634 million and a decrease in net disposal gains from equities and other variable-income securities from €1,898 million to €1,478 million.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities increased by 4%, from €4,657 million in 2007 to €4,862 million in 2008. This increase was in turn due to an 8% increase in net income from insurance activities and an 8% increase in net income from investment property, partially offset by a 10% decrease in net income from other products and an 8% decrease in net income from assets leased under operating leases.

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

The increase in net income from insurance activities was primarily the result of an increase in technical reserves from a loss of €6,247 million in 2007 to a gain of €5,284 million in 2008, which is mainly linked to a decrease in the value of admissible investments related to unit-linked business from €916 million in 2007 to a net expense of €7,996 million in 2008. Gross premiums written decreased slightly from €14,914 million in 2007 to €13,473 million in 2008.

Operating Expense and Depreciation

(in millions of euros)	**2008**	**2007**	***Change (2007/2008)***
Operating expense	(17,324)	(17,773)	*-3%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(1,076)	(991)	*+9%*
Operating expense and depreciation	**(18,400)**	**(18,764)**	***-2%***

Operating expense and depreciation decreased slightly by 2%, from €18,764 million in 2007 to €18,400 million in 2008. Despite the overall decrease, operating expense and depreciation as a percentage of net banking income increased from 60.5% for 2007 to 67.2% for 2008, reflecting a comparatively higher rate of decrease in net banking income (11.8%).

Gross Operating Income

The Group's gross operating income decreased by 27%, from €12,273 million in 2007 to €8,976 million in 2008, as a result of the decrease in net banking income and the relatively slower decrease in operating expenses.

Cost of Risk

(in millions of euros)	2008	2007	*Change (2007/2008)*
Net additions to impairment provisions	(5,786)	(1,762)	x*3.3*
Recoveries of loans and receivables previously written off	348	329	*+6%*
Irrecoverable loans and receivables not covered by impairment provisions	(314)	(292)	*+8%*
Total net additions to provisions..................................	**(5,752)**	**(1,725)**	**x *3.3***

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

The increase in provisions in 2008 compared to 2007 was mainly due to a significant increase in net additions to impairment provisions in 2008 compared to 2007. This increase was due in turn primarily to a 93.6% increase in provisions to €2,378 million in International Retail Services, including in particular a 87.5% increase in provisions to €628 million at Bancwest, and a 66.8% increase in provisions to €1,218 million at Personal Finance. In addition, provisions in Corporate and Investment Banking increased by €2,477 million of which €1,997 million of provisions related to market counterparties. These increases resulted to a large extent from the sub-prime and credit crises and deteriorating market and economic conditions. See "—Economic Conditions," "—Results of operations by division—International Retail Services—Bancwest" and "—Results of operations by division—Corporate and Investment Banking." For a more detailed summary of the Bank's exposure to assets affected by the sub-prime and credit crises as well as the impact of the crisis on the Bank's results in 2008, see "—Economic Conditions" and "—Selected Exposures Based on Financial Stability Forum Recommendations."

As at December 31, 2008, total doubtful loans and commitments amounted to €16.4 billion (as compared to €14.2 billion at December 31, 2007), and provisions totalled €15 billion (as compared to €12.8 billion at December 31, 2007). The coverage ratio at the same date remained at 91%. Provisions as a percentage of average risk weighted assets increased from 0.4% at December 31, 2007 to 1% at December 31, 2008.

For a more detailed discussion of net additions to provisions by division, see "—Results of operations by division".

Net Income Group Share

(in millions of euros)	2008	2007	*Change (2008/2007)*
Operating income	**3,224**	**10,548**	-69%
Share of earnings of associates.........................	217	358	-39%
Net gain on non-current assets..........................	481	153	x 3.1
Change in value of goodwill.............................	2	(1)	ns
Income taxes..	(472)	(2,747)	-83%
Minority interests	431	489	-12%
Net income..	**3,021**	**7,822**	-61.4%

General. The 61% decrease in net income attributable to the Group was primarily due to a decrease in gross operating income net of provisions.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies carried under the equity method) decreased from €358 million in 2007 to €217 million in 2008, as a result of the generally lower net income generated by these companies.

Net gain on non-current assets. This item includes net realized gains and losses on sales of property, plant and equipment and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. Net gains on non-current assets increased from €153 million in 2007 to €481 million in 2008.

Change in value of goodwill. Badwill remained minimal at €2 million in 2008, after a goodwill impairment accounted for €1 million in 2007.

Income tax. The Group recorded corporate income tax expense for 2008 of €472 million, down significantly from €2,747 million in 2007. The substantial decrease resulted from a decrease in pre-tax net income.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group decreased to €431 million in 2008 compared to €489 million in 2007.

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2008, as compared to its financial condition as of December 31, 2007.

Assets

Overview. At December 31, 2008, the Group's consolidated assets amounted to €2,075.6 billion, up 22.5% from €1,694.5 billion at end 2007. 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 94.9% of total assets at December 31, 2008 (compared to 95.7% at December 31, 2007). The 22.5% increase in total assets reflects growth in most of the Group's asset categories, particularly financial assets at fair value through profit or loss (up 28.0%), loans and receivables due from customers (up 11.1%), cash accounts and accounts with central banks and post office banks (up 111.5%), and accrued income and other assets (up 36.1%).

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

Total financial assets at fair value through profit or loss amounted to €1,192.3 billion at December 31, 2008, up 28.0% from €931.7 billion at December 31, 2007. This increase was driven by a 139.3% jump in trading book derivatives to €566.9 billion at December 31, 2008, partially offset by a 40.0% decline in equities and other variable-income securities (to €86.8 billion) and a 21.5% reduction in negotiable certificates of deposit (to €65.1 billion). The expansion in trading book derivatives stems primarily from a 200% leap in interest rate derivatives (to €297.6 billion) and a 182% climb in credit derivatives (to €85.5 billion). Under IFRS, these increases cannot be offset by those recognized under liabilities for similar instruments classified as trading book derivatives.

Financial assets at fair value through profit or loss accounted for 57.4% of the Group's total assets at December 31, 2008, compared with 55.0% at December 31, 2007.

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 €69.2 billion at December 31, 2008, down 2.8% from €71.1 billion at December 31, 2007. The majority of this decrease can be attributed to a 12.8% drop in demand accounts to €13.5 billion. Provisions for impairments remained unchanged at €0.1 billion at both December 31, 2008 and 2007.

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 €494.4 billion at December 31, 2008, up 11.1% from €445.1 billion at December 31, 2007. Loans to customers account for the bulk of this increase, as they grew 12.6% to €454.2 billion. Demand accounts shrank 4.3% to €28.5 billion. Receivables under finance leases expanded 3.3%

to €25.1 billion at December 31, 2008. Impairment provisions rose 14.4% to €14.3 billion at December 31, 2008, up from €12.5 billion at December 31, 2007.

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

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

Available-for-sale financial assets (net of impairment provisions) amounted to €130.7 billion at December 31, 2008, up 16.1% from €112.6 billion at December 31, 2007. This increase is due primarily to a 29.3% increase in bonds (to €94.9 billion) and an 11.4% climb in negotiable certificates of deposit (to €19.5 billion), offset by a 16.9% decrease in equities and other variable-income securities (to €18.8 billion).

An additional €1.5 billion of impairment provisions were recognized for available-for-sale financial assets, bringing the total from €1.0 billion at December 31, 2007 to €2.6 billion at December 31, 2008. Impairment provisions for available-for-sale financial assets are calculated at each balance sheet date. Unrealized losses on available-for-sale financial assets totalled €1.7 billion at December 31, 2008, compared with an unrealized gain of €5.0 billion at December 31, 2007. €5.6 billion of this change can be attributed to lower unrealized gains on equities and other variable-income securities, due primarily to the sharp decline equity markets in 2008.

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 recorded in the balance sheet at amortised cost using the effective interest method. Held-to-maturity financial assets break down into two categories within the balance sheet: bonds and negotiable certificates of deposit.

Total held-to-maturity financial assets remained fairly stable over the year, edging down from €14.8 billion at December 31, 2007 to €14.1 billion at December 31, 2008.

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 grew 36.1% to €82.5 billion at December 31, 2008, from €60.6 billion at December 31, 2007. This rise is due primarily to a 48.2% (or €7.9 billion) climb in guarantee deposits and guarantees paid, and a 59.8% (or €9.6 billion) increase 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 surged 111.5% to €39.2 billion at December 31, 2008, from €18.5 billion at December 31, 2007. €20.8 billion of this increase comes from loans to central banks.

Liabilities

Overview. The Group's consolidated liabilities totalled €2,016.6 billion at December 31, 2008, up 23.3% from €1,635.1 billion at December 31, 2007. 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 98.3% of total liabilities at December 31, 2008. The 23.3% year-on-year increase was fuelled by a 32.5% jump in financial liabilities at fair value through profit or loss, a 19.4% increase in amounts due to customers, and a 41.9% leap in accrued expenses and other liabilities.

Financial liabilities at fair value through profit or loss. The trading book includes securities borrowing transactions, short selling transactions, repurchase agreements, and derivatives. Financial liabilities at fair 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 offset by changes in the value of the hedging instrument.

The total financial liabilities at fair value through profit or loss rose 32.5% to €1,054.8 billion at December 31, 2008, from €796.1 billion at December 31, 2007. This increase stems from a 122.9% surge in trading book derivatives (to

€545.0 billion), partially offset by a 27.8% drop in borrowed securities and short selling (to €83.7 billion), and a 27.1% reduction in debt securities (to €53.9 billion).

The change in trading book derivatives can be attributed to a 199% expansion in interest rate derivatives (to €291.5 billion) and a 173% leap in credit derivatives (to €82.4 billion). Under IFRS, these increases cannot be offset by those recognized under assets for similar instruments classified as trading book derivatives.

Liabilities 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 grew 9.4% to €186.2 billion at December 31, 2008. Most of this increase can be attributed to an 18.4% climb in borrowings (to €154.3 billion).

Liabilities due to customers. Amounts due to customers consist of demand deposits, term accounts, regulated savings accounts, and to a lesser extent, repurchase agreements. Amounts due to customers totalled €414.0 billion at December 31, 2008, up 19.4% from €346.7 billion at December 31, 2007. This reflects the combined impact of a 15.3% increase in term accounts and retail certificates of deposit (to €161.7 billion) and a 24.4% rise in demand deposits (to €198.9 billion).

For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest income".

Debt securities. 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 consolidated financial statements for the year ended December 31, 2008). Debt securities grew 11.7% to €157.5 billion at December 31, 2008, from €141.1 billion at December 31, 2007. This increase was driven by a 21.7% jump in negotiable debt securities (to €129.6 billion), partially offset by a 19.2% fall in bond issues (to €28.0 billion).

Subordinated debt. Subordinated debt remained relatively unchanged over the year, inching down from €18.6 billion at December 31, 2007 to €18.3 billion at December 31, 2008.

Technical reserves of insurance companies. Technical reserves of insurance companies shrank 7.3% to €86.5 billion at December 31, 2008, from €93.3 billion at December 31, 2007. This decline is due mainly to lower technical reserves for life insurance.

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 grew 41.9% to €83.4 billion at December 31, 2008, from €58.8 billion at December 31, 2007. This reflects the combined impact of an 86.8% climb in guarantee deposits received (to €31.4 billion) and a 53.6% rise in other creditors and miscellaneous liabilities (to €19.9 billion).

Minority Interests

Minority interests remained relatively flat in 2008, at €5.7 billion at December 31, 2008 compared with €5.6 billion at December 31, 2007. The minority interest contribution to net income was €0.4 billion in 2008, and was partially offset by a €0.3 billion dividend and interim dividend payout, and a €0.2 billion payment for preferred shares issued by the Group's foreign subsidiaries.

Consolidated Shareholders' Equity Attributable to the Group

Consolidated shareholders' equity attributable to the Group before dividend payments amounted to €53.2 billion at December 31, 2008, compared to €53.8 billion a year earlier.

Share capital, retained earnings, and net income Group share for the period totalled €44.2 billion at December 31, 2008, up slightly from €43.8 billion at December 31, 2007. The €3.8 billion increase in undated super subordinated notes to €10.5 billion (from €6.7 billion at December 31, 2007) was offset by a €4.8 billion decrease in unrealized gains; the Group had an unrealized loss of €1.5 billion at December 31, 2008 against an unrealized gain of €3.3 billion at December 31, 2007.

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 decreased 5.5% to €194.1 billion at December 31, 2008. Commitments to credit institutions grew 6.7% to €27.7 billion. Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. The amount of financing commitments received jumped 24.8% to €134.2 billion at December 31, 2008, from €107.5 billion at December 31, 2007. This increase reflects a 23.7% expansion in commitments received from credit institutions (to €124.4 billion) and a 41.6% rise in commitments received from customers to (€9.8 billion).

Guarantee Commitments

The amount of guarantee commitments shrank 7.4% to €84.4 billion at December 31, 2008, from €91.1 billion a year earlier. This decline can be attributed to a 4.9% reduction in commitments given to customers (to €77.7 billion) and a 26.5% decrease in commitments given to credit institutions (to €7.7 billion).

For further information concerning the Group's financing and guarantee commitments and off-balance sheet assets and liabilities, see Note 6 to the consolidated financial statements for the year ended December 31, 2008.

Year Ended December 31, 2007 as Compared with Year Ended December 31, 2006

The following discussion presents the financial condition of the BNP Paribas Group as of December 31, 2007 as compared to December 31, 2006, as well as the results of operations for the BNP Paribas Group for the year ended December 31, 2007 as compared to the year ended December 31, 2006. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

The principal change affecting the comparability of the Group's results generally between the year ended December 31, 2007 and the year ended December 31, 2006 resulted from the impact of the consolidation of BNL for the full year in 2007 compared to only three quarters in 2006, the acquisition of Dexia Banque Privée France, which was consolidated for three quarters in 2007, and the consolidation of UkrSibbank for the full year in 2007 compared to only three quarters in 2006.

The creation of a new retail banking unit in Italy in the first half of 2007 led to certain transfers between business segments. In order to facilitate period-on-period comparisons of segment results, assets and liabilities, the data for 2006 have been restated to reflect the new organizational structure.

Results of operations by division

French Retail Banking

(in millions of euros)	**2007***	**2006***	***Change (2007/2006)***
Net banking income	**6,000**	**5,850**	**+2.6%**
Of which net interest income	3,312	3,380	-2.0%
Of which fees and commissions	2,688	2,470	+8.8%
Operating expenses and depreciation	(3,950)	(3,811)	+3.6%
Gross operating income	**2,050**	**2,039**	**+0.5%**
Provisions	(158)	(153)	+3.3%
Operating income	**1,892**	**1,886**	**+0.3%**
Non operating items	1	1	+0.0%
Pre-tax income	**1,893**	**1,887**	**+0.3%**
Income Attributable to AMS	(141)	(117)	+20.5%
Pre-tax income of French Retail Banking	**1,752**	**1,770**	**-1.0%**
Cost/income ratio	65.8%	65.1%	+0.7 pt
Allocated equity (in billions of euros)	5.9	5.5	+7.2%
Pre-Tax ROE	30%	32%	-2 pts

* *Figures include 100% of French Private banking for the lines net banking income to pre-tax income.*

In 2007, net banking income of the French Retail Banking branch network (including 100% of private banking in France) increased by 2.6% to €6,000 million. Movements in provisions related to the Group's home ownership savings plans and accounts (PEL/CEL), recorded pursuant to IFRS, contributed €81 million to net interest income in 2007 as compared to €179 million in 2006, thereby introducing an element of volatility to French Retail Banking's net banking income. (For a detailed discussion of the PEL/CEL provisions, see Note 5.n of the consolidated financial statements for the year ended December 31, 2008.) Excluding the PEL/CEL effect and the acquisition of Dexia Banque Privée France, the French retail banking network reported a year-on-year increase of 4.1% in net banking income, 0.7% in net interest income and 8.4% in fees and commissions.

Net interest income decreased by 2.0% to €3,312 million. This figure is not representative of actual trends in FRB's business, however, due to the accounting impact of the changes in the PEL/CEL provision. Growth in deposits was 7.8% over the previous year, as a result of the sharp growth in deposits mainly due to the reallocation of savings from short-term mutual funds to term deposits.

Fees and commissions grew by 8.8% as compared to 2006, due to the increase of fees on investment funds and transactions as well as banking fees.

French Retail Banking (FRB) was successful in winning new customers in 2007. Net growth in the number of individual checking and deposit accounts was 230,000, the Bank's highest yearly gain to date, bringing the total number of customers in the French retail banking network to 6.2 million. Consumer credit outstanding increased by 4.7%, while mortgages outstanding increased by 10.6% on average.

Operating expenses and depreciation increased 3.6%, or 3.0% excluding the acquisition of Dexia Banque Privée France, resulting in a positive 1.1 point jaws effect. Provisions represented 17 basis points of risk-weighted assets, a further improvement on the already low figure at the end of 2006 of 18 basis points. This reflects the low structural risk on residential mortgage loans in France, which are mostly fixed-rate and secured by a mortgage on the property or by a guarantee from Crédit Logement, a specialist mortgage agency. The improvement in provisions was also driven by the effective monitoring of corporate credit risks by the Bank's independent credit analysts in each business center.

Excluding the PEL/CEL effects, French Retail Banking reported pre-tax income of €1,671 million in 2007, up 5.0% on 2006. Pre-tax return on allocated equity for the year edged down 1 point year-on-year, to 28% in 2007.

BNL banca commerciale (BNL bc)

(in millions of euros)	**2007**	**2006***	***Change (2007/2006)***
Net banking income	**2,634**	**2,473**	**+6.5%**
Operating expenses and depreciation	(1,744)	(1,746)	-0.1%
Gross operating income	**890**	**727**	**+22.4%**
Provisions	(318)	(318)	+0.0%
Operating income	**572**	**409**	**+39.9%**
Non operating items	0	(12)	nm
Pre-tax income	**572**	**397**	**+44.1%**
Income Attributable to AMS	(6)	(6)	+0.0%
Pre-tax income of BNL bc	**566**	**391**	**+44.8%**
Cost/income ratio	66.2%	70.6%	-4.4 pts
Allocated equity (in billions of euros)	3.0	2.2	+39.5%
Pre-Tax ROE	19%	14%	+5 pts

Figures include 100% of Italian Private Banking for the lines net banking income to pre-tax income.

** Full year pro forma.*

BNL made a significant contribution to the Group's growth performance for 2007. One year after the launch of the 2007-2009 integration plan, integration efforts continue to yield satisfactory results, and 70% of the synergies announced upon the announcement of the plan have been achieved.

Operating income reached €572 million (including 100% of net banking income from Italian Private Banking) for the year, up 39.9% on 2006 (full year pro forma). This performance was driven by 6.5% growth in net banking income and stable operating expenses and depreciation charges compared with the year-earlier period (full year pro forma).

Provisions remained stable at €318 million.

Restructuring costs related to the integration of BNL amounted to €71million including one-off savings (€74 million) due to a change in the Italian accounting rule for severance costs (TFR), booked as a deduction of BNL's restructuring costs in the third quarter of 2007.

Pre-tax income totalled €566 million for 2007 (after allocation of one-third of the pre-tax income of Italian Private Banking to Asset Management and Services), up 44.8% on 2006 (full year pro forma). Pre-tax return on allocated equity climbed 5 points to 19%.

International Retail Services (formerly International Retail Banking and Financial Services)

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**7,955**	**7,374**	**+7.9%**
Operating expenses and depreciation	(4,625)	(4,205)	+10.0%
Gross operating income	**3,330**	**3,169**	**+5.1%**
Provisions	(1,228)	(722)	+70.1%
Operating income	**2,102**	**2,447**	**-14.1%**
Share of earnings of associated companies	79	55	+43.6%
Other non operating items	94	45	+108.9%
Pre-tax net income	**2,275**	**2,547**	**-10.7%**
Cost/income ratio	58.1%	57.0%	+1.1 pts
Allocated equity (in billions of euros)	8.0	7.2	+11.6%
Pre-Tax ROE	28%	35%	-7 pts

The International Retail Services business (IRS) (formerly International Retail Banking and Financial Services, or IRFS) continued to enjoy fast-paced growth in emerging countries and consumer lending. BancWest was negatively affected by the US subprime crisis, however, but remained profitable for 2007 as a whole.

IRS net banking income was negatively affected by the depreciation of the dollar. Despite this effect, net banking income for the IRS business grew by 7.9% (9.4% growth at constant scope and exchange rates), totaling €7,955 million for the year. This vigorous performance fuelled an even higher (i.e., 10.0%) rise in operating expenses and depreciation (9.8% at constant scope and exchange rates), while gross operating income increased by 5.1% (9.0% at constant scope and exchange rates), to €3,330 million.

Provisions increased by 70.1% from €722 million to €1,228 million, largely due to (i) the direct impact of the subprime mortgage crisis on BancWest (€218 million) and (ii) with respect to Cetelem, growing volumes in emerging markets and higher risk levels in Spain. Other non-operating items, which include dilution capital gains for Bank of Nanjing (€52 million), also substantially increased from €45 million to €94 million. As a result of this substantial increase in provisions and other non-operating items, pre-tax net income for the core business decreased 10.7% to €2,275 million in 2007. Pre-tax return on allocated equity was 28%, which is relatively high albeit lower than the 35% recorded in 2006 when provisions had been exceptionally low.

Cetelem

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**3,020**	**2,684**	**+12.5%**
Operating expenses and depreciation	(1,675)	(1,518)	+10.3%
Gross operating income	**1,345**	**1,166**	**+15.4%**
Provisions	(700)	(520)	+34.6%
Operating income	**645**	**646**	**-0.2%**
Share of earnings of associated companies	74	52	+42.3%
Other non operating items	0	36	nm
Pre-tax net income	**719**	**734**	**-2.0%**
Cost/income ratio	55.5%	56.6%	-1.1 pts
Allocated equity (in billions of euros)	2.2	1.9	+16.3%
Pre-Tax ROE	33%	39%	-6 pts

Cetelem, France's leading consumer lender, continued to expand its footprint in emerging countries through organic growth (new operations set up in Russia) and acquisitions (Jet Finance in Bulgaria and BGN in Brazil, both currently in progress). Thanks to a strong sales and marketing drive, outstanding loans in 2007 increased by 17.4% compared to 2006, of which 15.6% were located in France and 19.7% outside of France. Net banking income increased 12.5% as a result of this increase in lending volume. This increase was offset by a 34.6% increase in provisions reflecting the increased share of emerging countries in Cetelem's portfolio, as well as greater consumer lending risk in Spain. As a result, pre-tax net income decreased by 2.0% to €719 million.

In 2007 Cetelem set up Personal Finance with UCB, the Group's specialty mortgage lender. The venture will look to exploit the increasing overlap between consumer and mortgage lending and will develop a comprehensive, integrated offering encompassing home improvement loans, home equity loans and other personal finance solutions. Cetelem and UCB will pool their client bases, expand their product and service offering to third-party distributors, and capitalise on their respective international footprints. The new Personal Finance business line will be Europe's leading provider of personal financial solutions.

BancWest

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,999**	**2,191**	**-8.8%**
Operating expenses and depreciation	(1,052)	(1,104)	-4.7%
Gross operating income	**947**	**1,087**	**-12.9%**
Provisions	(335)	(58)	+477.6%
Operating Income	**612**	**1,029**	**-40.5%**
Share of earnings of associated companies	0	0	nm
Other non-operating items	15	1	nm
Pre-tax net income	**627**	**1,030**	**-39.1%**
Cost/income ratio	52.6%	50.4%	+2.2 pts
Allocated equity (in billions of euros)	2.5	2.6	-1.2%
Pre-Tax ROE	25%	40%	-15 pts

BancWest enjoyed a healthy sales momentum in 2007 with outstanding loans up by 7.5% compared to 2006, despite substantial disruptions in U.S. markets as a result of the subprime crisis. Net banking income decreased by 8.8% (a 1.2% decrease at constant exchange rates) as a result of a fourfold increase in provisions from €58 million 2006 to €335 million in 2007. This increase in provisions reflects one-off provisions of €218 million relating to the sub-prime crisis in the US, comprising (i) a net increase of €40 million in the loan reserve calculated on a portfolio basis (in accordance with IFRS) related to individual customer loans in the fourth quarter 2007, (ii) an impairment charge of €131 million on the investment portfolio in the fourth quarter of 2007 and (iii) a €47 million increase to the provision calculated on a portfolio basis (in accordance with IFRS) for the home builder sector.

Equipment Solutions & UCB

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,590**	**1,462**	**+8.8%**
Operating expenses and depreciation	(1,001)	(900)	+11.2%
Gross operating income	**589**	**562**	**+4.8%**
Provisions	(112)	(58)	+93.1%
Operating income	**477**	**504**	**-5.4%**
Share of earnings of associated companies	(10)	(4)	nm
Other non operating items	9	4	+125.0%
Pre-tax net income	**476**	**504**	**-5.6%**
Cost/income ratio	63.0%	61.6%	+1.4 pts
Allocated equity (in billions of euros)	2.2	2.0	+13.4%
Pre-Tax ROE	21%	25%	-4 pts

Net banking income in Equipment Solutions & UCB increased by 8.8% from €1,462 in 2006 to €1,590 in 2007. Provisions increased substantially from €58 million in 2006 to €112 million in 2007, a 93.1% increase. As a result, pre-tax net income decreased by 5.6% from €504 million in 2006 to €476 million in 2007.

Emerging Markets

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,346**	**1,037**	**+29.8%**
Operating expenses and depreciation	(897)	(683)	+31.3%
Gross operating income	**449**	**354**	**+26.8%**
Provisions	(81)	(86)	-5.8%
Operating income	**368**	**268**	**+37.3%**
Share of earnings of associated companies	15	7	nm
Other non operating items	70	4	nm
Pre-tax net income	**453**	**279**	**+62.4%**
Cost/income ratio	66.6%	65.9%	+0.7 pt
Allocated equity (in billions of euros)	1.1	0.8	+37.8%
Pre-Tax ROE	42%	36%	+6 pts

Emerging markets continued to deliver vigorous organic growth, with 189 new retail branches opening, in particular in Turkey and North Africa. The network added 1.5 million new retail customers in 2007, bringing the total number of retail customers in emerging countries to 4.2 million. The Group's acquisition of Libya-based Sahara Bank during the year makes it the first foreign bank with banking activities in that country. Other non-operating items, which includes Bank of Nanjing dilution capital gains (€52 million), increased from €4 million in 2006 to €70 million in 2007.

Asset Management & Services

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**5,329**	**4,409**	**+20.9%**
Operating expenses and depreciation	(3,369)	(2,804)	+20.1%
Gross operating income	**1,960**	**1,605**	**+22.1%**
Provisions	(7)	(4)	+75.0%
Operating income	**1,953**	**1,601**	**+22.0%**
Share of earnings of associates	17	34	-50.0%
Other non-operating items	10	(4)	nm
Pre-tax net income	**1,980**	**1,631**	**+21.4%**

Cost/income ratio	63.2%	63.6%	-0.4 pt
Allocated equity (in billions of euros)	5.4	4.6	+17.9%
Pre-Tax ROE	36%	35%	+1 pt

Asset Management and Services (AMS) turned in another strong earnings and profitability performance in 2007, with net banking income increasing by 20.9% year-on-year to €5,329 million.

Net asset inflows continued to perform well, including a relatively satisfactory performance in difficult market conditions (net outflows of €2.6 billion in the third quarter and net inflows of €1.7 billion in the fourth quarter). This showing was well above the average for the asset management industry as a whole, which suffered sharp outflows in the second half of 2007. Net asset inflows reported by BNP Paribas over the full year totalled €23 billion, while assets under management increased 8% to €584 billion. These strong results are attributable to the high proportion of individual customers (62% of assets under management), who tend to present a more stable profile than institutional clients.

Outside France, AMS enjoyed fast-paced expansion across all businesses. In Italy, AMS reported sharp growth in net banking income buoyed by the success among individual customers of BNL's capital protected funds and stronger positions in high-growth markets such as India, Brazil and Singapore.

Sustained investments were required to finance this (essentially organic) growth momentum, which lifted net banking income 17.6% higher year-on-year at constant scope and exchange rates. Operating expenses and depreciation were up 20.1% compared with 2006, or 14.3% at constant scope and exchange rates. However, investment spending was held in check, with a positive 3-points scissors effect at constant scope and exchange rates. Total assets under the Group's management (including those resulting from cross-selling between the business lines within AMS) rose by 8.0%.

Pre-tax income increased 21.4% year-on-year to €1,980 million. Pre-tax return on allocated capital came in at 36%, 1 point better than the already strong result recorded in 2006.

Wealth & Asset Management (WAM)

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**2,765**	**2,228**	**+24.1%**
Operating expenses and depreciation	(1,828)	(1,500)	+21.9%
Gross operating income	**937**	**728**	**+28.7%**
Provisions	(4)	(3)	+33.3%
Operating income	**933**	**725**	**+28.7%**
Share of earnings of associates	1	9	-88.9%
Other non-operating items	6	(2)	nm
Pre-tax net income	**940**	**732**	**+28.4%**
Cost/income ratio	66.1%	67.3%	-1.2 pts
Allocated equity (in billions of euros)	1.7	1.4	+25.0%
Pre-Tax ROE	56%	54%	+2 pts

Net banking income for Wealth and Asset Management surged 24.1% in 2007, to €2,765 million. Operating expenses and depreciation increased by 21.9% to €1,828 million in 2007. Assets under management rose 10.7% for Asset Management, and 11.7% to €188.9 billion for the Private Banking and Personal Investors businesses combined.

Insurance

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,437**	**1,276**	**+12.6%**
Operating expenses and depreciation	(664)	(599)	+10.9%
Gross operating income	**773**	**677**	**+14.2%**
Provisions	(3)	(1)	nm
Operating income	**770**	**676**	**+13.9%**
Share of earnings of associates	15	25	-40.0%
Other non-operating items	4	(3)	nm

Pre-tax net income	**789**	**698**	**+13.0%**
Cost/income ratio	46.2%	46.9%	-0.7 pt
Allocated equity (in billions of euros)	3.1	2.7	+14.2%
Pre-Tax ROE	26%	26%	+0 pt

BNP Paribas Assurance posted €11 billion in asset inflows, in line with its record high of 2006. This performance was achieved despite a 6.6% decline in gross asset inflows reported by French *bancassureurs* over the year, and was driven by BNP Paribas Assurance's high-quality offering and the diversity of its internal and external distribution channels. Gross asset inflows outside France totalled €6.9 billion, driven in particular by savings in Asia (primarily India and South Korea) and in the UK. As a result, net banking income increased by 12.6% to €1,437 million, buoyed by a contribution from unit-linked insurance products (41% of asset inflows) well above the market average of 25%. Pre-tax net income increased by 13.0% to €789 million.

With a presence in 42 countries, BNP Paribas Assurance is continuing to expand its international reach with fast-growing operations in Asia (mainly India and South Korea) and the United Kingdom. At December 31, 2007, total assets under management by the Insurance business line amounted to €110 billion, a decrease of 1.7% compared to the previous year.

Securities Services

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,127**	**905**	**+24.5%**
Operating expenses and depreciation	(877)	(705)	+24.4%
Gross operating income	**250**	**200**	**+25.0%**
Provisions	0	0	nm
Operating income	**250**	**200**	**+25.0%**
Non-operating items	1	1	+0.0%
Pre-tax net income	**251**	**201**	**+24.9%**
Cost/income ratio	77.8%	77.9%	-0.1 pt
Allocated equity (in billions of euros)	0.7	0.6	+19.6%
Pre-Tax ROE	37%	36%	+1 pt

BNP Paribas Securities Services continued to strengthen its leadership across Europe. The business reported 24.5% growth in net banking income, buoyed by robust trading volumes (up 41% on 2006). Assets under custody rose 5.2% to €3,801 billion at December 31, 2007. The strong commercial momentum continued apace, with a large number of new mandates awarded on the strength of the division's high-quality offering, Assets under administration also continued to grow sharply, up 33.9% year-on-year to €833.8 billion. Pre-tax net income increased by 24.9% to €251 million.

Corporate and Investment Banking (CIB)

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**8,293**	**8,090**	**+2.5%**
Operating expenses and depreciation	(4,785)	(4,473)	+7.0%
Gross operating income	**3,508**	**3,617**	**-3.0%**
Provisions	(28)	264	Nm
Operating income	**3,480**	**3,881**	**-10.3%**
Share of earnings of associates	8	10	-20.0%
Other non operating items	89	32	+178.1%
Pre-tax net income	**3,577**	**3,923**	**-8.8%**
Cost/income ratio	57.7%	55.3%	+2.4 pts
Allocated equity (in billions of euros)	11.9	10.1	+17.7%
Pre-Tax ROE	30%	39%	-9 pts

Against a backdrop of industry difficulties due to the subprime crisis, the Group's Corporate and Investment Banking arm (CIB) posted strong earnings in 2007. The Bank attributes this result to CIB's client-focused business development model and effective risk management.

Net banking income came in 2.5% higher year-on-year, at €8,293 million. Client business surged 23% on 2006, with a robust performance throughout the year (fourth-quarter 2007 up 34% on the same prior-year period). Italy, Asia and emerging countries led the growth gains in client business.

Operating expenses moved up 7% over the year on the back of the recruitment drive at key franchises. However, operating expenses and depreciation showed satisfactory flexibility, falling 13.2% between the second and third quarters and 18.7% between the third and fourth quarters, reflecting adjustments to performance-related pay in line with the worsening economic climate.

Provisions totalled a relatively low €28 million, compared with €264 million in net releases from provisions one year earlier, reflecting CIB's limited exposure to high-risk assets and generally good asset quality in its portfolio.

Pre-tax income was down 8.8% on 2006, at €3,577 million due largely to the downturn in the market in the second half, although pre-tax income nonetheless remained positive in the third and fourth quarters of the year. Pre-tax return on allocated capital amounted to 30%, down 9 points from its record level in 2006.

Advisory and Capital Markets

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**5,625**	**5,396**	**+4.2%**
Of which equity and advisory	2,769	2,402	+15.3%
Of which fixed income	2,856	2,994	-4.6%
Operating expenses and depreciation	(3,588)	(3,327)	+7.8%
Gross operating income	**2,037**	**2,069**	**-1.5%**
Provisions	(65)	(16)	+306.3%
Operating income	**1,972**	**2,053**	**-3.9%**
Share of earnings of associates	8	10	-20.0%
Other non operating items	38	44	-13.6%
Pre-tax net income	**2,018**	**2,107**	**-4.2%**
Cost/income ratio	63.8%	61.7%	+2.1 pts
Allocated equity (in billions of euros)	4.5	3.9	+16.0%
Pre-Tax ROE	45%	55%	-10 pts

Advisory and Capital Markets posted net banking income of €5,625 million in 2007, an increase of 4.2% compared to 2006, despite significant credit adjustments in respect of counterparty risk, particularly on monoline insurers. In the fixed income business, net banking income decreased by 4.6% as a result of the impact of credit adjustments due in particular to increased counterparty risk on monoline insurers, although this was offset by a 15.3% increase in net banking income from the equity and advisory business. Provisions increased by 306.3% to €65 million, mainly due to (i) an increase in loan loss reserve related to the US real estate sector (€94 million) and (ii) a write-off of the residual exposure to the monoline insurer ACA (€44 million), partially offset by various releases of provisions. Pre-tax net income decreased by 4.2% to €2,018 million.

BNP Paribas' world-leading derivatives house (equity, interest rate, currency, credit and commodity instruments) generated 50% of CIB's net banking income in 2007.

Financing Businesses

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**2,668**	**2,694**	**-1.0%**
Operating expenses and depreciation	(1,197)	(1,146)	+4.5%
Gross operating income	**1,471**	**1,548**	**-5.0%**
Provisions	37	280	-86.8%

Operating income	**1,508**	**1,828**	**-17.5%**
Non operating items	51	(12)	nm
Pre-tax net income	**1,559**	**1,816**	**-14.2%**
Cost/income ratio	44.9%	42.5%	+2.4 pts
Allocated equity (in billions of euros)	7.4	6.3	+18.8%
Pre-Tax ROE	21%	29%	-8 pts

The Group's Financing businesses reported €2,668 million in net banking income for 2007, down 1.0% on 2006 due to fair value adjustments on the LBO underwriting portfolio. The Energy, Commodities, Export, Project (ECEP) business was not directly affected by the subprime crisis. Thanks to benign market conditions (including high energy and commodity prices, growth in international trade, increasing infrastructure needs in emerging countries and the development of renewable energies), ECEP provided its expertise and value-added financing solutions to an ever-expanding customer base in 2007. Operating expenses and depreciation increased by 4.5% to €1,197 million partly due to a 10% increase in staff during the year.

Other Activities (including BNP Paribas Capital)

(in millions of euros)	**2007**	**2006**
Net banking income	**1,108**	**576**
Operating expense and depreciation	(426)	(550)
Provisions	14	66
Operating income	**696**	**92**
Share of earnings of associated companies	252	193
Other non-operating items	(40)	119
Pre-tax income	**908**	**404**

Net banking income in Other Activities (which includes Klépierre and the entities ordinarily known as BNP Paribas Capital) increased by 92.0% to €1,108 million due to the disposals of Vivarte (first quarter of 2007), Saur (second quarter of 2007) and Bouygues Télécom (third quarter of 2007). Operating expense and depreciation decreased to €426 million and provisions decreased to €14 million. As a result, pre-tax income more than doubled to €908 million, despite a substantial decrease in Other non-operating items.

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net interest income	9,708	9,124	+6.4%
Net commission income	6,322	6,104	+3.6%
Net gain on financial instruments at fair value through profit or loss	7,843	7,573	+3.6%
Net gain on available-for-sale financial assets	2,507	1,367	+83.4%
Net income from other activities	4,657	3,775	+23.4%
Net banking income	**31,037**	**27,943**	+11.1%

General. The 11.1% increase in net banking income of the Group in 2007 as compared with 2006 was due, in order of importance, to a 83.4% increase in net gains on available-for-sale financial assets, a 23.4% increase in net income from other activities, a 6.4% increase in net interest income, a 3.6% increase in net commission income and a 3.6% increase in net gain on financial instruments at fair value through profit or loss.

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

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

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

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

- Income (as opposed to changes in fair value, which are recognized in the line item "Net gain on financial instruments at fair value through profit or loss", as discussed in further detail below) from the Group's financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments, calculated using the effective interest method (including interest, fees and commissions and transaction costs);

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

- Income from cash flow hedges, which are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign-currency revenues. Changes in fair value of the cash flow hedge are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement.

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. Similarly, interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions.

In 2007, net interest income increased by 6.4% compared to 2006, to €9,708 million. This increase resulted primarily from a 21.4% increase in net interest income on customer items, from €11,774 million in 2006 to €14,299 million in 2007, due principally to a €2,356 million increase in net income on deposits, loans and borrowings. The latter increase was in turn the result of a 13.2% increase in the outstanding amounts of loans and receivables due from customers, to €445.1 billion at December 31, 2007. Loans due to customers increased at a slightly faster rate, by 16.1% to €346.7 million at December 31, 2007, which was primarily responsible for the slower rate of increase in income paid on deposits, loans and borrowings (30.3%) than the rate of increase in expense on such items (40.7%).

In addition, interest income from available-for-sale financial assets increased by 21.6% to €3,872 million mainly as a result of a 16% increase in the volume of fixed income securities . Finally, net interest expense on the trading book decreased from €743 million in 2006 to €332 million in 2007 due to a 59.5% increase in interest income from fixed-income securities to €4,285 million (resulting from increased volumes of such items), partially offset by an increase in net interest expense from repurchase agreements and debt securities of 25.8% and 37.2%, to €1,620 million and €2,893 million, respectively.

These increases were partially offset by:

- a 48.9% increase in net interest expenses paid on interbank items, from €1,917 million in 2006 to €2,854 million in 2007, itself due primarily to a 40.5% increase in net expense paid on deposits, loans and borrowings and a 122.6% increase in net expense paid on repurchase agreements, itself resulting from a 121% increase in the volume of these items;

- a 25.9% increase in expenses paid on debt securities issued, from €5,634 million in 2006 to €7,091 million in 2007, resulting from a 16% increase in volume of other debt securities; and

- an 46% decrease in net income from cash flow hedge instruments from €1,350 million in 2006 to €729 million in 2007.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". Trends in such assets between December 31, 2006 and December 31, 2007 are summarized below.

Total loans and receivables due from customers, net of impairment provisions, amounted to €445.1 billion at December 31, 2007, an increase of 13.2% compared to €393.1 billion at December 31, 2006. The increase was due primarily to a 13.1% increase in loans to customers, to €403.3 billion at December 31, 2007. This increase was itself due largely to a 10.6% increase in outstanding mortgage loans in French Retail Banking, a 8.7% increase in outstanding mortgage loans in BNL banca commerciale, and a 11.7% increase in corporate loans in French Retail Banking to €45.9 million at December 31, 2007. Demand accounts and finance leases also increased by 13.6% from €26,271 million to €29,794 million and by 6.6% from €22,758 million to €24,266 million, respectively.

Total loans and receivables due from credit institutions, net of provisions, decreased 5.4%, from €75.2 billion at December 31, 2006 to €71.1 billion at December 31, 2007. Contributing to the overall decrease was a 6.7% decrease in loans, to €48.9 billion at December 31, 2007, and a 11.3% decrease in repurchase agreements, to €6.8 billion at December 31, 2007, offset by a 1.8% increase in demand accounts, to €15.5 billion at December 31, 2007.

Interest-bearing liabilities include items due to credit institutions and items due to customers. Total items due to customers (including demand deposits, term accounts, regulated savings accounts, retail certificates of deposit and repurchase agreements) increased 16.1%, from €298.7 billion at December 31, 2006 to €346.7 billion at December 31, 2007. The increase was due primarily to a 12.2% increase in demand accounts, from €142.5 billion at December 31, 2006 to €159.8 billion at December 31, 2007, and a 29.6% increase in term accounts, from €101.0 billion at December 31, 2006 to €130.9 billion at December 31, 2007. These increases were in turn partly due to organic growth. Repurchase agreements increased 58.8%, from €4.0 billion at December 31, 2006 to €6.4 billion at December 31, 2007. Retail certificates of deposit decreased 11.7%, from €10.6 billion at December 31, 2006 to €9.4 billion at December 31, 2007. The increase in customer items was also slightly offset by a 0.7% decrease in funds deposited in regulated savings accounts, from €40.5 billion at December 31, 2006 to €40.2 billion at December 31, 2007.

Total loans and receivables due to credit institutions increased 18.5%, from €143.7 billion at December 31, 2006 to €170.2 billion at December 31, 2007. Contributing to the increase was a 3.5% increase in demand accounts, to €8.2 billion at December 31, 2007, a 7.4% increase in borrowings, to €130.4 billion at December 31, 2007, and a 120.7% increase in repurchase agreements, to €31.6 billion at December 31, 2007.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is itself influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower rates on regulated savings accounts, the competitive environment, the relative weights of the Group's various interest-bearing products, which have differing typical margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions. For example, the rate paid by the Bank on a *livret d'epargne populaire*, a form of regulated savings account in France, increased from 3.0% to 3.3% as of February 1, 2006, increased from 3.3% to 3.8% as of August 1, 2006, and increased from 3.8% to 4.0% as of August 1, 2007. The net interest margin rate at BancWest further decreased from 3.21% in the first quarter of 2007 to 3.07% in the first quarter of 2008 due to an increasingly inverted yield curve and intense competition.

For more discussion of the factors affecting trends in total customer loans outstanding and total customer deposits during the period under review, see "—Results of operations by division – Retail Banking" and "—Results of operations by division – Corporate and Investment Banking". For more information with respect to movements in interest rate spreads in Retail Banking during the period under review, see "—Results of operations by division – Retail Banking – French Retail

Banking" and "—Results of operations by division – International Retail Services". For an explanation of the effects of exchange rates on the Group's results generally, see "—Economic Conditions".

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income increased 3.6%, from €6,104 million in 2006 to €6,322 million in 2007. This increase was due primarily to an increase in the volume of customer transactions as well as sustained and successful marketing efforts by the Group, in particular with respect to its sales of savings and investment products.

Net gain on financial instruments at fair value through profit or loss. This line item includes all profit and loss items (other than interest income and expense, which are recorded under "Net interest income", as discussed above) relating to financial instruments managed in the trading book and, as of January 1, 2005, to financial instruments designated as fair value through profit or loss by the Group under the fair value option of IAS 39 (for a discussion of the fair value option, see Note 1.c of the financial statements for the year ended December 31, 2008). This in turn includes both capital gains/losses on sales and marking to market gains and losses, along with dividends from variable-income securities. Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

Net gains on financial instruments at fair value through profit or loss increased by 3.6%, from €7,573 million in 2006 to €7,843 million in 2007. This increase was primarily due to a shift in derivative instruments from a loss of €3,935 million in 2006 to a gain of €51 million in 2007. The gain on variable-income securities decreased to €8,380 million, from €10,164 million in 2006 Fixed income securities decreased substantially from a gain of €539 million at December 31, 2006 to a loss of €1,210 million at December 31, 2007. The gains from the remeasurement of interest-rate risk hedged portfolios and currency positions increased from €185 million to €399 million and decreased from €703 million to €420 million in 2007, respectively.

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

Net gains on available-for-sale financial assets increased from €1,367 million in 2006 to €2,507 million in 2007. The increase was due primarily to a 98.8% increase in net disposal gains from equities and other variable-income securities from €954 million to €1,897 million and a 40.3% increase in dividend income from equities and other variable-income securities from €452 million to €634 million.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities increased by 23.4%, from €3,775 million in 2006 to €4,657 million in 2007. This increase was in turn due to a 25.1% increase in net income from insurance activities, a 12.0% increase in net income from investment property, a 16.6% increase in net income from other products, a 25.4% increase in net income from assets leased under operating leases and a 50.0% increase in net income from property development activities.

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

The increase in net income from insurance activities was primarily the result of a 26.2% decrease in losses for movement in technical reserves (from €8,470 million in 2006 to €6,247 million in 2007), offset by a decrease in net income resulting from a change in the value of admissible investments related to unit-linked business (from €2,509 million in 2006 to €916 million in 2007). Gross premiums written remained relatively flat, at €14,914 million in 2007 compared with €14,701 million in 2006.

Operating Expense and Depreciation

(in millions of euros)	2007	2006	*Change (2007/2006)*
Operating expense	(17,773)	(16,137)	*+10.1%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(991)	(928)	*+6.8%*
Operating expense and depreciation	**(18,764)**	**(17,065)**	***+10.0%***

Operating expense and depreciation increased by 10.0%, from €17,065 million in 2006 to €18,764 million in 2007, including restructuring costs relating to BNL of €151 million in 2006 and €71 million in 2007. Despite the overall increase, operating expense and depreciation as a percentage of net banking income decreased slightly from 61.1% for 2006 to 60.5% for 2007.

Gross Operating Income

The Group's gross operating income increased by 12.8%, from €10,878 million in 2006 to €12,273 million in 2007, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above under "—Results of operations by division".

Cost of Risk

(in millions of euros)	2007	2006	*Change (2007/2006)*
Net additions to impairment provisions	(1,762)	(775)	*+127.4*
Recoveries of loans and receivables previously written off	329	247	*+33.2*
Irrecoverable loans and receivables not covered by impairment provisions	(292)	(255)	*+14.5%*
Total net additions to provisions	**(1,725)**	**(783)**	***+120.3%***

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

The 120.3% increase in provisions in 2007 compared to 2006 was mainly due to a 127.4% increase in net additions to impairment provisions in 2007 compared to 2006. This increase was due in turn primarily to a 70.1% increase in provisions to €1,228 million in International Retail Services, including in particular a 477.6% increase in provisions to €335 million at Bancwest. In addition, provisions in Corporate and Investment Banking increased by €292 million. These increases were related to the sub-prime and credit crises and deteriorating market conditions. See "—Economic Conditions," "—Results of operations by division—International Retail Services—Bancwest" and "—Results of operations by division—Corporate and Investment Banking."

As at December 31, 2007, total doubtful loans and commitments amounted to €14.2 billion (as compared to €15.7 billion at December 31, 2006), and provisions totaled €12.8 billion (as compared to €13.9 billion at December 31, 2006). The coverage ratio at the same date therefore increased to 91% (from 89% at December 31, 2006). The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31, 2007	**At December 31, 2006**
Doubtful specific risks outstanding as a percentage of total commercial commitments	1.8%	2.2%
Provisions as a percentage of average risk weighted assets	0.4%	0.2%

For a more detailed discussion of net additions to provisions by division, see "—Results of operations by division".

Net Income Attributable to the Group

(in millions of euros)	2007	2006	*Change (2007/2006)*
Operating income	**10,548**	**10,095**	+4.5%
Share of earnings of associates	358	293	+22.2%
Net gain on non-current assets	153	195	-21.5%
Change in value of goodwill	(1)	(13)	-92.3%
Income taxes	(2,747)	(2,762)	-0.5%
Minority interests	489	500	-2.2%
Net income	**7,822**	**7,308**	
			+7.0%

General. The 7.0% increase in net income attributable to the Group was primarily due to an increase in gross operating income net of provisions.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies carried under the equity method) increased from €293 million in 2006 to €358 million in 2007, as a result of the performances of these companies.

Net gain on non-current assets. This item includes net realized gains and losses on sales of property, plant and equipment and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. Net gains on non-current assets decreased from €195 million in 2006 to €153 million in 2007.

Change in value of goodwill. Goodwill impairments remained minimal (€1 million) in 2007 after €13 million in 2006.

Income tax. The Group recorded corporate income tax expense for 2007 of €2,747 million, slightly down from €2,762 million in 2006. The slight decrease resulted from a decrease in the effective tax rate in 2007 (24.8%), from 2006 (26.1%).

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group decreased to €489 million in 2007 compared to €500 million in 2006, due to the temporary existence of minority shareholders of BNL in 2006 prior to the acquisition by the Group of 100% of BNL's shares.

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2007, as compared to its financial condition as of December 31, 2006.

Assets

Overview. At December 31, 2007, the Group's consolidated assets amounted to €1,694.5 billion, up 17.6% from €1,440.3 billion, at year-end 2006. The main components of the Group's assets were financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions, and accrued income and other assets, which together accounted for 95.7% of total assets at December 31, 2007 (95.6% at December 31, 2006). The 17.6% increase in total assets reflects a rise in most of the Group's asset categories, particularly financial assets at fair value through profit or loss (up 25.1%), loans and receivables due from customers (up 13.2%) and assets available for sale (up 16.4%). These increases were partially offset by a fall of 9.4% in accrued income and other assets and 5.4% in loans and receivables due from credit institutions.

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

Total financial assets at fair value through profit or loss amounted to €931.7 billion at December 31, 2007, an increase of 25.1% compared with December 31, 2006 (€744.9 billion). The increase was driven by a rise of 31.0% in repurchase agreements (€334.1 billion at year-end-2007), 46.7% in derivatives (€236.9 billion at year-end-2007), 70.1% in negotiable debt securities (€83.0 billion at year-end-2007) and 5.4% in equities and other variable-income securities (€144.7 billion at year-end-2007). These movements were partially offset by a 7.7% fall in bonds to €127.8 billion at December 31, 2007.

Financial assets at fair value through profit or loss represented 55.0% of BNP Paribas' total assets at year-end 2007, compared with 51.7% at December 31, 2006.

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 €71.1 billion at year-end-2007, down 5.4% from €75.2 billion at year-end-2006. Movements in interbank loans account for the bulk of the decrease (down 6.7% to €48.9 billion at December 31, 2007). Demand accounts remained stable, totaling €15.5 billion at year-end-2007 compared with €15.2 billion at year-end-2006. Repurchase agreements fell 11.3% year-on-year, to €6.7 billion at December 31, 2007. Provisions for impairment remained stable, totaling €0.1 billion at year-end-2007 and end-2006.

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 €445.1 billion at year-end-2007, up 13.2% from €393.1 billion at December 31, 2006. Loans to customers account for the bulk of this increase (up 13.1% to €403.3 billion at December 31, 2007). Demand accounts climbed 13.4% to €29.8 billion at year-end-2007. Receivables under finance leases advanced 6.6% year-on-year, to €24.3 billion at December 31, 2007. Impairment provisions fell 7.6% to €12.5 billion at year-end-2007 from €13.5 billion one year earlier.

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

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

Available-for-sale financial assets (net of impairment provisions) amounted to €112.6 billion at December 31, 2007, up 16.4% on December 31, 2006. This increase was driven by a rise of 11.8% in bonds (€73.5 billion at year-end-2007), 40.5% in negotiable debt securities (€17.5 billion at year-end-2007) and 14.9% in equities and other variable-income securities (€22.7 billion at year-end-2007), chiefly attributable to an increase in volumes.

Impairment provisions recognized in respect of available-for-sale financial assets remained relatively stable, slipping €0.2 billion to €1.0 billion at December 31, 2007 from €1.2 billion at December 31, 2006. Impairment provisions are computed at each balance sheet date. Unrealized capital gains on available-for-sale financial assets fell 28.5% to €5 billion at December 31, 2007.

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

Total held-to-maturity financial assets remained fairly stable, at €14.8 billion at December 31, 2007 versus €15.1 billion one year earlier.

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

Accrued income and other assets fell 9.4% year-on-year, to €60.6 billion at December 31, 2007 from €66.9 billion at year-end-2006. This decrease was mainly driven by a 35.5% fall in guarantee deposits and guarantees paid, partially offset by a 14.3% rise in other debtors and miscellaneous assets.

Liabilities (excluding shareholders' equity)

Overview. At December 31, 2007, the Group's consolidated liabilities (excluding shareholders' equity) totalled €1,635.1 billion, up 18.0% from €1,385.5 billion at December 31, 2006. The main components of the Group's liabilities were financial liabilities at fair value through profit or loss, amounts due to credit institutions, amounts due to customers, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies, which together accounted for 98.2% of total liabilities (excluding shareholders' equity). The 18.0% year-on-year increase was driven by a rise of 21.9% in financial liabilities at fair value through profit or loss, 16.1% in amounts due to customers, 18.5% in amounts due to credit institutions, and 16.0% in debt securities. A 7.2% rise in technical reserves of insurance companies and a 9.6% rise in accrued expenses and other liabilities also contributed to the increase in total liabilities (excluding shareholders' equity).

Financial liabilities at fair value through profit or loss. This item includes trading book liabilities such as securities borrowing transactions, short selling transactions and repurchase agreements. It also includes derivatives and financial liabilities accounted for using the fair value option through profit or loss. Liabilities accounted for under the fair value option consist mainly of structured products where the risk exposure is managed in combination with the hedging strategy. These types of products contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument.

Total financial liabilities at fair value through profit or loss advanced 21.9% year-on-year, from €653.3 billion at December 31, 2006 to €796.1 billion at December 31, 2007. The increase reflects a rise of 23.5% in repurchase agreements (€357.8 billion at December 31, 2007), 32.7% in trading book derivatives (€244.5 billion at December 31, 2007) and 33.8% in debt securities (€74.0 billion at December 31, 2007). These movements were partially offset by a 2.4% fall in securities borrowing and short selling transactions, to €116.1 billion at December 31, 2007.

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

Amounts due to credit institutions climbed 18.5% year-on-year, to €170.2 billion at December 31, 2007 (€143.7 billion at December 31, 2006). This increase is mainly attributable to the 19.3% surge in borrowings and repurchase agreements, which totalled €162.0 billion at year-end-2007.

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

Amounts due to customers totalled €346.7 billion at December 31, 2007, an increase of 16.1% compared with the year-earlier figure (€298.7 billion). This reflects the combined impact of a 29.6% jump in term accounts to €130.9 billion at December 31, 2007, and a 12.2% rise in demand deposits to €159.8 billion at the same date, fuelled chiefly by organic growth. For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest income".

Debt securities. This line item consists of negotiable certificates of deposit and bond issues. It does not include debt securities classified as "financial liabilities at fair value through profit or loss" (see Note 5.a to the consolidated financial statements for the year ended December 31, 2008).

Debt securities advanced 16.0%, from €121.6 billion at year-end-2006 to €141.1 billion at year-end-2007. The increase was chiefly powered by the rise in negotiable debt securities (up 24.6% to €106.4 billion at December 31, 2007), partially offset by a fall in bond issues (down 4.2% to €34.7 billion at December 31, 2007).

Subordinated debt. Subordinated debt edged up 3.8%, to €18.6 billion at December 31, 2007 from €18.0 billion a year earlier. The increase mainly reflects the 6.2% rise in issues of redeemable subordinated debt to €17.4 billion at December 31, 2007.

Technical reserves of insurance companies. Technical reserves of insurance companies moved up 7.2% to €93.3 billion at December 31, 2007 from €87.0 billion at year-end-2006. The increase was primarily attributable to a rise in technical reserves linked to the life insurance business, which enjoyed strong organic growth.

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

Accrued expenses and other liabilities advanced 9.6%, from €53.7 billion at December 31, 2006 to €58.8 billion at December 31, 2007. This increase resulted mainly from advances in guarantee deposits received (up 36.6% to €16.8 billion at year-end-2007), accrued expenses and deferred income (up 50.2% to €5.5 billion at year-end-2007) and settlement accounts related to securities transactions (up 6.8% to €23.2 billion at year-end-2007), partially offset by the fall in other creditors and miscellaneous liabilities (down 16.6% to €12.9 billion at year-end-2007).

Minority Interests

Minority interests remained stable at €5.6 billion at December 31, 2007 versus €5.3 billion one year earlier. Minority interests in the Group's income (€0.5 billion at year-end-2007) were partially offset by the distribution of dividends and interim dividends totaling €0.4 billion. Other changes reflect the redemption of preferred shares and the dividends paid on these shares (€0.9 billion), offset by (i) the subscription by minority shareholders to €1.1 billion in share issues by subsidiaries controlled but not wholly owned by the Group, and (ii) transactions carried out with minority shareholders, including those resulting in additions to the scope of consolidation.

Shareholders' Equity

Consolidated shareholders' equity attributable to the Group before dividend payments amounted to €53.8 billion at December 31, 2007, an increase of 8.7% year-on-year.

This increase reflects net attributable income of €7.8 billion in 2007, as well as the preferred share issue of €2.3 billion, partially offset by the €2.8 billion dividend payment in respect of 2006 and the negative €1.2 billion impact of treasury share transactions.

Net unrealized gains fell €1.8 billion at December 31, 2007, due essentially to the €1.0 billion fall in net unrealized gains on available-for-sale financial assets and to the €0.9 billion decrease in translation adjustments.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers mainly comprise documentary credits and other confirmed letters of credit, as well as commitments relating to repurchase agreements. Financing commitments climbed 3.0% to €205.3 billion at December 31, 2007. Commitments to credit institutions declined 28.8% to €25.9 billion at year-end-2007.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. Financing commitments received surged 41.4% to €107.5 billion at December 31, 2007, compared with €76.0 billion at December 31, 2006. This increase reflects the rise in commitments received from credit institutions (up 40.9% to €100.6 billion at December 31, 2007) and in financial commitments received on behalf of customers (up 49.0% to €6.9 billion at December 31, 2007).

Guarantee Commitments

Financial instruments received as guarantees and which may be sold or repledged as a guarantee by the Group totalled €38.0 billion at year-end-2007, up 176% year-on-year. Financial instruments given as guarantees climbed 37.9% to €43.6 billion.

Guarantee commitments moved up 12.5% to €91.1 billion at December 31, 2007 from €80.9 billion one year earlier. This increase was powered by a 16.5% rise in commitments given to customers to €80.7 billion, partially offset by an 11.0% fall in commitments given to credit institutions to €10.4 billion.

For further information concerning the Group's financing and guarantee commitments, see Note 6 to the consolidated financial statements as of December 31, 2007 and for the years ended December 31, 2007 and 2006.

Selected Exposures Based on Financial Stability Forum Recommendations

In April 2008, the Financial Stability Forum (FSF) issued a report on enhancing market and institutional resilience, including recommendations on enhancing transparency and risk disclosure. The FSF brings together senior representatives of national financial authorities (e.g. central banks, supervisory authorities and treasury departments), international financial institutions, international regulatory and supervisory groupings, committees of central bank experts and the European Central Bank. The subsections below include selected unaudited information regarding the Group's exposures based on these recommendations.

Exposure to Conduits and SIVs

As at December 31, 2008 *(in billions of euros)*	Entity data						BNP Paribas exposure
			Liquidity lines				
	Assets funded	Securities issued	Line outstanding	o/w cash drawn	Credit enhancement [(1)]	ABCP held and others	Maximum commitment [(2)]
BNP Paribas sponsored entities							
ABCP conduits	12.8	12.9	12.9	-	0.7	1.3	15.3
Structured Investment Vehicles	-	-	-	-	-	-	-
Third party sponsored entities (BNP Paribas share)							
ABCP conduits	n.s	1.3	1.3	-	-	-	1.3
Structured Investment Vehicles	n.s	-	-	-	-	0.0	-

(1) *Provided by BNP Paribas. In addition, each programme benefits from other types of credit enhancement.*
(2) *Represent the cumulative exposure across all types of commitments in a worst case scenario.*

10% of the ABCPs issued by sponsored conduits (equivalent to €1.3 billion) were held in the trading book at December 31, 2008, compared with 30% at September 30, 2008.

The Group does not have any exposure to SIVs.

Sponsored ABCP conduits

Breakdown by maturity and region

Sponsored ABCP conduits as at December 31, 2008 *(in billions of euros)*	Starbird United States	Matchpoint Europe	Eliopee Europe	Thesee Europe	J Bird 1 & 2 Japan	TOTAL
Ratings	A1/P1	A1+ / P1	P1	A1/P1/F1	A1/P1	
BNP Paribas commitments	7.1	5.4	1.3	0.6	0.8	15.3
Assets funded	**5.8**	**4.6**	**1.1**	**0.6**	**0.8**	**12.8**
Breakdown by maturity						
0-1 year	25%	25%	49%	98%	43%	31%
1 year - 3 years	32%	42%	9%	2%	44%	33%
3 year-5 years	17%	19%	42%	0%	9%	19%
> 5 years	26%	14%	0%	0%	4%	17%
TOTAL	100%	100%	100%	100%	100%	100%
Breakdown by geography [(*)]						
USA	97%	1%	-	-	-	46%
France	-	7%	81%	81%	-	13%
Spain	-	21%	-	-	-	8%
UK	-	7%	-	19%	-	3%
Asia	-	12%	-	-	100%	9%
Diversified and Others	3%	51%	19%	-	-	21%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(*) *Convention used is: when a pool contains more than 50% country exposure, this country is considered to be the one of the entire pool. Any pool where one country does not reach this level is considered diversified.*

Breakdown by asset class

Sponsored ABCP conduits as at December 31, 2008 *(in billions of euros)*	**Starbird United States**	**Matchpoint Europe**	**Eliopee Europe**	**Thesee Europe**	**J Bird 1 & 2 Japan**	**Total by asset type**	**Total o/w AAA**
Breakdown by asset type							
Auto Loans, Leases & Dealer Floorplans	36%	34%	-	-	-	29%	
Trade Receivables	12%	24%	81%	81%	-	24%	
Consumer Loans & Credit Cards	10%	8%	-	-	100%	13%	
Equipment Finance	13%	4%	-	-	-	7%	
Student Loans	12%	-	-	-	-	6%	
RMBS	-	4%	-	-	-	1%	100%
o/w U.S. (0% subprime)	-	*1%*	-	-	-	*0%*	
o/w UK	-	-	-	-	-	-	
o/w Spain	-	*2%*	-	-	-	*1%*	
CMBS	-	11%	-	-	-	4%	100%
o/w U.S., UK, Spain	-	-	-	-	-	-	
CDOs of RMBS (non U.S.)	-	5%	-	-	-	2%	100%
CLOs	11%	6%	-	-	-	7%	100%
CDOs of corporate bonds	-	5%	-	-	-	2%	79%
Insurance	-	-	19%	19%	-	2%	31%
Others	6%	1%	-	-	-	3%	37%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Funding through proprietary securitization

Cash securitisation as at December 31, 2008 *(in billions of euros)*	**Amount of securitised assets (Group share)**	**Amount of securities issued (Group share)**	**Securitized positions held: First losses**	**Securitized positions held: Others**
IRS	**5.1**	**5.8**	**0.2**	**0.3**
o/w Residential loans	3.7	4.5	0.1	0.1
o/w Consumer loans	0.4	0.4	0.0	0.1
o/w Lease receivables	1.0	1.0	0.1	0.1
BNL	**4.6**	**4.7**	**0.1**	**0.2**
o/w Residential loans	4.6	4.7	0.1	0.2
o/w Consumer loans	-	-	-	-
o/w Lease receivables	-	-	-	-
o/w Public sector	-	-	-	-
TOTAL	**9.7**	**10.5**	**0.3**	**0.5**

€9.7 billion of loans had been refinanced through securitisation at December 31, 2008, down from €13.3 billion at December 31, 2007.

Following the transition to IFRS in 2005, SPVs are now consolidated in the BNP Paribas 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, 2008 *(in billions of euros)*			**Gross outstanding**					**Provisions**		
			FIRST MORTGAGE		**Home Equity Loans**				
		Consumer	**Full Doc**	**Alt A**		**Total**	**Portfolio**	**Specific**	**Net exposure**
U.S. (BancWest)		**8.5**	**8.1**	**0.3**	**2.9**	**19.8**	**(0.2)**	**-**	**19.6**
Super Prime	*FICO > 730*	5.2	4.5	0.2	1.8	11.7	-	-	11.7
Prime	*600<FICO<730*	3.1	3.6	0.1	1.1	7.9	-	-	7.9
Subprime	*FICO < 600*	0.1	0.1	0.0	0.0	0.3	-	-	0.3
UK (Personal Finance)		**0.4**	**-**	**-**	**-**	**0.4**	**-**	**-**	**0.4**
Spain (Personal Finance)		**4.2**	**6.1**	**-**	**-**	**10.3**	**(0.1)**	**(0.4)**	**9.8**

The Group's personal loans classified as sensitive included the following at December 31, 2008:

- a good-quality U.S. portfolio, with only €300 million of subprime loans;
- a negligible exposure to the UK, with no exposure to residential mortgages; and
- a well-secured exposure to Spain (and the risks related to the economic downturn) through guarantees in the mortgage portfolio and a sizable percentage of car loans in the consumer loan portfolio.

Commercial real estate

Commercial Real Estate as at December 31, 2008 *(in billions of euros)*	**Gross exposure**				**Provisions**		
	Home Builders	**Property companies**	**OTHERS** [1]	**Total**	**Portfolio**	**Specific**	**Net exposure**
U.S.	**2.2**	**0.1**	**5.2**	**7.5**	**(0.1)**	**(0.1)**	**7.3**
BancWest	1.8	-	5.2	7.0	(0.1)	(0.1)	6.8
CIB	0.4	0.1	-	0.5	-	-	0.5
UK (CIB)	**0.1**	**1.0**	**0.1**	**1.2**	**-**	**-**	**1.2**
Spain (CIB)	**-**	**0.1**	**0.7**	**0.8**	**-**	**-**	**0.8**

[1] *Excluding owner-occupied and real estate backed loans to corporates.*

The Group's commercial real estate loans classified as sensitive included the following at December 31, 2008:

- €1.8 billion of exposure to the U.S. residential construction market, including €1.3 billion drawn at BancWest and €400 million at CIB;
- Exposure to the UK that is concentrated on large property companies; and
- Limited exposure to Spain, with no home builder exposure.

Real estate related ABS and CDOs exposure

Trading book

Net exposure *(in billions of euros)*	**12/31/2007**	**09/30/2008**	**12/31/2008**
TOTAL RMBS	4.2	2.7	1.2
U.S.	**2.1**	**0.8**	**0.2**
Subprime	0.1	0.0	0.0
Mid-prime	0.5	0.1	0.1
Alt-A	0.5	0.1	0.0
Prime*	1.0	0.6	0.1
UK	**0.5**	**0.8**	**0.3**
Conforming	0.0	0.1	(0.0)
Non conforming	0.5	0.7	0.3
Spain	**0.9**	**0.8**	**0.5**
Other countries	**0.7**	**0.3**	**0.2**
TOTAL CMBS	**1.0**	**1.6**	**1.8**
U.S.	(0.1)	0.7	1.1
Non U.S.	1.1	0.9	0.7
TOTAL CDOs (CASH AND SYNTHETIC)	**0.1**	**0.0**	**(0.2)**
RMBS	**0.1**	**0.2**	**(0.1)**
U.S.	(0.2)	(0.1)	(0.1)
Non U.S.	0.3	0.3	-
CMBS	**-**	**(0.2)**	**(0.0)**
TOTAL SUBPRIME, ALT-A, U.S. CMBS AND RELATED CDOs	**0.4**	**0.7**	**1.0**

(*) *Excluding Government Sponsored Entities (€3.3 billion as at 12/31/2008)*

The trading book's exposure to real estate ABSs and CDOs shrank by €1.6 billion at December 31, 2008, as a result of reclassifications from the trading book to the banking book carried out under the amendment to IAS 39 as adopted by the European Union. Most of the trading book's exposure is in Europe, and consists of high-quality assets (89% are AAA-rated). Assets are booked at fair value through profit or loss, with market prices or observable parameters used as the preferred basis for valuation when relevant.

Despite its increased exposure to U.S. CMBSs following the unwinding of hedge positions, the trading book has little exposure to Alt-A mortgages, U.S. CMBSs, and related CDOs.

Banking book

Net exposure *(in billions of euros)*	12/31/2007 Net exposure [2]	09/30/2008 Net exposure [2]	12/31/2008 Gross exposure [1]	Impairment	Net exposure [2]
TOTAL RMBS	**1.7**	**2.9**	**4.3**	**(0.1)**	**4.2**
U.S.	**1.3**	**1.7**	**2.3**	**(0.1)**	**2.2**
Subprime [1]	0.1	0.2	0.2	(0.0)	0.2
Mid-prime	-	0.1	0.1	(0.0)	0.1
Alt-A	0.1	0.2	0.2	(0.0)	0.2
Prime [3]	1.1	1.2	1.7	(0.0)	1.7
UK	**0.0**	**0.1**	**0.8**	**(0.0)**	**0.8**
Conforming	0.0	0.1	0.1	-	0.1
Non conforming	0.0	0.0	0.6	(0.0)	0.6
Spain	**0.2**	**0.8**	**0.9**	**-**	**0.9**
Other countries	**0.1**	**0.3**	**0.4**	**-**	**0.4**
TOTAL CMBS	**0.2**	**0.4**	**0.5**	**(0.0)**	**0.5**
U.S.	0.1	0.1	0.1	-	0.1
Non U.S.	0.2	0.3	0.4	(0.0)	0.4
TOTAL CDOS (CASH AND SYNTHETIC)	**0.5**	**0.6**	**1.1**	**(0.6)**	**0.9**
RMBS	**0.2**	**0.3**	**0.8**	**(0.1)**	**0.6**
U.S.	0.0	0.0	0.2	(0.1)	0.0
Non U.S.	0.1	0.3	0.6	(0.0)	0.6
CMBS	**-**	**-**	**0.0**	**(0.1)**	**0.0**
CDO of TRUPs	**0.3**	**0.4**	**0.4**	**(0.4)**	**0.3**
TOTAL SUBPRIME, ALT-A, U.S. CMBS AND RELATED CDOS	**0.3**	**0.5**	**0.7**	**(0.2)**	**0.5**

(1) *Entry price.*
(2) *Exposure net of impairment.*
(3) *Excluding Government Sponsored Entity backed securities (€2.8 billion as at 12/31/2008).*

The banking book's exposure to real estate ABSs and CDOs grew by €1.6 billion at December 31, 2008, as a result of reclassifications from the trading book to the banking book carried out under the amendment to IAS 39. The banking book's exposure consists of good-quality assets (63% are AAA-rated). The assets are booked at amortised cost with the appropriate provision whenever there is a permanent impairment.

The banking book has negligible exposure to subprime and Alt-A mortgages, U.S. CMBSs, and related CDOs.

Monoline counterparty exposure

	12/31/2007		09/30/2008		12/31/2008	
In billions of euros	**Notional**	**Gross counterparty exposure**	**Notional**	**Gross counterparty exposure**	**Notional**	**Gross counterparty exposure**
CDOs of U.S. RMBS subprime	2.97	1.34	3.01	2.60	2.04	1.74
CDOs of european RMBS	0.28	0.01	0.28	0.02	0.28	0.02
CDOs of CMBS	1.35	0.12	1.33	0.37	1.07	0.24
CDOs of corporate bonds	7.19	0.23	7.46	0.64	7.51	1.18
CLOs	5.47	0.17	5.34	0.17	5.36	0.27
Non credit related	nm	0.02	nm	0.02	nm	0.00
TOTAL GROSS COUNTERPARTY EXPOSURE	**NM**	**1.88**	**NM**	**3.81**	**NM**	**3.44**

The Bank's gross counterparty risk exposure from monoline insurers totalled €3.44 billion at December 31, 2008, down from September 30, 2008 due to commutations with Ambac and CIFG. However, these commutations were partially offset by wider spreads on the underlying assets.

In billions of euros	**12/31/2007**	**09/30/2008**	**12/31/2008**
Total gross counterparty exposure	1.88	3.81	3.44
Credit derivatives bought from banks or other collateralized third parties	(0.77)	(0.61)	(0.73)
Total unhedged gross counterparty exposure	**1.11**	**3.20**	**2.72**
Credit adjustments and allowances (1)	(0.42)	(1.85)	(1.83)
NET COUNTERPARTY **EXPOSURE**	**0.69**	**1.36**	**0.89**

(1) *Including specific allwance as at December 31, 2008 of €0.5 billion related to monolines classified as doubtful.*

The Bank's net counterparty risk exposure from monoline insurers totalled €0.89 billion at December 31, 2008, down from September 30, 2008 as a result of commutations as well as additional credit adjustments in the fourth quarter.

Breakdown by credit rating

Based on the lowest Moody's or Standard & Poor's rating *(in billions of euros)*	12/31/2008	
	Gross exposure	**Net exposure**
AAA/AA	0.36	0.13
A/BB	2.20	0.63
B and below	0.89	0.13
TOTAL GROSS COUNTERPARTY EXPOSURE	**3.44**	**0.89**

At December 31, 2008, the Group had limited gross and net exposure to the counterparties whose credit ratings have deteriorated the most.

LBOs

	Final take by region
Asia	3%
USA	15%
Other Europe	15%
Germany	9%
Italy	11%
France	46%
TOTAL	**100%**

	Final take by industry
Business Services	22%
Media & Cultural Services	13%
Materials & Ores	10%
Communications Services	8%
Retail Trade	7%
Hotels, Tourism, Leisure	6%
Agriculture, Food, Tobacco	6%
Total Others	29%
TOTAL	**100%**

The Group’s LBO final-take portfolio totalled €8.8 billion at December 31, 2008. This portfolio is highly diversified (close to 400 transactions), and 95% of it consists of senior debt. The portfolio is booked as loans and receivables at amortised cost.

The LBO trading portfolio totalled €100 million at December 31, 2008, down €1.7 billion from September 30, 2008 after this amount was transferred to the banking book under the amendment to IAS 39.

RECENT DEVELOPMENTS

First Quarter 2009 Results (Unaudited)

On May 6, 2009, BNP Paribas issued a press release announcing its results for the first quarter of 2009. Commenting on these results, CEO Baudouin Prot said: "The Group's very strong profit-generating capacity this quarter, in an environment that remains challenging, is largely due to the quality and commitment of its teams that I would like to give a special thanks to. It also reflects the Group's greater attractiveness as well as its ability to adapt rapidly to a new environment. The merger with Fortis Bank will give rise to a leading bank in Europe for individual, corporate and institutional customers. Its deep roots in the real economy will allow it to play an active role in the economic growth in its four domestic markets: Belgium, France, Italy and Luxembourg. BNP Paribas's customers will enjoy the benefits of one of the most comprehensive global financial services groups."

Consolidated Profit and Loss Account

in millions of euros	1Q09	1Q08	1Q09/ 1Q08	4Q08	1Q09/ 4Q08
Revenues	9,477	7,395	+28.2%	4,850	+95.4%
Operating Expenses and Dep.	-5,348	-4,605	+16.1%	-4,308	+24.1%
Gross Operating Income	4,129	2,790	+48.0%	542	n.s.
Cost of risk	-1,826	-546	n.s.	-2,552	-28.4%
Operating Income	2,303	2,244	+2.6%	-2,010	n.s.
Associated Companies	-16	85	n.s.	-51	-68.6%
Other Non Operating Items	3	345	-99.1%	93	-96.8%
Non Operating Items	-13	430	n.s.	42	n.s.
Pre-Tax Income	2,290	2,674	-14.4%	-1,968	n.s.
Tax Expense	-658	-570	+15.4%	645	n.s.
Minority Interests	-74	-123	-39.8%	-43	+72.1%
Net Income, Group Share	1,558	1,981	-21.4%	-1,366	n.s.
Cost/Income	56.4%	62.3%	-5.9 pt	88.8%	-32.4 pt

in millions of euros	1Q08	2Q08	3Q08	4Q08	1Q09
GROUP					
Revenues	7,395	7,517	7,614	4,850	9,477
Operating Expenses and Dep.	-4,605	-4,852	-4,635	-4,308	-5,348
Gross Operating Income	2,790	2,665	2,979	542	4,129
Cost of risk	-546	-662	-1,992	-2,552	-1,826
Operating Income	2,244	2,003	987	-2,010	2,303
Associated Companies	85	63	120	-51	-16
Other Non Operating Items	345	9	36	93	3
Pre-Tax Income	2,674	2,075	1,143	-1,968	2,290
Tax Expense	-570	-446	-101	645	-658
Minority Interests	-123	-124	-141	-43	-74
Net Income, Group Share	1,981	1,505	901	-1,366	1,558

A Net Profit (Group Share) of €1.56 billion

In the first quarter 2009, the environment remained challenging with a continued deterioration of the economy and strong persisting turbulence in financial markets. Against this backdrop, BNP Paribas posted a very solid performance enabling it to generate a net profit of €1,558 million. These results were obtained thanks to its diversified and integrated business model, its geographic mix concentrated in Western Europe, its cost discipline and its risks control.

The Group's net banking income totalled €9,477 million, up 28.2% compared to the first quarter 2008. This performance is due to the businesses' good sales and marketing drive as well as the Group's greater attractiveness in the current banking landscape. The direct negative effects of the financial crisis on net banking income totalled €555 million, in line with the €549 million posted in the first quarter 2008. These fair value adjustments broke down as -€401 million for the CIB division, -€69 million for the Investment Solutions division and -€85 million for the Corporate Center. The latter also posted a positive fair value adjustment of €57 million related to the debt issued by the Group (compared to €183 million in the first quarter 2008).

The Group's operating expenses, which totalled €5,348 million, were up 16.1% compared to the first quarter 2008. Thanks to the cost-cutting measures implemented across all the businesses, they were down 2.4% at constant scope and exchange rates and excluding variable compensation, in accordance with the target to stabilise costs in 2009. The operating divisions' cost/income ratio, at 56.1%, improved by 7.9 points.

The gross operating income, which was €4,129 million, was up €1,339 million (48%) compared to the first quarter 2008, reflecting the Group's good operating performance this quarter and allowing it to absorb increased provisions.

Provisions totalled €1,826 million, or 128 basis points of risk-weighted assets (risk-weighted assets under Basel I) compared to €546 million in the first quarter 2008 and €2,552 million in the fourth quarter 2008. In the Group's two domestic markets (France and Italy), provisions remained moderate at 35 basis points (risk-weighted assets under Basel I) and 74 basis points (risk-weighted assets under Basel I), respectively. However, the downturn in the economy affected the other loan portfolios, in particular at BancWest, Personal Finance, in Ukraine and CIB's financing businesses. Lastly, the direct effects of the financial crisis still weighed €356 million on provisions this quarter (compared to €186 million in the first quarter 2008), primarily due to the counterparty risk in the CIB division.

The increase in provisions being less than the increase in the gross operating income resulted in an increase in operating income of 2.6% to €2,303 million. The lower income from associated companies, the lower non operating capital gains and a higher tax charge resulted in net income group share of €1,558 million, down 21.4% compared to the first quarter 2008. The annualized return on equity was 12.3%.

First Quarter 2009 Results by Division

All the Group's divisions continued their business development and made a positive contribution to the Group's results. This performance again puts BNP Paribas among the leading global banks that are weathering the best the financial crisis and the downturn in the economy.

in millions of euros		FRB	BNL bc	Other Retail	AMS	CIB	Divisions	Other Activities	Group
Revenues		1,471	710	2,290	1,147	3,696	9,314	163	9,477
	Change/1Q08	+1.0%	+5.3%	+8.6%	-9.2%	n.s.	+36.7%	-72.0%	+28.2%
	%Change/4Q08	+5.7%	-1.3%	-2.6%	+7.1%	n.s.	+76.2%	n.s.	+95.4%
Operating Expenses and Dep.		-942	-412	-1,282	-820	-1,770	-5,226	-122	-5,348
	Change/1Q08	-0.3%	-0.2%	+6.7%	-3.0%	+85.9%	+19.9%	-50.8%	+16.1%
	%Change/4Q08	-4.3%	-12.7%	-5.7%	-4.2%	n.s.	+24.8%	+0.0%	+24.1%
Gross Operating Income		529	298	1,008	327	1,926	4,088	41	4,129
	Change/1Q08	+3.5%	+14.2%	+11.3%	-21.8%	n.s.	+66.5%	-87.8%	+48.0%
	%Change/4Q08	+29.7%	+20.6%	+1.7%	+52.1%	n.s.	n.s.	n.s.	n.s.
Cost of risk		-89	-107	-913	-13	-697	-1,819	-7	-1,826
	Change/1Q08	n.s.	+27.4%	+138.4%	n.s.	n.s.	n.s.	n.s.	n.s.
	%Change/4Q08	-8.2%	-27.2%	-7.9%	n.s.	-46.6%	-28.4%	-36.4%	-28.4%
Operating Income		440	191	95	314	1,229	2,269	34	2,303
	Change/1Q08	-8.7%	+7.9%	-81.8%	-25.6%	n.s.	+18.9%	-89.9%	+2.6%
	%Change/4Q08	+41.5%	+91.0%	n.s.	+46.7%	n.s.	n.s.	n.s.	n.s.
Associated Companies		0	0	14	-8	-2	4	-20	-16
Other Non Operating Items		0	0	2	-4	2	0	3	3
Pre-Tax Income		440	191	111	302	1,229	2,273	17	2,290
	Change/1Q08	-8.7%	+7.9%	-83.2%	-29.8%	n.s.	+10.0%	-97.2%	-14.4%
	%Change/4Q08	+41.0%	+91.0%	-9.0%	+43.8%	n.s.	n.s.	n.s.	n.s.

in millions of euros		FRB	BNL bc	Other Retail	AMS	CIB	Divisions	Other Activities	Group
Revenues		1,471	710	2,290	1,147	3,696	9,314	163	9,477
	1Q08	1,456	674	2,108	1,263	1,311	6,812	583	7,395
	4Q08	1,392	719	2,351	1,071	-248	5,285	-435	4,850
Operating Expenses and Dep.		-942	-412	-1,282	-820	-1,770	-5,226	-122	-5,348
	1Q08	-945	-413	-1,202	-845	-952	-4,357	-248	-4,605
	4Q08	-984	-472	-1,360	-856	-514	-4,186	-122	-4,308
Gross Operating Income		529	298	1,008	327	1,926	4,088	41	4,129
	1Q08	511	261	906	418	359	2,455	335	2,790
	4Q08	408	247	991	215	-762	1,099	-557	542
Cost of risk		-89	-107	-913	-13	-697	-1,819	-7	-1,826
	1Q08	-29	-84	-383	4	-54	-546	0	-546
	4Q08	-97	-147	-991	-1	-1,305	-2,541	-11	-2,552
Operating Income		440	191	95	314	1,229	2,269	34	2,303
	1Q08	482	177	523	422	305	1,909	335	2,244
	4Q08	311	100	0	214	-2,067	-1,442	-568	-2,010
Associated Companies		0	0	14	-8	-2	4	-20	-16
	1Q08	0	0	21	8	1	30	55	85
	4Q08	1	0	18	-3	0	16	-67	-51
Other Non Operating Items		0	0	2	-4	2	0	3	3
	1Q08	0	0	115	0	12	127	218	345
	4Q08	0	0	104	-1	-1	102	-9	93
Pre-Tax Income		440	191	111	302	1,229	2,273	17	2,290
	1Q08	482	177	659	430	318	2,066	608	2,674
	4Q08	312	100	122	210	-2,068	-1,324	-644	-1,968
Tax Expense									-658
Minority Interests									-74
Net Income, Group Share									1558

Retail Banking

French Retail Banking (FRB)

French Retail Banking's sales and marketing drive remained very strong. The acquisition of individual customers has continued with the net opening of 65,000 checking and savings accounts in the first quarter of the year. The growth in outstanding loans, up 8% compared to the first quarter 2008, remained buoyant, although it marked a slowdown compared to the fourth quarter 2008, in particular to corporate customers. Against a decline in the key interest rates, outstanding deposits rose 7.1% compared to the first quarter of 2008 thanks in particular to the effects of the Livret A, and gross asset inflows in life insurance grew by 4.2%.

Net banking income (excluding PEL/CEL effects, with 100% French Private Banking) came to €1,528 million, up 0.5% compared to the very high level in the first quarter 2008 despite the 23.6% drop in financial fees in an environment that remained adverse for financial savings. This decline was offset by a 6.5% rise in net interest income from the good intermediation business and a 3.0% growth in banking fees.

The division's operating expenses (excluding PEL/CEL effects, with 100% of French Private Banking) dipped 0.5% compared to the first quarter 2008, thanks in particular to the extension of the continuing streamlining process of the back offices to all non commercial functions. This good control of operating expenses enabled FRB to generate a positive 1.0 point (excluding PEL/CEL effects, with 100% of French Private Banking) jaws effect in line with the target set for 2009. The cost/income ratio continued to improve at 63.5% (excluding PEL/CEL effects, with 100% French Private Banking) (-0.6 point/1Q08).

Provisions rose but remained moderate at 35 basis points (risk-weighted assets under Basel I) compared to 12 basis points (risk-weighted assets under Basel I) in the first quarter 2008. This level reflects the structurally low risk involved with mortgage lending in France (primarily fixed-rate and well secured) as well as the very good quality of the corporate loan portfolio.

After allocating one-third of French Private Banking's net income to the Investment Solutions division, FRB's pre-tax income, excluding PEL/CEL effects, was €444 million, reflecting the business's ability to weather the crisis (down 7.7% compared to the first quarter 2008).

BNP banca commerciale (BNL bc)

All the synergies in the business plan were implemented by the end of 2008, as planned, thereby confirming the Group's expertise in successfully carrying out integrations. BNL bc has continued its business development. The net growth in the number of individual checking and savings accounts was 17,000 compared to 9,300 a year earlier and net asset inflows in life insurance, which totalled €0.8 billion, returned to positive territory. The growth in outstanding loans, up 9.6% compared to the first quarter 2008, remained vigorous, in particular with corporate customers (+12.4%).

Net banking income (including 100% of Private Banking in Italy), which was €715 million, rose 5.1% compared to the first quarter 2008 and the growth in volumes and the rise in cash management flows more than offset the drop in fees from funds under management.

The stability of operating expenses (including 100% of Private Banking in Italy) (down 0.2%), thanks to the full effect of synergies achieved in 2008 and additional savings in 2009 enabled BNL bc to generate a positive 5 point jaws effect, in line with the target set for 2009. This good operating performance was reflected in a further substantial improvement in the cost/income ratio, which, at 58.2%, fell below the 60% threshold for the first time.

Provisions, at €107 million, were up moderately compared to the first quarter 2008. They stood at 74 basis points (risk-weighted assets under Basel I) versus 63 basis points (risk-weighted assets under Basel I) during the first quarter of 2008. In keeping with BNP Paribas' standards, delinquencies of over 90 days are already booked as doubtful and the relevant allowance has been set aside.

Thanks to the very good operating performances and after attributing one-third of Italian Private Banking's net income to the Investment Solutions division, BNL bc's pre-tax income reached €191 million, up 7.9% compared to the first quarter 2008.

Personal Finance

Personal Finance's net banking income, which totalled €1,045 million, was up 14.6% compared to the first quarter 2008. The good revenue drive was due in particular to the continued growth in outstandings (up 10.9% compared to the first quarter of 2008), as well as a decline in refinancing costs.

Thanks to the accelerated pace of the cost-cutting programmes and the disengagement from non strategic businesses (specifically in Thailand and Greece), the growth in operating expenses, up 3.6% compared to the first quarter 2008, remained moderate, driving the gross operating income up 28.1% for the period to €524 million.

In a general context of a slowdown in the economy and rising unemployment, provisions, at €421 million, continued to increase, including in France and in Italy, as a result of rising delinquency rates. They reached 288 basis points (risk-weighted assets under Basel I) compared to 177 basis points (risk-weighted assets under Basel I) in the first quarter 2008 and 266 basis points (risk-weighted assets under Basel I) in the fourth quarter 2008.

Thus, pre-tax income, at €116 million, was down 42.0% compared to the first quarter 2008. The very good operating performance was more than offset by the rise in provisions.

Bancwest

With the economic recession in the United States, BancWest's net banking income, at €558 million, was down 3.9% at constant exchange rates but up 0.6% excluding one-off items compared to the first quarter 2008. The positive effect related to the growth in outstanding loans (8.7% at constant exchange rates) was offset by a decline in fees and the decrease in net interest margin to 3.03% compared to 3.07% in the first quarter 2008, with the return on deposits being adversely affected by sharp fall in key interest rates.

At €309 million, operating expenses rose 3.3% at constant exchange rates in particular driven by an increase in the FDIC assessment charge. Excluding this effect, its increase was limited to 0.8%. A cost-cutting program was launched to reduce the cost base by $100 million on a full year basis.

Provisions, which stood at €279 million, were up €178 million compared to the first quarter 2008. In addition to the impact of the recession on all the loan portfolios, they included a new €79 million provision on the investment portfolio, of which the net exposure to subprimes, Alt-A, CMBS and related CDOs was brought to below €200 million. Provisions amounted to 277 basis points (risk-weighted assets under Basel I) in the first quarter 2009 compared to 106 basis points (risk-weighted assets under Basel I) in the first quarter 2008; this growth was, however, lower than for most of BancWest's competitors.

In a very challenging environment, the quarterly pre-tax income came to negative €29 million compared to €151 million in the first quarter 2008.

Emerging Markets Retail Banking

The network's net banking income in emerging markets, €475 million, rose 17.9% compared to the first quarter 2008, driven by the positive impact of organic growth in 2008 and a good commercial performance, in particular in Trade Finance.

Operating expenses edged up moderately 6.5% compared to the first quarter of 2008, including the effect of investments and branch openings in 2008. They were down 12.5% compared to the fourth quarter 2008 thanks to ongoing restructuring in Ukraine where 480 jobs were cut and 81 branch offices closed, as well as staff cutbacks in Turkey. This good cost control helped the business improve the cost/income ratio by 6.3 points to 58.7%.

Provisions, at €162 million, were up €126 million compared to the first quarter 2008 due to an additional €127 million provision in Ukraine after the €272 million provision set aside in the fourth quarter 2008. Apart from Ukraine, no significant deterioration was reported.

Despite the severity of the economic recession in Ukraine, pre-tax income remained positive at €40 million compared to the exceptionally high level of €219 million in the first quarter 2008 which resulted from the capital gain from the disposal of TEB Sigorta (€111 million).

Equipment Solutions

Equipment Solutions' net banking income, which totalled €212 million (down 25.4% compared to the first quarter 2008), was again affected in the first quarter of 2009 by the decline in the price of used cars. Operating expenses, at €173 million, edged down 1.7%.

The rise in the provision to €51 million compared to €16 million in the first quarter 2008, weighed on the profitability of the business, which posted pre-tax losses of €16 million compared to a pre-tax profit of €89 million in the first quarter 2008.

Investment Solutions (formerly AMS)

The Investment Solutions division confirmed its greater attractiveness and its commercial momentum.

In a market environment that remains challenging, the very good net asset inflows of €13.4 billion came from a positive contribution of all the businesses. In Asset Management, net asset inflows totalled €8.8 billion, primarily in money market funds given that investors are still highly risk adverse. The annualized net asset inflow rate in Wealth Management was 6.4%. The drop in the key interest rates facilitated the upswing in net asset inflows in Insurance (€2.1 billion). This good level of net asset inflows combined with a positive foreign exchange effect drove up funds under management compared to their level on December 31, 2008.

The division's net banking income, down 9.2% compared to the first quarter 2008, held up well. Totalling €1,147 million, it was affected by the fall in the value of assets under management (6.9% compared to December 31, 2008) and in the volume of transactions, by the concentration of asset inflows in short-term products with limited added value as well as by impairment charges on the equity portfolio in Insurance. Discounting this latter effect, net banking income fell by only 3.8%.

Thanks to the cost-cutting programmes underway in all the businesses, operating expenses were down 3.0% at €820 million compared to the first quarter of 2008.

Pre-tax income totalled €302 million compared to €430 million in the first quarter 2008.

Corporate and Investment Banking (CIB)

In a market environment that remains challenging and turbulent, CIB posted an excellent performance.

Net banking income totalled €3,696 million compared to €1,311 million in the first quarter 2008. The quarter was characterized by record customer business volumes of which the Group benefited all the more given its greater attractiveness.

The Equity and Advisory business unit continued to reduce its exposures, but its net banking income returned to equilibrium this quarter. The customer business, driven by flow products, was lower on structured products.

The Fixed Income business unit produced very strong revenues at €2,887 million despite a further rise in credit adjustments, of which €296 million related to monoline insurers. The business posted unprecedented volumes driven by very sustained customer demand for flow products and it benefited from a substantial widening of the bid/offer spreads. CIB Fixed Income ranked number one for euro-denominated bond issues in the first quarter.

Given how market conditions are evolving and factoring in the capital scarcity and the high liquidity cost environment, the Financing Businesses' revenues totalled €776 million. They jumped 28.7% compared to the first quarter 2008 during which a €86 million fair value adjustment had been booked in connection with LBOs. Over the past few months, this trend has been coupled with greater selectiveness at origination as illustrated by the 8.5% decline in allocated equity compared to the first quarter of 2008.

The division's operating expenses came to €1,770 million compared to €952 million in the first quarter 2008. They were affected primarily by the rise in provisions for variable compensation in the Capital Markets businesses due to the very solid performance this quarter as well as, to a lesser extent, by restructuring costs and by the scope effect from the integration of Bank of America's prime brokerage businesses. Discounting those effects, the operating expenses were down 3.2%.

The quarter's gross operating income totalled €1,926 million compared to €359 million in the first quarter 2008.

Provisions reached €697 million compared to €54 million in the first quarter 2008. The provisions related to market counterparties were €277 million (of which €98 million related to monoline counterparties) whilst the Financing Businesses' provisions were up sharply at €420 million, or 117 basis points (risk-weighted assets under Basel I) compared to a €40 million write-back the first quarter a year earlier.

CIB's pre-tax income totalled €1,229 million (compared to €318 million the first quarter 2008). The Financing Businesses contributed €71 million to this result despite the sharp rise in provisions.

Confirming its ambition to remain a key and competitive player in the new landscape in Corporate and Investment Banking, at the end of 2008 BNP Paribas introduced a plan to adapt its organization. In the first quarter 2009, in an environment that has remained extremely volatile, targets to reduce market risks, in particular exposure to volatility, to dividends and to the basis risk, were achieved, as evidenced by the decline in the VaR by 46% compared to its level as at December 31, 2008. These reduced exposures combined with the greater selectiveness of the Financing Businesses at origination led to a 10.5% drop in the division's risk-weighted assets compared to their level as at December 31, 2008. Lastly, the streamlining of the organization has already been completed in the United States and in Asia whilst restructuring is underway in Europe.

Corporate Center

The Corporate Center's net banking income, at €163 million, was down significantly compared to the high level of €583 million in the first quarter 2008. In addition to the effect of the €85 million impairment charge on the investment portfolio as a result of the equity market crisis, this decline was a result of lesser gain on own debt (€57 million compared to €183 million in the first quarter 2008) and from the one-off capital gain realized in the first quarter 2008 (Casa di Risparmio di Firenze, representing €235 million). Non-operating items also posted a substantial basis effect related to capital gains from the sale of property in the first quarter 2008 (€187 million).

The quarterly pre-tax income, down sharply, came to €17 million compared to €608 million during the first quarter of 2008.

Reinforcing of Financial Strength

During the first quarter of 2009, BNP Paribas continued implementing its plan to adapt to a new environment.

Risk-weighted assets, at €504 billion, were down by €24 billion, or 4.6% compared to their level as at December 31, 2008. The Group has already achieved its target of a €20 billion reduction for the whole of 2009. This cutback was primarily due to reduced exposures to market driven businesses (down €10 billion) as well as to reduced exposures in CIB's Financing Businesses (down €10 billion).

As at March 31, 2009, the Tier 1 ratio was 8.8%, up 100 basis points compared to its level as at December 31, 2008. This rise was due to the Group's very strong profit-generating capacity in the first quarter (+20 basis points net of dividend accrual), the drop in risk-weighted assets net of unrealised capital losses on the AFS equities portfolio (+20 basis points) and the lowering, effective January 1, 2009, of the floor on risk-weighted assets under Basel I (+10 basis points). In addition, the participation in the second stage of the French economic stimulus plan resulted in issuing €5.1 billion in non voting shares to the French Government while simultaneously redeeming €2.55 billion in hybrid securities issued in December 2008, which drove up the solvency ratio by 50 basis points.

In connection with the Group's medium-term objective of maintaining a Tier 1 ratio above 7.5%, this 8.8% Tier 1 solvency ratio provides a significant safety margin.

Since the beginning of the year, thanks to a proactive approach drawing on the major competitive advantage afforded by the level of its CDS spread — the lowest of comparable banks — BNP Paribas issued more than €17 billion in medium- and long-term debt, representing more than half its 2009 debt issue program.

in millions of euros	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**
FRENCH RETAIL BANKING (including 100% of Private Banking in France)					
Revenues	**1,521**	**1,516**	**1,470**	**1,442**	**1,524**
Incl. Net Interest Income	*827*	*819*	*831*	*821*	*876*
Incl. Commissions	*694*	*697*	*639*	*621*	*648*
Operating Expenses and Dep.	-975	-985	-1,011	-1,012	-970
Gross Operating Income	**546**	**531**	**459**	**430**	**554**
Cost of risk	-29	-37	-40	-97	-89
Operating Income	**517**	**494**	**419**	**333**	**465**
Non Operating Items	0	1	-1	1	0
Pre-Tax Income	**517**	**495**	**418**	**334**	**465**
Income Attributable to IS	-35	-32	-28	-22	-25
Pre-Tax Income of French Retail Bkg	**482**	**463**	**390**	**312**	**440**
FRENCH RETAIL BANKING (including 100% of Private Banking in France) Excluding PEL/CEL Effects					
Revenues	**1,520**	**1,514**	**1,465**	**1,444**	**1,528**
Incl. Net Interest Income	*826*	*817*	*826*	*823*	*880*
Incl. Commissions	*694*	*697*	*639*	*621*	*648*
Operating Expenses and Dep.	-975	-985	-1,011	-1,012	-970
Gross Operating Income	**545**	**529**	**454**	**432**	**558**
Cost of risk	-29	-37	-40	-97	-89
Operating Income	**516**	**492**	**414**	**335**	**469**
Non Operating Items	0	1	-1	1	0
Pre-Tax Income	**516**	**493**	**413**	**336**	**469**
Income Attributable to IS	-35	-32	-28	-22	-25
Pre-Tax Income of French Retail Bkg	**481**	**461**	**385**	**314**	**444**
FRENCH RETAIL BANKING (including 2/3 of Private Banking in France)					
Revenues	**1,456**	**1,454**	**1,415**	**1,392**	**1,471**
Operating Expenses and Dep.	-945	-955	-984	-984	-942
Gross Operating Income	**511**	**499**	**431**	**408**	**529**
Cost of risk	-29	-37	-40	-97	-89
Operating Income	**482**	**462**	**391**	**311**	**440**
Non Operating Items	0	1	-1	1	0
Pre-Tax Income	**482**	**463**	**390**	**312**	**440**

in millions of euros	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**
BNL banca commerciale (Including 100% of Private Banking in Italy)					
Revenues	**680**	**685**	**710**	**725**	**715**
Operating Expenses and Dep.	-417	-430	-432	-478	-416
Gross Operating Income	**263**	**255**	**278**	**247**	**299**
Cost of risk	-84	-66	-114	-147	-107
Operating Income	**179**	**189**	**164**	**100**	**192**
Non Operating Items	0	1	0	0	0
Pre-Tax Income	**179**	**190**	**164**	**100**	**192**
Income Attributable to IS	-2	-3	0	0	-1
Pre-Tax Income of BNL bc	**177**	**187**	**164**	**100**	**191**
BNL banca commerciale (Including 2/3 of Private Banking in Italy)					
Revenues	**674**	**677**	**705**	**719**	**710**
Operating Expenses and Dep.	-413	-425	-427	-472	-412
Gross Operating Income	**261**	**252**	**278**	**247**	**298**
Cost of risk	-84	-66	-114	-147	-107
Operating Income	**177**	**186**	**164**	**100**	**191**
Non Operating Items	0	1	0	0	0
Pre-Tax Income	**177**	**187**	**164**	**100**	**191**
BANCWEST					
Revenues	**509**	**485**	**433**	**600**	**558**
Operating Expenses and Dep.	-261	-247	-263	-299	-309
Gross Operating Income	**248**	**238**	**170**	**301**	**249**
Cost of risk	-101	-123	-121	-283	-279
Operating Income	**147**	**115**	**49**	**18**	**-30**
Non Operating Items	4	0	1	-1	1
Pre-Tax Income	**151**	**115**	**50**	**17**	**-29**
PERSONAL FINANCE					
Revenues	**912**	**944**	**968**	**968**	**1,045**
Operating Expenses and Dep.	-503	-517	-518	-563	-521
Gross Operating Income	**409**	**427**	**450**	**405**	**524**
Cost of risk	-230	-274	-330	-384	-421
Operating Income	**179**	**153**	**120**	**21**	**103**
Associated Companies	21	17	18	28	12
Other Non Operating Items	0	0	-1	110	1
Pre-Tax Income	**200**	**170**	**137**	**159**	**116**

in millions of euros	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**
EMERGING RETAIL BANKING					
Revenues	**403**	**440**	**495**	**558**	**475**
Operating Expenses and Dep.	-262	-276	-289	-319	-279
Gross Operating Income	**141**	**164**	**206**	**239**	**196**
Cost of risk	-36	-22	-43	-276	-162
Operating Income	**105**	**142**	**163**	**-37**	**34**
Associated Companies	3	5	5	1	6
Other Non Operating Items	111	0	40	-4	0
Pre-Tax Income	**219**	**147**	**208**	**-40**	**40**
EQUIPMENT SOLUTIONS					
Revenues	**284**	**284**	**274**	**225**	**212**
Operating Expenses and Dep.	-176	-182	-179	-179	-173
Gross Operating Income	**108**	**102**	**95**	**46**	**39**
Cost of risk	-16	-52	-39	-48	-51
Operating Income	**92**	**50**	**56**	**-2**	**-12**
Associated Companies	-3	-1	0	-11	-4
Other Non Operating Items	0	0	0	-1	0
Pre-Tax Income	**89**	**49**	**56**	**-14**	**-16**
ASSET MANAGEMENT AND SERVICES					
Revenues	**1,263**	**1,396**	**1,205**	**1,071**	**1,147**
Operating Expenses and Dep.	-845	-867	-855	-856	-820
Gross Operating Income	**418**	**529**	**350**	**215**	**327**
Cost of risk	4	-4	-206	-1	-13
Operating Income	**422**	**525**	**144**	**214**	**314**
Associated Companies	8	11	-8	-3	-8
Other Non Operating Items	0	0	-2	-1	-4
Pre-Tax Income	**430**	**536**	**134**	**210**	**302**
WEALTH AND ASSET MANAGEMENT					
Revenues	**600**	**662**	**568**	**543**	**548**
Operating Expenses and Dep.	-440	-448	-431	-436	-418
Gross Operating Income	**160**	**214**	**137**	**107**	**130**
Cost of risk	2	0	-10	-16	-4
Operating Income	**162**	**214**	**127**	**91**	**126**
Associated Companies	0	3	1	0	-2
Other Non Operating Items	0	0	0	1	-4
Pre-Tax Income	**162**	**217**	**128**	**92**	**120**
INSURANCE					
Revenues	**353**	**392**	**368**	**205**	**299**
Operating Expenses and Dep.	-173	-181	-182	-175	-170
Gross Operating Income	**180**	**211**	**186**	**30**	**129**
Cost of risk	2	-4	-41	-2	-8
Operating Income	**182**	**207**	**145**	**28**	**121**
Associated Companies	8	8	-10	-3	-6
Other Non Operating Items	0	0	-2	-1	0
Pre-Tax Income	**190**	**215**	**133**	**24**	**115**

in millions of euros	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**
SECURITIES SERVICES					
Revenues	**310**	**342**	**269**	**323**	**300**
Operating Expenses and Dep.	-232	-238	-242	-245	-232
Gross Operating Income	**78**	**104**	**27**	**78**	**68**
Cost of risk	0	0	-155	17	-1
Operating Income	**78**	**104**	**-128**	**95**	**67**
Non Operating Items	0	0	1	-1	0
Pre-Tax Income	**78**	**104**	**-127**	**94**	**67**
CORPORATE AND INVESTMENT BANKING					
Revenues	**1,311**	**1,852**	**2,058**	**-248**	**3,696**
Operating Expenses and Dep.	-952	-1,256	-989	-514	-1,770
Gross Operating Income	**359**	**596**	**1,069**	**-762**	**1,926**
Cost of risk	-54	-86	-1,032	-1,305	-697
Operating Income	**305**	**510**	**37**	**-2,067**	**1,229**
Associated Companies	1	0	0	0	-2
Other Non Operating Items	12	13	1	-1	2
Pre-Tax Income	**318**	**523**	**38**	**-2,068**	**1,229**
ADVISORY AND CAPITAL MARKETS					
Revenues	**708**	**1,139**	**1,368**	**-1,149**	**2,920**
Incl. Equity and Advisory	*316*	*750*	*492*	*-1,899*	*33*
Incl. Fixed Income	*392*	*389*	*876*	*750*	*2,887*
Operating Expenses and Dep.	-662	-955	-695	-295	-1,485
Gross Operating Income	**46**	**184**	**673**	**-1,444**	**1,435**
Cost of risk	-94	-43	-909	-1,076	-277
Operating Income	**-48**	**141**	**-236**	**-2,520**	**1,158**
Associated Companies	1	0	0	0	-2
Other Non Operating Items	12	12	1	0	2
Pre-Tax Income	**-35**	**153**	**-235**	**-2,520**	**1,158**
FINANCING BUSINESSES					
Revenues	**603**	**713**	**690**	**901**	**776**
Operating Expenses and Dep.	-290	-301	-294	-219	-285
Gross Operating Income	**313**	**412**	**396**	**682**	**491**
Cost of risk	40	-43	-123	-229	-420
Operating Income	**353**	**369**	**273**	**453**	**71**
Non Operating Items	0	1	0	-1	0
Pre-Tax Income	**353**	**370**	**273**	**452**	**71**
CORPORATE CENTRE (INCLUDING BNP PARIBAS CAPITAL AND KLEPIERRE)					
Revenues	**583**	**-15**	**61**	**-435**	**163**
incl. BNP Paribas Capital	*135*	*44*	*3*	*-30*	*115*
Operating Expenses and Dep.	-248	-127	-131	-122	-122
incl. BNL restructuring costs	*-146*	*-20*	*-19*	*-54*	*-5*
Gross Operating Income	**335**	**-142**	**-70**	**-557**	**41**
Cost of risk	0	2	-67	-11	-7
Operating Income	**335**	**-140**	**-137**	**-568**	**34**
Associated Companies	55	29	106	-67	-20
Other Non Operating Items	218	-4	-3	-9	3
Pre-Tax Income	**608**	**-115**	**-34**	**-644**	**17**

Issuance of €5.1 billion of non-voting shares to the French State

Following approval by the Bank's Extraordinary General Meeting of March 27, 2009, on March 31, 2009, the Bank issued 187,224,669 non-voting shares for a total amount of €5.1 billion at a price of €27.24 per share, entirely subscribed by Société de Prise de Participation de l'Etat (SPPE), an entity wholly owned by the French State, in connection with the French State's plan to support the economy. This transaction was authorized by the European Commission. These shares do not bear any voting right and are not convertible into ordinary shares.

Simultaneously, the Bank redeemed €2.55 billion of undated deeply subordinated notes issued in December 2008. With this issue, the Bank strengthened its financial structure, bringing its Tier 1 and "equity Tier 1" ratios to 8.4% (pro forma as of January 1, 2009) and 6.5% (pro forma as of January 1, 2009), respectively, and pursues its strategy of financing the real economy.

The principal terms and conditions of the non-voting shares are as follows:

Dividend:

- no dividend is to be paid if no dividend is paid to ordinary shares;

- 105% of ordinary share dividend based on 2009 earnings, 110% in 2010, 115% from 2011 to 2017, 125% from 2018 onwards, subject to a cap and a floor set as yields based on the Current Amount (defined as the issue price, as long as the reduction mechanism of this amount has not been triggered);

- *floor*: fixed rate of 7.65%[1] for 2009 prorata temporis (ie €1.6 per share), then increased by an incremental 25 basis points for each year until 2014, so that the fixed rate will be 8.90% from 2014 onwards; and

- *cap*: fixed rate of 14.80%, i.e. €4.1 per share.

Repurchase Price:

BNP Paribas may repurchase non-voting shares at any time under the following terms and conditions:

- *repurchase price*: average of the daily volume-weighted average prices of the ordinary share over the last 30 trading days before the repurchase date, subject to a cap and a floor;

- *floor*: 100% of the Current Amount (as defined above) of non-voting shares before June 30, 2013 and 110% from July 1, 2013 onwards; and

- *cap* (as a percentage of the issue price): 103% until June 30, 2010; 105% until June 30, 2011; 110% until June 30, 2012; 115% until June 30, 2013; 120% until June 30, 2014; 125% until June 30, 2015; 130% until June 30, 2017; 140% until June 30, 2019; 150% until June 30, 2022; and 160% from July 1, 2022 onwards.

Commitments of BNP Paribas vis-à-vis the French State

BNP Paribas is committed to growing its total loan book to the French economy by approximately 4% in 2009.

The Group also committed to implementing the decree relating to compensation of top management for companies which benefited from the support of the State, i.e. not granting any stock options to corporate officers in 2009 and 2010.

Finally the Group agreed not to buy back shares as long as non-voting shares are held by the French State, except to cover employee stock ownership schemes or in connection with the day-to-day management of the Group.

Commenting on this decision, Baudouin Prot, chief executive officer, said, "Faced with an unprecedented global financial crisis, the French government has introduced a scheme to strengthen the banks' capital in order to support the ongoing financing of the French economy. BNP Paribas intends to fully play its role in this scheme, in the respect of its clients' and shareholders' best interests."

[1] Reference rate of the Undated Deeply Subordinated Notes, updated (risk free rate + 300 basis points + 5 times BNPP CDS spread between 1/1/07 and 31/8/08) ie. 7.40% increased by 25 basis points.

Acquisition of Fortis' banking activities in Belgium and Luxembourg and international banking franchises

On October 6, 2008, BNP Paribas announced it had agreed to take control of Fortis' banking operations in Belgium and Luxembourg, as well as its international banking franchises. On March 8, 2009, BNP Paribas announced a new agreement modifying the terms of the acquisition. On April 28 and 29, 2009, the transaction was approved by Fortis shareholders, and the transaction closed on May 13, 2009.

This transaction provides BNP Paribas with the opportunity to further roll out its integrated banking model in Europe. As a result of this transaction, BNP Paribas will have two new domestic markets, Belgium and Luxembourg, to add to its existing domestic markets in France and Italy. This deal confirms BNP Paribas' position as the Eurozone's leading cross-border bank with four domestic markets.

Description of the transaction

Pursuant to the terms of the agreements concluded between BNP Paribas and the Belgian State (through the *Société Fédérale de Participations et d'Investissement*, or "SFPI") and the State of the Grand-Duchy of Luxemburg, the transaction (the "Transaction") consisted of four contributions:

- The First Contribution consisted of the contribution by the SFPI to BNP Paribas of 263,586,083 shares of Fortis Bank, representing approximately 54.55% of its share capital and voting rights. The First Contribution was approved on May 12, 2009 by the Board of Directors of BNP Paribas ruling pursuant to the delegation conferred to it by the Combined General Meeting of May 21, 2008 in its sixteenth resolution. BNP Paribas issued 88,235,294 common shares in favor of the SFPI, representing 7.43% of the share capital and 8.82% of the voting rights of BNP Paribas following the First Contribution.

- The Second Contribution consisted of the contribution by SFPI to BNP Paribas of 98,529,695 additional shares of Fortis Bank, representing approximately 20.39% of the share capital and voting rights of the latter. The Second Contribution was approved by the Combined General Shareholders' Meeting of BNP Paribas held on May 13, 2009. BNP Paribas issued an additional 32,982,760 common shares in favor of the SFPI, representing 2.7% of the share capital and 3.2% of the voting rights of BNP Paribas following the Second Contribution.

- The Third Contribution consisted of the contribution by the State of the Grand-Duchy of Luxembourg to BNP Paribas of 4,540,798 shares of BGL, representing approximately 16.57% of the share capital and voting rights of the latter. The Third Contribution was also approved by the above-mentioned Combined General Shareholders' Meeting of BNP Paribas, and BNP Paribas issued 11,717,549 common shares in favor of the Grand-Duchy of Luxembourg, representing 0.95% of the share capital and 1.12% of the voting rights of BNP Paribas following the Third Contribution.

- The Fourth Contribution consisted of the contribution by the State of the Grand-Duchy of Luxemburg to BNP Paribas of 193,760 shares of BGL, representing approximately 0.69% of the share capital and voting rights of BGL immediately prior to its completion, i.e. following (i) the completion of the Third Contribution, (ii) a capital increase of €100 million resulting from the contribution by the Grand-Duchy of Luxemburg of subordinated securities (bringing BGL's share capital to €713,127,910 when completed) and (iii) a transfer of BGL shares between BNP Paribas and Fortis Bank in order to allow Fortis Bank to retain at least 50% plus one share of BGL. The Fourth Contribution was approved by the Board of Directors of BNP Paribas, ruling pursuant to the delegation of the Combined General Shareholders' Meeting of May 13, 2009, and BNP Paribas issued 500,000 common shares in favor of the State of the Grand-Duchy of Luxemburg, representing 0.04% of the share capital and 0.05% of the voting rights of BNP Paribas following the Fourth Contribution.

Following these four contributions:

- BNP Paribas holds approximately 74.93% of the share capital and voting rights of Fortis Bank (which in turn holds 50% of the share capital plus one share of BGL) as well as a direct stake of 15.96% in BGL.

- The Belgian State (through SFPI) holds a blocking minority (*minorité de blocage*) of 25% plus one share of Fortis Bank, and the State of the Grand-Duchy of Luxemburg holds a blocking minority of 34% in BGL.

- The Belgian State (through the SFPI) holds 9.83% of the share capital and 11.59% of the voting rights of BNP Paribas, and the State of the Grand-Duchy of Luxemburg holds 0.99% of the share capital and 1.17%

of the voting rights of BNP Paribas. The Belgian State has undertaken not to sell the 88,235,294 BNP Paribas shares it received in return for the First Contribution until October 10, 2010, and the State of the Grand-Duchy of Luxemburg has undertaken not to sell 50% of the BNP Paribas shares it received in return for the Third and Fourth Contributions (i.e., 6,358,774 BNP Paribas shares) until October 23, 2009.

The Transaction also includes:

- the acquisition by Fortis Bank from Fortis Insurance N.V. of 25% of the share capital plus one share of Fortis Insurance Belgium SA/NV (Fortis Insurance Belgium) for €1.375 billion;

- the acquisition by BNP Paribas of a stake of approximately 12% in capital (i.e., approximately €200 million) in a defeasance company (*société de défaisance*) (Royal Park Investments SA/NV, referred to herein as "RPI"**)** created to acquire certain structured credits from Fortis Bank for an aggregate price of €11.4 billion (corresponding to the net book value of these credits as at August 31, 2008), as adjusted for exchange rate variations between August 31, 2008 and the completion date of the acquisition of these credits. Approximately 43% of the remaining share capital of RPI will be held by the Belgian State, and approximately 45% by Fortis SA/NV and Fortis N.V. BNP Paribas participated in the debt financing of the acquisition at the level of approximately €485 million (i.e., 10% of the senior debt). The balance was financed by Fortis Bank at the level of €4.85 billion in super senior debt and approximately €4.365 billion in senior debt (this last tranche being fully guaranteed on demand by the Belgian State). These amounts were adjusted based on the exchange rate on the date of the transaction.

- The granting by Fortis Bank to Fortis SA/NV (or one of its group companies) of a loan of €1 billion fully guaranteed on demand by the Belgian State to finance its stake in RPI.

These three transactions were completed on the same date as the First Contribution.

Capital increase

In return for the four contributions, BNP Paribas issued a total of 133,435,603 new shares with a par value of €2 each, of which 121,218,054 new shares were issued in favor of the Belgian State acting through the SFPI (*i.e.* 88,235,294 shares for the First Contribution and 32,982,760 shares for the Second Contribution) and 12,217,549 new shares were issued in favor of the State of the Grand-Duchy of Luxemburg (*i.e.* 11,717,549 shares for the Third Contribution and 500,000 shares for the Fourth Contribution).

As a result, following the four contributions, BNP Paribas' share capital amounted to €2,465,512,758, divided into 1,045,531,710 common shares and 187,224,669 preferred shares with a par value of two euros each, thereby increasing BNP Paribas' total share capital by €266,871,206.

The 133,435,603 newly issued shares of BNP Paribas are fungible with the existing BNP Paribas ordinary shares and carry the same rights and obligations as of their issuance (including the right to dividends paid for the fiscal year ending as at December 31, 2008).

The new shares were issued immediately and the corresponding capital increase was recorded by BNP Paribas' General Shareholders' Meeting (with respect to the Second and Third Contributions) and by BNP Paribas' Board of Directors (with respect to the First and Fourth Contributions).

Consequences for BNP Paribas and its shareholders

The table below sets forth the impact of the contributions on BNP Paribas' shareholders' equity:

	Total number of shares	Share Capital	Premiums, reserves and fiscal year income	Shareholders' equity per share
		(EUR)	(million EUR)	(EUR)
Position as at December 31, 2008*	912,096,107	1,824,192,214	32,677	37.8
Position as at March 31, 2009, adjusted to reflect the issuance of preferred shares**	1,099,320,776	2,198,641,552	37,403	36.0
Position following the First Contribution	1,187,556,070	2,375,112,140	42,353	37.7
Position following the Second Contribution	1,220,538,830	2,441,077,660	44,204	38.2
Position following the Third Contribution	1,232,256,379	2,464,512,758	44,977	38.5
Position following the Fourth Contribution	1,232,756,379	2,465,512,758	45,010	38.5

* Based on a total number of 912,096,107 shares composing BNP Paribas' share capital as at December 31, 2008.
** Following the issuance of 187,224,669 preferred shares in favor of the *Sociéte de Prise de Participation de l'Etat*.

Strategic rationale

This transaction is fully consistent with BNP Paribas' acquisition strategy and allows it to roll out its well-proven integrated banking model in Europe with the addition of high quality franchises and two new domestic markets, Belgium and Luxembourg. BNP Paribas has a tried and tested universal business model, based on the three pillars of retail banking, asset management services and CIB, which allows it to leverage this acquisition and create significant sustainable shareholder value.

Become the leading retail bank in Belgium and Luxemburg, two countries with a high level of wealth per inhabitant

In retail banking, BNP Paribas will become the leader in Belgium and Luxembourg, two of the countries with the wealthiest customer bases in Europe. The acquisition of retail activities includes a network of 1,064 branches and three million customers in Belgium, and 37 branches with approximately 280,000 customers in Luxemburg.

Fortis' businesses in these two countries represent €239 billion in customer deposits, allowing BNP Paribas to jump from seventh to the largest deposit bank in the Eurozone. In Belgium, the Group will have over 1,000 branches and 3 million customers, representing a market share of in excess of 30%. BNP Paribas will also acquire Fortis' retail networks in Poland, Turkey and France.

Become the leading private bank in the Eurozone

Fortis Bank's private banking business represents €43 billion in managed assets. These assets are naturally concentrated in the Benelux region (58%). Fortis Bank is thus the leading actor in Belgium and Luxemburg and holds a solid position in Switzerland. When added to the assets of BNP Paribas' private banking business, these assets bring the group to first place in the Eurozone with €184 billion in assets under management in private banking.

Become the number five European asset manager

The acquisition of Fortis Investment Management brings €170 billion worth of managed assets to BNP Paribas. BNP Paribas will rank fifth among European asset managers with more than €475 billion assets under management.

The integration of the Merchant Banking business within BNP Paribas

Fortis Bank has a recognized franchise and interesting niche market positions. The contribution of the Merchant Banking business will allow BNP Paribas to supplement its current franchises in these sectors.

Fortis Bank's financing and investment business will apply BNP Paribas' risk management policies.

Synergies expected from the Transaction

The expected synergies will come from all of the divisions and various sources, in particular the central operation and the administrative expenses. While the revenue synergies are globally estimated to be zero, as the revenue gains in retail banking and asset management will be compensated by the loss of revenues in investment banking, the annual cost synergies are expected to amount to €500 million (of which approximately 30% for retail banking, 24% for asset management, 36% for investment banking and 10% for central expenses).

Integration and restructuring costs are expected to reach €750 million.

Strengthening of BNP Paribas' financial profile

Overall, the Transaction (including the acquisition of an interest of 25% plus one share of Fortis Insurance Belgium) has a neutral impact on the BNP Paribas' solvency position since it is being financed primarily by securities. The Group's liquidity position will be maintained, since the acquired businesses have a customer loan ratio that is globally equal to that of BNP Paribas. The contribution of €140 billion in deposits will bring the aggregate amount of deposits to €540 billion, making the new group the largest deposit base in the Eurozone. Finally, by bringing the Belgian and Luxemburg states into its share capital, BNP Paribas is reinforcing the stability of its ownership structure.

Description of acquired assets

Fortis Bank

Fortis Bank is a Belgian *société anonyme*. Fortis Bank and its consolidated subsidiaries exercise banking and/or insurance activities in more than forty-two countries.

In 2008, Fortis Bank had four main business lines and several support functions. Each activity, Retail Banking, Private Banking, Asset Management and Merchant Banking, is composed of a portfolio of activities targeting specifically a segment of clients. With the exception of asset management activities, the integration process for activities acquired from ABN AMRO ended at the beginning of October 2008 with the transfer of Fortis Bank Nederland (Holding), which included the non-asset management activities previously acquired from ABN AMRO.

Retail Banking

The Retail Banking business line offers financial services to individuals, professionals and small companies. Fortis Bank has a leading position in Belgium and in Luxemburg, and a strong position in Poland and in Turkey.

Fortis Bank uses its own as well as external networks integrated in a multi-channel environment to make its integrated banking and insurance services available to its five million clients in five countries. Thanks to diversified distribution channels in Belgium and in Luxemburg, Fortis Bank offers its services and advice to clients in specific segments in customary management, savings, investment, credit and insurance areas. In Turkey, its very complete portfolio of solutions is based on a complete and personalized range of products. In 2008, Fortis Bank joined forces with Yapi Credit Bank on the credit card market in Turkey. In Poland, Fortis Bank's activity focuses on affluent individuals and small companies, whereas its Polish subsidiary Dominet has quickly grown its consumer credit and retail banking activities aimed at the general public. In 2008, the merger of the banking activities of Fortis Bank Polska and Dominet Banket commenced and is expected to be finalized in 2009. In Germany, the bank's activity focuses on credit cards and consumer credits. At the beginning of 2009, Fortis Bank terminated its Fortis Finanz activities with its 90 credit shops. Finally, postal activities in Belgium (Banque de la Poste) and in Ireland (Postbank) enable Fortis Bank to offer an extended portfolio of products through these respective postal networks. Fortis Bank has more than 2,000 branches in Europe.

Asset Management

Fortis Bank carries out asset management activities, mainly through Fortis Investments. Its outstanding assets under management amounted to €170 billion as at December 31, 2008. Third party clients generate approximately 65% of its profits. Fortis Investments is the fifth largest European asset manager, excluding monetary markets.

Fortis Investments operates through commercial offices and 40 investment centers in Europe, the United States and Asia. Fortis Investments is a client-oriented company offering international investment solutions meeting the needs and requirements of local investors, whether they are institutional investors, professional investors or individuals. Its activities range from institutional portfolio management to the development and management of mutual funds. As a manager of diversified assets, its solutions-oriented approach provides its teams with the necessary freedom and resources to adapt to each market and asset category.

On April 1, 2008, Fortis Investments integrated the asset management activities operated by ABN AMRO Asset Management. Following to this integration, on December 31, 2008, Fortis Investments included more than 500 investment professionals and more than 2,000 employees in over 30 countries.

Private Banking

The Private Banking business line offers integrated and international assets and liabilities management solutions to affluent individuals, their companies and advisers. With offices located in 14 countries, Private Banking aims at assisting clients in consolidating, preserving and transferring their assets. Fortis Bank is a first tier actor in the private banking sector in Belgium and in Luxemburg and has a well-established position in Switzerland.

Merchant Banking

The Merchant Banking business line offers a significant range of tailored financial products and services to medium-sized companies with a European focus, as well as large companies and institutional clients with a focus on Europe and certain parts of North America and Asia. Fortis Bank has managed to establish a solid presence in these regions with respect to a number of products and skills. Merchant Banking is built around a customer skills-based approach.

The various types of customers are classified as either corporate banking, banking intended for the public sector and institutions, merchant banking, or EMT (Energy, Raw Materials and Transports). Corporate banking and banking intended for the public sector and institutions are in charge of managing relations with corporate, institutional and public sector customers. The goal of the merchant banking business line is to become a reference partner for medium-sized companies with respect to the European market by proposing solutions with a strong added value through a cohesive investment network. Within the EMT activity, Fortis offers financial solutions to these industrial sectors.

Merchant Banking is organized around skills units, providing services and distributing products with a strong added value to potentially all segments of customers. The skills include the Global Market, Clearing, Funds & Custody, investment banking and specialized financial services activities.

The Global Market unit exercises all sale and purchase and research activities. The Clearing, Funds & Custody unit offers custodial, clearing and fund management services as support of the sale and purchase and investment activities of finance professionals.

Investment banking offers a significant range of financial services, including *inter alia* corporate financing services, structured finance and private equity. The specialized financial services includes leasing, commercial financing, global trade service, cash management, trust management and corporate services.

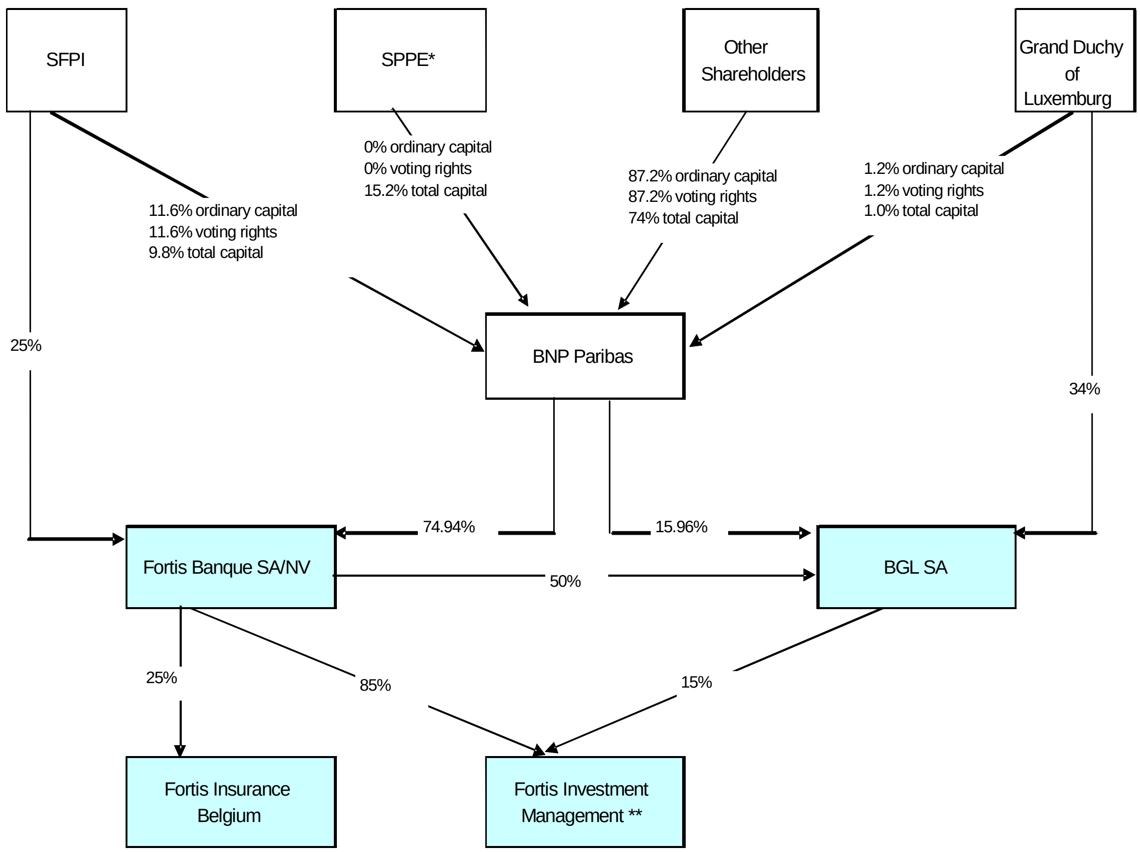
In 2008, following the sale of Fortis Bank Nederland (Holding), the Clearing, Funds & Custody activities have been scaled down significantly.

BGL

BGL is a Luxembourg *société anonyme*. BGL and its consolidated subsidiaries exercise banking and insurance activities in more than twenty countries. BGL conducts its business in the retail banking, commercial banking, private banking and merchant banking sectors – including trading transactions, investment funds and pension funds.

As at December 31, 2008, BGL recorded a net loss of €107.2 million and its total assets amounted to €52.5 billion.

Organizational chart following the Transaction



* Société de Prise de Participation de l'Etat (French State investment vehicle)
** including asset management activities taken over from ABN Amro

Anticipated changes in the composition of the administrative and governing bodies

For as long as it holds at least 10% of the voting rights of BNP Paribas, the Belgian State (through the SFPI) may propose two directors for BNP Paribas' Board of Directors, who are required to be recognized Belgian experts in the field of finance. Once the Board of Directors approves these nominations, they will be submitted for the approval of the General Shareholders' Meeting of BNP Paribas. For as long as the Belgian State (through the SFPI) holds more than 5% and less than 10% of the voting rights of BNP Paribas, it may propose one director as provided above.

Litigation

On January 28, 2009, a writ of summons was sent to Fortis Bank (as well as to Fortis and to other companies of the Fortis group, in the Netherlands, to SFPI, to BNP Paribas and to the Dutch central bank - *De Nederlandsche Bank*) by minority shareholders of Fortis represented by Mr. Michaël Modrikamen. With respect to Fortis Bank, in addition to certain provisional measures, the claimants asked the Brussels Commercial Court, (i) to cancel the decision of the Board of Directors of September 29, 2008, arguing that it had allowed an excessive number of shares of Fortis Bank to be issued in connection with the capital increase to which SFPI subscribed; and (ii) to cancel the decision of the Board of Directors and the subsequent agreements relating to the sale of Fortis Bank Nederland (Holding) N.V. Failing such cancellation, the claimants requested that the Kingdom of the Netherlands and De Nederlandsche Bank be ordered to pay an indemnity of €5 per share held by the claimants (plus accrued interest since October 3, 2008). The claimants also asked the Court to cancel Fortis' decision to sell its interest in

Fortis Bank to the SFPI as well as the subsequent sale to BNP Paribas, or, if such cancellation cannot be carried out, to order SFPI and BNP Paribas to pay an indemnity of €4 per held share (plus accrued interest since October 3, 2008). This dispute is still pending.

While the probability that these claims will have an adverse effect on Fortis Bank's financial statements cannot be completely excluded, this probability is considered to be limited given the current situation.

Other disputes are pending relating to the restructuring of the Fortis group, to which Fortis Bank is not a party at present. However, it cannot be excluded that the settlement of these disputes will have an impact on Fortis Bank. For further information relating to these disputes, see the filings of the various parties to these disputes, including Fortis. It cannot not be excluded that, as a former member of the Fortis group, Fortis Bank will be implicated in other court proceedings.

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 (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has one of the largest international banking networks, a presence in over 80 countries and more than 205,000 employees, including 165,000 in Europe. BNP Paribas Group enjoys 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, BancWest, Emerging Market Retail Banking, Personal Finance, Equipment Solutions; Asset Management & Services; Corporate and Investment Banking.

At December 31, 2008, the Group had consolidated assets of €2,075.6 billion (compared to €1,694.5 billion at December 31, 2007), consolidated loans and receivables due from customers of €494.4 billion (compared to €445.1 billion at December 31, 2007), consolidated items due to customers of €414.0 billion (compared to €346.7 billion at December 31, 2007) and shareholders' equity (Group share including income for 2008) of €53.2 billion (compared to €53.8 billion at December 31, 2007). Pre-tax net income for the year ended December 31, 2008 was €3.9 billion (compared to €11.1 billion for the year ended December 31, 2007). Net income, Group share, for the year ended December 31, 2008 was €3.0 billion (compared to €7.8 billion for the year ended December 31, 2007).

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2008.

Retail Banking

In 2008, BNP Paribas generated 60% of its net banking income from retail banking. It has a strong international presence in retail banking, with 4,000 of its 6,000 branches outside France, and 250,000 points of contact with customers in its specialist businesses of Personal Finance and business equipment loans. Retail banking activities employ a total of more than 120,000 people in 52 countries, representing over 70% of the Group's entire headcount.

Retail Banking comprises branch networks in France, Italy, the USA and the emerging markets, together with non-banking services. In early 2009, the Group combined all its retail banking activities into a single organization, BNP Paribas Retail Banking.

Asset Management

Asset Management & Services (AMS) provides a unique range of solutions to meet all the needs of institutional, corporate and retail investors.

AMS houses the all Bank's expertise in the highly buoyant markets of gathering, managing, protecting and administering its clients' assets, savings and wealth: Asset Management (BNP Paribas Investment Partners); Insurance (BNP Paribas Assurance); Wealth management (BNP Paribas Wealth Management Networks and BNP Paribas Wealth Management International); Savings and online brokerage (BNP Paribas Personal Investors); Securities services (BNP Paribas Securities Services); and Real estate services (BNP Paribas Real Estate). In 2008, each AMS business was a leader in its market.

AMS operates in 64 countries and employs almost 25,000 people of more than 70 different nationalities. It continues to expand its international reach, mainly in Europe, Asia and the Middle East, through new operations, acquisitions, joint ventures and partnership agreements.

Corporate and Investment Banking

BNP Paribas Corporate & Investment Banking (CIB) employs 17,000 people across 53 countries. CIB provides financing, advisory and capital markets services, and accounts for 18% of Group net banking income. BNP Paribas CIB is a globally recognized leader in two areas of expertise: derivatives on all asset classes, and structured financing. BNP Paribas CIB also has a solid corporate advisory network in Europe and Asia, and has been expanding in emerging market countries for many years.

BNP Paribas CIB has 14,000 clients, consisting of companies, financial institutions, investment funds and hedge funds. They are central to BNP Paribas CIB's business model. Staff's main aim is to develop and maintain long-term relationships with clients, to support them in their investment strategy and meet their financing and risk management needs. More than 9,000 relationship managers work with these 14,000 clients, offering a wide range of services to enhance their strategy, supported by experts in BNP Paribas CIB's various business areas.

Strategy

Corporate and Investment Banking

In 2009, Corporate and Investment Banking (CIB) will continue the de-risking process, which is largely under way, focusing on reducing the value at risk, the sensitivity to extreme market volatility, structural illiquid risks and the basis risk. This reduction, combined with an objective of stabilizing the financing businesses' risk-weighted assets, will in turn bring down the division's risk-weighted assets.

CIB will proactively redesign its product offering to adapt it to its customers needs, while continuing to significantly scale back business in the most complex structured products, and expand the flow business while developing tailor-made hedge products.

Lastly, the division's organization will be streamlined. Priority will be given to leadership in Europe. This move will enable CIB to scale back its cost base by 5%, on a full year basis, excluding variable compensation.

BNP Paribas confirms its goal of being a key and competitive player in the new corporate and investment banking landscape, with a customer-driven model, a balanced business mix in which the financing businesses play a significant role providing a recurring revenue base and one of the best global derivatives and capital markets platforms.

Asset Management and Services

In 2009, Asset Management and Services (AMS) will continue to pursue its integrated development, in particular in terms of its product offering and cross-selling. In order to adapt the offering to the economic environment, products proposed will be simpler, more diversified and more liquid.

As a result of the crisis, AMS also plans to adapt the organization of its business units, in particular by:

- continuing the international roll out of the Wealth Management Networks model used in France after it was successfully introduced in Italy;
- designing new insurance products; and
- taking advantage of opportunities arising from the outsourcing of securities services by financial services groups.

Lastly, the division will endeavour to seek productivity gains in all business lines, in particular by expanding distribution to a larger number of third party networks and by optimizing its global presence.

Retail Banking

Starting in 2009, a Retail Banking entity is being created as an umbrella organization for the Group's retail banking businesses, in order to speed up their development and their overall consistency. This entity oversees 6,000 branch offices, 16 million customers and generated €17,525 million[2] in net banking income in 2008.

The introduction of this entity means that:

- six new corporate retail banking functions will manage businesses and projects across the new organization;
- a Retail Banking Information System was created; and
- Emerging Markets Retail Banking will be converted into an integrated operating entity.

This new entity will focus on four priorities:

- leading the Group's development initiatives in retail banking;
- pooling expertise;
- promoting industrialization and share large-scale investments; and
- expanding cross-selling.

In order to meet the key challenges of the crisis, FRB will focus on four priorities:

- adapting its product offering to falling short-term interest rates so as to maintain its superior deposit and savings asset inflow performance;
- optimizing capital management while monitoring the return on risk-weighted assets and developing revenues requiring limited capital use (banking services, sale of insurance products, etc.);
- maintaining its competitive edge in risk management; and
- stabilizing costs while continuing hiring and investments.

In working with businesses and households as they carry out their projects, the division is committed to growing its outstanding loans by 4% in 2009.

Furthermore, FRB is focusing its efforts on growth driven projects such as the Internet and the multi-channel model as well as developing synergies both with the Group's other retail networks as well as with the specialized business units. In 2009, the division's goal is to maintain a positive 1 point jaws effect.

In 2009, in pursuit of its commercial drive, BNL bc expects to open 50 new branches, bringing the total number of openings to 100 since it joined the Group. The bank will focus its priorities on developing flow products and cross-selling.

In order to stabilize its costs, BNL bc's goal will be to pursue the rightsizing of the workforce and to integrate its IT systems with the Group's systems in France.

These efforts are expected to produce a 5 points jaws effect in 2009.

With the deteriorating economic environment, BNL plans to capitalize on the managerial actions under way to strengthen risk management, implementing more selective loan approval criteria and introducing branches dedicated to watchlist customers an opportunity to renegotiate loan repayment terms.

In 2009, in an effort to adapt to the new environment in the U.S., BancWest will focus on:

- optimizing the distribution channels, in particular by rolling out the product offering throughout the entire network;

[2] Including 100% of French Private Banking and excluding PEL/CEL and 100% of Italian Private Banking.

- maintaining cost management discipline, in particular by moving to paperless middle and back office processes; and
- preserving the quality of the loan portfolio by stabilizing outstandings and maintaining disciplined credit selection criteria.

In 2009, Emerging Markets Retail Banking plans to adapt its growth to the new risk and liquidity environment:

- in Ukraine, while the origination of new loans has already stopped, the retail and corporate loan portfolio will be restructured and the teams dedicated to loan collection will be beefed up. Costs will be cut (closure of 100 branches and job cuts);
- in the other emerging markets, efforts will be made to selectively acquire new customers. The priority will be on enhancing operating efficiency in the other networks with, in particular, a freeze on hiring in some countries, speeding up the integration of the Sahara Bank as well as new measures to streamline back offices.

In 2009, Personal Finance plans to:

- reinforce synergies with the Group's retail networks;
- expand its cost-cutting program: these measures are expected to allow Personal Finance to generate a positive 2 point jaws effect in 2009; and
- continue actions undertaken in 2009 to reduce the impact of the crisis on credit risk and, in particular, to refocus new loan origination and strengthen the loan collection teams.

Group Financial Strength Further Reinforced

As at December 31, 2008, BNP Paribas' Tier 1 capital totalled €41.8 billion, up €5.3 billion compared to its level at December 31, 2007 thanks to the Group's continued capacity to generate profits and the participation, in the fourth quarter of the year, in the first stage of the French economic stimulus plan for the amount of €2.55 billion.

Risk-weighted assets grew by 11.5% in 2008, a testimony to the Group's commitment to support the real economy.

The Tier 1 ratio was 7.8% as at December 31, 2008 compared to 7.3% as at December 31, 2007, with no shareholder dilution and after factoring in the payment of a €1.00 dividend. This ratio is appropriate for BNP Paribas' risk profile.

In the short-term, BNP Paribas will focus on bringing its Tier 1 ratio up further: the capital base will be strengthened by generating earnings and taking part in the French economic stimulus plan. The risk-weighted assets will be reduced in 2009 by €20 billion at constant scope and exchange rates, combining a sharp decline in CIB, stabilization in emerging countries and at BancWest as well as continued growth in France and Italy.

The lowering of the floor on January 1, 2009 and the participation in the second stage of the French stimulus plan are expected to bring the Group's Tier ratio to 8.4% on a pro forma basis.

In the medium-term, the Group's goal is to continue to keep its Tier 1 ratio above 7.5%.

The balance sheet structure is solid. With the Group's cautious acquisition strategy, the amount of goodwill is only €11.3 billion, primarily related to acquisition prior to mid-2006 in retail banking businesses (€8.6 billion, of which €3.6 billion for BancWest and €1.7 billion for BNL) which have limited exposure to risky regions (€764 million in emerging countries, of which only €119 million for UkrSibbank).

In terms of liquidity, the Group will take advantage of its major competitive edge resulting from the level of its CDS spread, which is the lowest of comparable banks. It is taking a very proactive approach in order to take into account the higher cost of liquidity by adapting the product offering as well as terms and conditions. With deposit growth (19%) outpacing loan growth (11%), the loan to deposit ratio decreased from 129% to 119% during 2008. In 2009, the Group's Medium Long Term issue programme is €30 billion, of which €9.2 billion are already completed or under way.

With the effect of these measures, BNP Paribas is well positioned in the still uncertain environment in 2009 to take full advantage of its structural strengths:

- its enhanced attractiveness;
- its diversified business units centered on the retail banking businesses which generate 60% of net banking income;
- its regional focus on Western Europe (75% of net banking income);
- its good cost control and proactive cost management; and
- the attention paid to risk/return over economic cycles.

History

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

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

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

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

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

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

Retail Banking

In 2008, BNP Paribas generated 60% of its net banking income from retail banking. It has a strong international presence in retail banking, with 4,000 of its 6,000 branches outside France, and 250,000 points of contact with customers in its specialist businesses of Personal Finance and business equipment loans. Retail banking activities employ a total of more than 120,000 people in 52 countries, representing over 70% of the Group's entire headcount.

Retail Banking comprises branch networks in France, Italy, the United States and the emerging markets, together with non-banking services. It is divided into six Operating Units:

- French Retail Banking;
- BNL bc, the branch network in Italy;
- BancWest, the branch network in the United States;

- Emerging Markets Retail Banking;
- Personal Finance, which comprises the specialist consumer credit and mortgage financing businesses;
- Equipment Solutions, dedicated to financing equipment purchases by companies (Arval, BNP Paribas Lease Group).

In early 2009, the Group combined all its retail banking activities into a single organization, BNP Paribas Retail Banking, with the aim of:

- providing retail banking clients with the benefits of a truly global network;
- industrialising activities, pooling major investments and transferring know-how and innovation between the banking networks and the specialized Personal Finance and Equipment Solutions businesses;
- developing cross-selling between the networks and the specialized retail financing businesses, and with Corporate & Investment Banking and Asset Management & Services;
- promoting the Group's expansion in these businesses, both through acquisitions and organic growth.

To support Retail Banking in its expansion, six central missions have been created to provide operating units with the benefit of their expertise in cross-functional activities and projects:

- Distribution, Markets & Solutions, to promote business development in the Operating Units;
- Retail Banking Development, to oversee the Group's acquisitions in Retail Banking businesses and coordinate benchmarking and strategic intelligence for Retail Banking;
- Retail Banking Brand & Communications, to coordinate internal communications and ensure a consistent brand policy across the whole of Retail Banking;
- U.S. Coordination, to facilitate relations between BancWest and other Group entities;
- Wealth Management Networks, to accelerate growth in the Wealth Management business across the Retail Banking networks;
- Retail Banking HR, to roll out the Group's HR model to all Operating Units and sites, tailored to specific local needs.

This support system has been rounded out by the creation of "Retail Banking Information Systems" within French Retail Banking, which supports the six Operating Units according to their needs. Cash management has also been reorganized on an international basis.

French Retail Banking

French Retail Banking (FRB) has a client base made up of 6.1 million individual and private banking clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive 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.

The French Retail Banking Division network has been strengthened with a view to enhancing local coverage and client service. As at December 31, 2008, it consisted of 2,200 branches, of which 1,100 had been updated with the new "Welcome & Services" concept, and 5,200 cash dispensers. As such, the network is now more compatible with a multi-channel organizational structure. FRB focuses on regions with strong economic potential and has a 15% market share in the Paris region.[3] FRB also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of €82,000 have their main bank account with BNP Paribas (source: Ipsos 2006). It also has a leading position in business banking.

[3] BNP Paribas FRB 2007 marketing research, market share based on number of counters.

The French Retail Banking Division employs 31,000 people working in the BNP Paribas branded branch network, Banque de Bretagne, BNP Paribas Factor, BNP Paribas Developpement, a provider of growth capital, and Protection 24, a telesurveillance firm.

To improve its response to client needs, French Retail Banking has reorganized its sales structure on the basis of network segmentation. The division is now made up of branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and back offices in charge of after-sales operations.

In parallel, the division has continued actively expanding the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out from 2002. The underlying aim of these changes is to offer clients the highest standard of service and to step up the role of in-branch client advisers. The Client Relations Centre's three platforms in Paris, Orleans and Lille deal with calls made to the branches and process client e-mails.

In 2008, the NetÉpargne area of the BNP Paribas.net website was set up to inform customers and enable them to apply for savings accounts and life insurance products. A contact center dealing with mortgage requests in less than 48 hours was also set up (Net Crédit Immo).

The new workstations operated by the client advisers are geared to managing client relations within a multi-channel framework. As such, they represent the very heart of the system, whose effectiveness has been clearly proved after several years of use.

In addition, FRB has the largest network of Private Banking Centres in France (source: internal data) with 218 units conveniently located across the country.

The new business approach adopted for business clients led to the emergence at the end of 2005 of a structure that is unique in the French banking sector. This new organization is based on 26 Business Centres located throughout the whole of France, as well as a professional assistance service – Service Assistance Enterprise (SAE) – and Cash Customer Services (CCS).

Finally, the division is reengineering its back offices into Production and Sales Support Branches (PSSBs). Specialised by type of transaction, they span the whole of France and have fully integrated information systems. At end-2008, 76 specialist centers were in charge of transaction processing.

BNL banca commerciale (BNL bc)

BNL banca commerciale (BNL bc) is one of the major players in the Italian banking and financial system (ranking 6th in terms of total assets, according to internal estimates based on published financial information as of September 30, 2008, which is fully integrated in the European market and nowadays includes intermediaries of international stature as a result of the consolidation process in recent years.

BNL bc offers a wide and complete range of banking, financial and insurance products and services, from traditional ones to the more innovative, structured to satisfy, under a strictly segmented offering approach, all kinds of requirements of its considerable client base, represented by:

- approximately 2.5 million individual clients and 12,000 private clients (family groups);
- over 119,000 small businesses (turnover under €5 million);
- approximately 30,000 medium and large enterprises; and
- 16,000 local authorities and non-profitable entities.

In the course of 2008 the introduction of a reviewed client segmentation criteria has led to two notable changes: (i) clients with a turnover between €1.5 and €5 million, previously managed as medium-sized enterprises, have migrated to small business coverage; and (ii) private clients are no longer counted as individual relationships but grouped according to family nucleus.

In the Retail & Private business, BNL bc reaches a significant positioning in lending (especially on residential mortgages, with a market share of over 6%), while consolidating a deposits' market share (around 3.5%) well ahead of its network penetration (2.3% of the System in terms of number of branches).[4]

Another point of strength of BNL bc is represented by the relations with Corporate and Local Authorities, where it boasts an average market share in the region of 5%[5] and 7% respectively, with a market-recognized focus on cross-border payments, project and structured financing and factoring (the specialized subsidiary Ifitalia ranks 3rd in Italy in terms of credit outstanding).[6]

To maximise its commercial franchise, BNL bc has deployed a distribution model designed to increase direct contact with clients, enhance the central role and flexibility of the sale network, improve the communication of commercial policies for both innovative and traditional products. In the framework of a multi-channel distribution approach, the network is organized under five regions ("direzioni territoriali") with a differentiated structure for the retail and the corporate business:

- 125 retail districts with nearly 750 retail agencies;

- 27 private banking centers;

- 21 corporate business centers with 51 corporate branches managing SME, Large Corporate and LAPS (Local Authorities Public Sector) portfolios.

Moreover, five trade centers are fully operational in Italy, offering enterprises a platform of products, services and solutions for cross-border activities and complementing BNP Paribas' international network which operates in 55 countries with 85 other centers. In parallel, the network of Italian Desks to assist Italian enterprises operating abroad and multinational groups with direct investments in Italy has been expanded to cover 12 countries, mainly in the Mediterranean area.

The multi-channel offering is completed by self-service positions (over 1,450 ATM and 20,000 POS – Points Of Sale with retailers), phone banking and e-banking for both retail and corporate clients.

Complementary to the organizational set-up are specialized local back-office units at regional level, which are closely interfaced with the distribution network, and operate on the basis of a model centered on boosting customer satisfaction, both internal and external, by providing high-quality and efficient services and ensuring an improved management of operating risk.

Bancwest

In the United States, the retail banking business is conducted through BancWest Corporation, a company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank, wholly-owned by BNP Paribas since the end of 2001. BancWest has completed a number of acquisitions since that date, the latest being Commercial Federal Corporation in December 2005.

Bank of the West offers a very large 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 national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church Lending, Small Business and Agribusiness.

With a market share of almost 40% in deposits, First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and companies.

In total, with nearly 11,800 employees, 742 branches and total assets of almost US$80 billion at December 31, 2008, BancWest currently serves some 5 million client accounts. It is now the 6th-largest bank in the western United States by deposits.

Emerging Markets Retail Banking

Emerging Markets Retail Banking now operates in 38 sites, covering the Mediterranean area (795 branches), the Near & Middle East (62 branches), Africa (81 branches), Eastern Europe (950 branches) and French overseas departments & territories (60 branches).

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[4] Source: Bank of Italy statistics as of September 30, 2008.
[5] Source: Bank of Italy statistics as of September 30, 2008.
[6] Source: Assifact as of September 30, 2008.

Across all these regions, the business line brings together a total network of 1,948 branches, more than 4.7 million individual, small business and corporate clients, and more than 30,000 employees. The business also operates in Asia through two partnerships with local banks, totaling 64 branches in China and 65 in Vietnam.

Since 2004, business has developed very quickly, as the number of branches increased sixfold, and the number of clients by fourfold. Operations have also been set up in ten new countries since the end of 2004, through acquisitions (Turkey and China in 2005, Ukraine in 2006, Vietnam and Libya in 2007) and organic development (Saudi Arabia, Kuwait, Israel, Mauritania and Russia).

As a consequence of this significant change, regional platforms have been created, and a new commercial strategy focusing on individuals and small and medium-sized companies has been launched recently.

Thanks to a strong client portfolio growth, these networks represent a single distribution platform for all the Group's operating entities: partnerships with Personal Finance in Turkey, Ukraine, Algeria, Morocco, and China; distribution of CIB financial structured products, development of CIB Trade Centers in many sites, creation of a joint-venture with Wealth Management.

Personal Finance

On July 1, 2008, BNP Paribas Personal Finance was formed, housing the Group's worldwide activities in consumer finance, mortgages and loan consolidation. With 29,000 staff in 30 countries and 4 continents, BNP Paribas Personal Finance leads the French and European Personal Finance markets.[7] Its aim is to help customers fulfill their plans, from the smallest purchase up to buying their home, while complying with its commitment to "responsible lending".

BNP Paribas Personal Finance is Europe's leading multi-specialist Personal Finance player, with a comprehensive range of solutions available at the point of sale (stores, car dealerships), through authorized business providers (brokers, estate agents, property developers) and directly via the internet and its customer relations centers. As a global player, BNP Paribas Personal Finance is aiming to be one of the world's Top 5 consumer finance providers.

In the difficult economic conditions of late 2008, the commitment to social responsibility is even more important for BNP Paribas Personal Finance and its Cetelem trading brand.

Its approach is based on four main pillars:

<u>Lend responsibly</u>

The aim is to promote access to credit across the widest possible number of people, while avoiding over-indebtedness. In France, BNP Paribas Personal Finance, under its Cetelem brand, reports annually on its four responsible lending indicators: refusal rate, percentage of loans with no payment incident, percentage of loans paid off entirely, and risk rate as a percentage of outstanding loans.

In 2008, these indicators were extended to the mortgage business.

<u>Protect the environment</u>

BNP Paribas Personal Finance's "Oxygen" program, introduced in October 2007, aims to motivate employees and customers. Since the program was launched, five initiatives have been developed, exemplified by the French carbon audit. For current and prospective customers, BNP Paribas Personal Finance has launched, under the Cetelem brand, products aimed at financing photovoltaic panels, in partnership with EDF ENR.

<u>Help the helpers</u>

Through the Cetelem Foundation, BNP Paribas Personal Finance is helping to develop microcredit and supports various humanitarian and social charities: *ATD Quart Monde, Secours Populaire Français, Secours Catholique, FACE (Fondation Agir Contre L'Exclusion), SNC (Solidarités Nouvelles face au Chômage), Adie (Association pour le Droit à l'InitiativeEconomique), AGIRabcd, Cash de Nanterre, Réussir Aujourd'hui.*

[7] Source: annual reports of consumer finance companies.

Promote diversity

BNP Paribas Personal Finance knows how to carry out and facilitate change. To enable every member of staff to continue sharing its ambitious plans, human resources is one of its top priorities.

Equipment Solutions

Equipment Solutions uses a multi-channel approach (direct sales, sales via referrals or via partnerships) to offer corporate and business clients a range of rental solutions specific to each asset market, from financing to fleet outsourcing.

Equipment Solutions offers its end users and business providers the opportunity to outsource the credit, market or technical risks associated with corporate assets.

Equipment Solutions consists of three International Business Lines (IBLs) organized around assets and specially developed rental solutions:

- the passenger car and light commercial vehicle IBL managed by Arval, dedicated to operational leasing;
- the Technology Solutions IT, telecom and office equipment IBL run jointly by BNP Paribas Lease Group, specialized in equipment financing, and Arius, specializing in the leasing and management of IT equipment;
- the Equipment&Logistics Solutions IBL, covering construction, farming and transport equipment, which is run by specialists at BNP Paribas Lease Group and Artegy, dedicated to operational leasing for industrial vehicles.

Commercial real estate and other assets are managed by the local entities of BNP Paribas Lease Group.

Despite the deteriorating economic and financial environment, the Equipment Solutions business has maintained firm commercial impetus. Aside from real estate financing, the Equipment Solutions business ranks first in Europe in terms of both outstandings and new business.[8]

In 2008, Arval's commercial activity remained very strong, with 210,000 new cars registration (up 17% compared with 2007).

At end-2008, Arval leased a total of 602,000 vehicles, an increase of 12% during the year, and its total managed fleet comprised 688,000 vehicles. In terms of the leasing fleet, Arval leads the French market[9] and ranks second in Europe.[10] BNP Paribas Lease Group arranged 248,000 financing deals, taking its loans outstanding to €21 billion.

Asset Management and Services

Asset Management & Services (AMS) provides a unique range of solutions to meet all the needs of institutional, corporate and retail investors.

AMS houses the all Bank's expertise in the markets of gathering, managing, protecting and administering its clients' assets, savings and wealth:

- Asset Management (BNP Paribas Investment Partners);
- Insurance (BNP Paribas Assurance);
- Wealth management (BNP Paribas Wealth Management Networks and BNP Paribas Wealth Management International);
- Savings and online brokerage (BNP Paribas Personal Investors);
- Securities services (BNP Paribas Securities Services); and

[8] Source: Leaseurope 2007. Source: Leaseurope 2007.
[9] Source: SNLVLD 2007.
[10] Source: internal data.

- Real estate services (BNP Paribas Real Estate).

In 2008, each AMS business was a leader in its market.

AMS operates in 64 countries and employs almost 25,000 people of more than 70 different nationalities. It continues to expand its international reach, mainly in Europe, Asia and the Middle East, through new operations, acquisitions, joint ventures and partnership agreements.

AMS takes a client-focused, future-oriented approach and innovates continuously to provide the best products and services while maintaining the highest standards of sustainable development.

BNP Paribas Investment Partners

BNP Paribas Investment Partners combines all the Asset Management businesses of BNP Paribas.

A single platform providing simplified and immediate access to a vast range of specialized partners, BNP Paribas Investment Partners is one of the biggest names in Asset Management in Europe.[11] At December 31, 2008, BNP Paribas Investment Partners had €305 billion of assets under management (including assets under advisory), almost half of which was managed for institutional investors.

With 2,200 professionals serving clients in more than 70 countries, BNP Paribas Investment Partners draws on more than half a century of experience in Asset Management and has enjoyed strong growth over the last decade, punctuated by targeted acquisitions and the creation of joint ventures. This solid development reflects a clear multi-specialization strategy and a partnership approach which has enabled BNP Paribas Investment Partners to consistently enrich its product and service offering with the support of companies that are experts in their particular field.

BNP Paribas Investment Partners is present in the major financial centers, including Paris, London, New York, Tokyo and Hong Kong. It also has first-rate knowledge of new markets thanks to its teams in Brazil, South Korea, China, India, Morocco, Turkey and Saudi Arabia. With 360 client relationship managers in 32 countries, BNP Paribas Investment Partners has a local presence that ensures close ties with its clients.

Insurance

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

It operates in 41 countries including 25 in Europe, seven in Asia, six in Latin America, two in North America and one in Africa.

- The savings business includes the sale of life insurance policies to individuals in some ten countries. In France, it also provides companies with Group pension, end-of-career bonus and early retirement benefit contracts.

- In the protection business, it offers a broad range of products in many countries, including creditor insurance, bill protection, credit card protection, extended warranty, gap insurance and individual protection. In France, BNP Paribas Assurance markets both standard and personalised Group policies to large companies and SMEs.

- Property and casualty insurance in France is provided through Natio Assurance, a company owned equally with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance, and legal protection coverage.

BNP Paribas Assurance's partners include 35 of the world's 100 leading banks plus a large number of financial institutions, including consumer credit companies, credit subsidiaries of car makers and major retail groups. BNP Paribas Assurance is France's 4th-largest life insurer (Source: FFSA) and is the world leader in creditor insurance (Source: information published by competitors).

Wealth Management

[11] Source: Watson Wyatt rankings at end-December 2007, "The World's 500 Largest Asset Managers".

In 2008 BNP Paribas rebranded its private banking business BNP Paribas Wealth Management, a more accurate reflection of the universal dimension of its private banking client relationships. It also carries a guarantee of security by being part of a strong global banking group, together with an ability to innovate and offer new investment techniques and products.

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:

- estate planning services including estate organization and advice on asset ownership methods;
- financial services: advice on asset allocation, investment products, securities and discretionary portfolio management; and
- expert advice in specific fields such as art and real estate.

Wealth Management (WM) has been reorganized into two business lines: Wealth Management Networks (WMN) and Wealth Management International (WMI). WMN's role is to develop the wealth management business in countries where the Bank has a retail client base. WMI's role is to develop the wealth management business in other markets where the Bank wants to gain a foothold or strengthen its existing position, by working closely with CIB and through partnerships or acquisitions.

Both business lines draw on the expertise of WM's support teams, for both financial and wealth management services and diversification activities, particularly philanthropy. Wealth Management also has an open-architecture offering. It sources solutions from the Group's other businesses (Asset Management, Securities Services, Insurance, Corporate Finance, Fixed Income, Equity Derivatives, etc.), as well as external providers.

In order to strengthen their ability to attract and advise the world's largest fortunes, WMI and WMN have created a "Key clients" unit responsible for global coverage of this segment.

BNP Paribas Wealth Management is the world's 6th private bank and is ranked fourth in Western Europe (Source: Euromoney 2009) with almost €141 billion in client assets at year end 2008 and over 4,400 professionals in thirty countries. It ranks first in France (Source: Euromoney 2009) with €56 billion of assets under management. The network includes 219 private banking centers covering the whole of France and a dedicated wealth management department for clients with more than €5 million of assets.

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 major players:

- Cortal Consors, Europe's leading online savings and brokerage player for individuals (Source: in-house study based on information published by competitors), offers personalised investment advice and online trading services in five European countries: Germany, France, Spain, Belgium, and Luxembourg. Cortal Consors offers clients its investment advisory experience through several channels – online, telephone or face to face. Its broad range of independent products and services includes short-term investment solutions, mutual funds and life insurance. The range is supported by leading-edge online brokerage technology;
- B*capital, a brokerage firm, specializes in personalised advice on securities and derivatives as well as discretionary management for affluent clients. It provides clients with direct access to all markets, financial analysis, personalised portfolio advisory and portfolio management services;
- Geojit is one of the leading retail brokers in India. It provides brokerage services for equities, derivatives and financial savings products (funds and life insurance). Geojit also operates in the United Arab Emirates, Saudi Arabia, Oman, Bahrain and Kuwait, where it targets a principally non-resident Indian clientele. BNP Paribas is its main shareholder.

At December 31, 2008, BNP Paribas Personal Investors had 1.64 million clients and €25.4 billion of assets under management, with 34% in equities, 35% in savings products or mutual funds and 31% in cash. BNP Paribas Personal Investors employs over 4,100 people.

The goal of BNP Paribas Personal Investors is to provide personal, independent investment advice and to strengthen its leading position in Europe and in emerging markets with strong savings potential.

BNP Paribas Securities Services

BNP Paribas Securities Services is the Eurozone's leading securities services provider.[12] The bank operates across the entire investment cycle, providing post-trade administration solutions to buy-side and sell-side financial institutions as well as corporates and issuers:

- sell-side clients (banks, broker-dealers, investment banks, market infrastructures) are offered customized services for clearing and settlement and global custody for all asset classes as well as outsourcing solutions for middle and back office activities;

- buy-side clients (asset managers, alternative fund managers, sovereign wealth managers, insurance companies, pension funds, fund distributors and promoters) have an array of custodian and fund administration services, including fund distribution support, transfer agency services, depository bank and trustee service, fund accounting, middle-office outsourcing and risk and performance measurement; and

- corporates and issuers (originators, arrangers and corporations) are provided with a wide range of services including administrative services, securitization as well as stock-option and employee-shareholder plan management.

BNP Paribas Real Estate

BNP Paribas Real Estate employs 3,400 staff and is a leading provider of real estate services to companies in continental Europe, and is a major player in residential real estate in France. Its offering includes a range of skills and is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.

The unit serves companies, investors, local authorities, property developers and individuals.

International network

In commercial real estate, BNP Paribas Real Estate serves customers in 25 countries worldwide. It has a direct presence through 80 units in 13 countries, i.e. Germany, Belgium, Spain, France, Ireland, Italy, Jersey, Luxembourg, the UK, Romania, Bahrain, Dubai and India, along with a representative office in New York, and operates in a further 12 countries through alliances with local partners.

In residential real estate, BNP Paribas Real Estate's main activity is in France.

A variety of skills in six complementary real estate business lines

Transactions

In commercial real estate, BNP Paribas Real Estate markets properties including offices, business premises and retail units, and ranks first in France, Germany and Luxembourg.[13]

In residential real estate, its 27 branches in France represent one of the leading networks for selling new and existing residential properties.

Advisory

In commercial real estate, BNP Paribas Real Estate advises clients to help them put together real estate projects, design and build working premises, optimize their real estate assets and so forth.

Valuation

BNP Paribas Real Estate values all types of real estate, including offices, retail units, hotels, warehouses and land, using international standards defined in the International Valuation & Accounting Standards and the RICS Red Book.

Property development in France and Italy

[12]. Source: internal data
[13] Source: internal data

BNP Paribas Real Estate is one of France's leading real estate developers, and ranks second in commercial real estate.[14]

Investment Management Department

BNP Paribas REIM, BNP Paribas REIS and BNL Fondi Immobiliari manage €8 billion of real estate assets in France – where it is one of the leading non-trading property investment trust (SCPI) managers – Italy and the UK.

Property Management

BNP Paribas Real Estate Property Management manages 24 million square meters of commercial real estate in Europe, including almost 12 million square meters in France where it is the market leader.[15]

In residential real estate, it manages almost 29,000 housing units in France, including more than 5,500 units in serviced residences.

Corporate & Investment Banking

BNP Paribas Corporate & Investment Banking (CIB) employs 17,000 people across 53 countries. CIB provides financing, advisory and capital markets services, and accounts for 18% of Group net banking income.

BNP Paribas CIB is a globally recognized leader in two areas of expertise: derivatives on all asset classes, and structured financing. BNP Paribas CIB also has a solid corporate advisory network in Europe and Asia, and has been expanding in emerging market countries for many years.

BNP Paribas CIB has 14,000 clients, consisting of companies, financial institutions, investment funds and hedge funds. They are central to BNP Paribas CIB's business model. Staff's main aim is to develop and maintain long-term relationships with clients, to support them in their investment strategy and meet their financing and risk management needs. More than 9,000 relationship managers work with these 14,000 clients, offering a wide range of services to enhance their strategy, supported by experts in BNP Paribas CIB's various business areas.

BNP Paribas CIB has a presence on all continents, and provides clients worldwide with a global perspective and a pioneering spirit, adapting solutions to suit local conditions.

BNP Paribas CIB benefits from the Group's large asset base and diverse business model, and is proving relatively resilient against the economic and financial crisis that has been affecting the banking sector for the last 18 months.

Although it has been affected, particularly by the market crisis in late 2008 following the failure of Lehman Brothers, BNP Paribas CIB has remained the world's number two corporate and investment banking unit in terms of profitability since the subprime crisis broke in July 2007. BNP Paribas CIB has received numerous industry awards. These awards recognize the esteem in which it is held by market operators, both clients and competitors, together with its professionalism and the excellent quality of its franchises. These awards include:

- Best Investment Bank in France - *Euromoney* – July 2008;
- Most Innovative in Islamic Finance - *The Banker* – October 2008;
- Global Loan House - *IFR* – December 2008;
- Structured Products House of the Year - *Risk Magazine* – January 2009;
- Equity Derivatives House of the Year 2009 - *Risk Magazine* - January 2009 and IFR Magazine – December 2008;
- Euro Bond House - *IFR* – December 2008;
- Inflation Derivatives House of the Year - *Risk Magazine* – January 2009;
- Best Commodity and Energy Finance Bank - *Trade Finance Magazine* – June 2008;

[14] Source: "Classement des promoteurs" published by Innovapresse in June 2008.
[15] Source: Internal Data

- World's Best Global Bank in Trade Finance - *Global Finance* – August 2008.

Confirmed Leadership in Financing Activities in 2008

Structured Finance

Structured Finance (SF) operates in the area where lending and capital markets activities meet. It designs customized financing products for a global clientele. SF operates in over 30 countries, with more than 1,600 experts worldwide, and manages the full financing process including origination, structuring and execution of the structured debt, and syndication. Despite adverse market conditions, 2008 was an exceptional year, with excellent results.

SF is a leading player in the following business areas:

- energy and commodity financing: this business specializes in financing companies operating in energy and commodities (oil, gas, metals and softs), providing short-term financing suited to all phases from production to the final buyer, along with longer-term financing structured around the natural resources being produced;

- asset financing provides a broad range of products for the financing of non-current assets, i.e. real estate financing, aircraft and maritime financing and export financing. It also develops innovative leasing structures;

- leveraged financing and project financing provide long-term funding for projects whose revenues depend on future cash flows. These activities also cover refinancing and restructuring, along with leveraged debt repurchasing. The business also includes financing in the media and telecoms sectors;

- the corporate acquisition finance teams arrange and provide medium- and long-term facilities to fund strategic acquisitions, either through private deals or through public tender offers; and

- finally, the syndication and trading teams cover all of the Group's syndicated loan activities worldwide. They set prices and syndicate the debt of BNP Paribas clients among other banks and institutional investors. This business also includes insurance services, covering financing providers against strategy and credit risks through the private insurance market.

Once again in 2008, Structured Finance won a number of awards acknowledging the excellence of its staff and the quality of its service:

- Global Loan House - IFR - December 2008;

- EMEA, Asia Pacific & Latam Loan House - IFR – December 2008;

- Syndicated Loan House of the Year - Financial News – December 2008;

- Best Energy Commodity Finance Bank - Trade Finance Magazine – June 2008;

- Energy Finance House of the Year - Energy Risk – June 2008;

- Global Adviser of the Year - Project Finance International (published by Thomson Reuters) – January 2009;

- Aircraft Leasing Innovator of the Year - Jane's Transport Finance – December 2008;

- Ship Financier of the year - Lloyd's List – April 2008;

- No.1 Bookrunner of EMEA Syndicated Loans - Bloomberg – full year 2008, published in January 2009;

- No.1 MLA of all Export Credit Agencies backed transactions - Dealogic – full year 2008 published in January 2009;

- No.2 MLA of global project finance loans - Project Finance International (Thomson Reuters) – full year 2008 published in January 2009;

- No.1 Bookrunner of EMEA acquisition/demerger finance by number of deals and No.2 by volume - Thomson Reuters – full Year 2008 published in January 2009.

Corporate & Transaction Group

Corporate & Transaction Group (CTG) combines all of BNP Paribas CIB's flow product activities within a single unit. This gives customers a comprehensive, integrated service combining product expertise with dedicated sales staff.

CTG's sales force consists of around 220 professionals worldwide, and its goal is to meet all of its clients' needs through a broad range of products spanning Trade Finance, Cash Management and plain-vanilla fixed-income products.

In Trade Finance, CTG has a network of 90 Trade Centers housing 250 award-winning specialists: once again in 2008, BNP Paribas was named the "World's Best Global Bank in Trade Finance" by *Global Finance* (August 2008) and number two Mandated Arranger of Global Trade Finance Loans (*Dealogic* – full Year 2008, published in January 2009).

Our Cash Management business operates in 59 territories, employing 120 experts, and provides cash flow and Cash Management services to international companies. These services are supported by leading-edge technologies, and provide broad geographical coverage. Our international offering had a Top 10 ranking in the *Euromoney* 2008 poll.

Advisory and Capital Markets: Affected by the Capital Markets Crisis in 2008

Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity capital market transactions. The M&A teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatisations. Primary capital market services include flotations, equity issues, secondary issue placements, and convertible/exchangeable bond issues. Corporate Finance employs almost 400 professionals in a global network, combining the skills of sector, geographical and product specialists. The business is mainly focused on Europe and Asia. In the last two years, BNP Paribas CIB has also developed its presence in Russia, Middle East and Latin America. For the fourth consecutive year, BNP Paribas CIB ranked first in the French M&A advisory market in 2008.[16] In the same survey, it ranked among the world's Top 10 banks for the first time, and was ninth in Europe (M&A - deals announced), confirming its international development while maintaining its leadership in France. Regarding primary equity deals, BNP Paribas CIB ranked tenth in Europe in the Thomson Reuters survey (full Year 2008, published in January 2009).

Corporate Finance also won various awards in 2008, showing its excellence in its two main markets of Europe and Asia:

- "France M&A Adviser of the Year" and "Iberia M&A Adviser of the Year", *Acquisitions Monthly* – December 2008;
- "Financial Advisor of the year for France", *FT Mergermarket* December 2008;
- "Rising Star M&A House" and "Best Mid Cap Equity Issue" in Asia, *The Asset* December 2008.

Global Equity & Commodity Derivatives (GECD)

BNP Paribas CIB's Global Equities & Commodity Derivatives (GECD) division has three complementary business lines: commodity derivatives, BNP Paribas Securities Asia and equity derivatives.

The commodity derivatives teams provide comprehensive commodity risk management solutions. With around 180 staff across six international trading platforms, teams operate both in organized and OTC markets. The futures team acts as an intermediary for clients, providing execution, clearing and margin financing services for contracts traded in the main European, American and Asian commodity markets. The OTC team provides a market-making service suited to client requirements, acting as a swaps and options counterparty for bilateral trades. The team covers all industrial commodities (metals, energy, softs) and new markets such as carbon emissions rights and freight.

BNP Paribas Securities Asia provides institutional investors with a comprehensive range of research, execution and service distribution for Asian equities and equity derivatives in Asia. BNP Paribas Securities Asia's staff are based mainly in

[16] Source: Thomson Reuters, full year 2008, published in January 2009.

Hong Kong and cover the whole of Asia, particularly China, Japan, India, South Korea, Taiwan and Southeast Asia (Singapore, Indonesia, Malaysia and Thailand). Overall, the unit has more than 250 staff working in the secondary markets and providing a distribution platform for the primary and derivatives markets.

BNP Paribas CIB's equity derivatives business line encompasses research, structuring, trading and sales of equities, equity derivatives, indices and funds. With some 1,500 front-office staff based across five core platforms, the business line is active on both the primary and secondary markets: Paris, London, Tokyo, Hong Kong and New York. Equity derivatives products are aimed at financial institutions, hedge funds, companies and individuals in more than 60 countries. GECD is a leading player in structured products.[17] In the last few years it has also developed a complete range of flow products that address client needs as regards financing, indexation, leveraged borrowing, coverage and market access. Through its in-house skills in product design, along with the large resources dedicated to developing products incorporating new strategies, the equity derivatives business offers innovative solutions tailored to the needs of clients in all market environments.

BNP Paribas' skills in equity derivatives are shown by the numerous awards it has won:

- Structured Products House of the Year - *Risk Magazine* – January 2009;
- Equity Derivatives House of the Year - *Risk Magazine* – January 2009;
- Most Innovative in Equity Derivatives - *The Banker* – October 2008;
- Equity Derivatives House - *IFR* – December 2008.

More recently, GECD has strengthened its position in the United States, acquiring the equity prime brokerage business of Bank of America. This now enables it to offer a wide range of services to U.S. hedge funds and mutual funds. The transaction gave GECD an additional 500 clients and 300 staff.

Fixed Income, Foreign Exchange and Credit activities

BNP Paribas CIB's fixed income, foreign exchange and credit business line is a major provider of global solutions in these areas. Its talented team has built a large global client base. The business line covers a broad range of products and services, including origination, syndication, trading, sales, structuring and research. It has acquired a reputation for excellence in all asset classes.

The business model is client-centric: teams of dedicated experts meet the needs of clients (pension funds, investment funds, central banks, corporations, insurance companies, governments and supranational organizations) in areas such as bond issues, interest rate, forex and credit derivatives and structured products. In 2008, BNP Paribas CIB ranked among the Top 10 bookrunners for global bond issues and number two bookrunner for euro-denominated bond issues.[18]

The unit's fixed-income, forex and credit specialists also offer a full range of research products and services underpinning its client-focused approach, with research analysts available for one-on-one client support. They also produce an extensive array of research notes and reports that are available through a variety of channels, including the Global Markets web portal. Research methods are underpinned by pioneering quantitative techniques delivered by a group of world-class experts.

League tables show BNP Paribas' strength in this area: "number 3 for Overall Investment Grade Research" and "number 1 for Utilities" in the Euromoney Fixed Income research poll 2008 and "number 3 Globally for Issuer Research" in the Euromoney Primary debt poll 2008.

This global network allows the unit to provide clients with a complete range of tailor-made services on a global scale across a broad range of markets and currencies. With headquarters in London, five other trading floors in Hong Kong, New York, Paris, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, the fixed income, forex and credit business employs around 1,900 professionals globally.

In 2008, the fixed income and forex business not only consolidated and improved its rankings across the full range of activities and regions, but also broke new ground in several areas, as demonstrated by a number of prestigious awards received from leading industry publications:

- bond bookrunner in all currencies and segments (full year 2008, published in January 2009):

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[17] Source: Risk Magazine, January 2009.
[18] Source: Thomson Reuters, Full year 2008, published in January 2009.

- second for all Euro-denominated (5 in 2007) – *IFR*,
- third for all Swiss-franc-denominated (3 in 2007) – *IFR*,
- sixth for all Sterling-denominated (8 in 2007) – *IFR*,
- fourth for all Covered bonds, all currencies (4 in 2007) – *IFR*,
- fourth for all Global and Euromarket yen (8 in 2007) – ;
- Derivatives and structured products:
- Inflation Derivatives House of the Year - *Risk 2009* – January 2009,
- Structured Products House of the Year - *Risk 2009* – January 2009,
- Best Credit Derivatives House *Euromoney 2008* – July 2008,
- Interest Rates House of the Year - Structured Products Europe 2008 – November 2008.

BNP Paribas Principal Investments

BNP Paribas Capital

BNP Paribas Capital manages the Group's proprietary portfolio of unlisted investments outside of the banking sector.

This portfolio had an estimated value of €3.3 billion at December 31, 2008 and is split into four segments:

- directly held strategic investments;
- directly held minority stakes;
- investments in funds; and
- joint investments made simultaneously with funds or institutional investors.

Listed Investment and Sovereign Loan Management

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to derive the greatest possible value from its assets over the medium term. This perspective clearly differentiates the business from a trading activity.

The Listed Investment Management team is in charge of BNP Paribas' portfolio of minority stakes in listed companies.

Sovereign Loan Management's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, Eurobonds and restructured loans.

Klépierre

Founded in 1990, Klépierre is a real estate investment company (SIIC) listed on Euronext Paris™ (compartment A). With a market capitalisation of €2,909 million as of December 31, 2008, Klépierre is Europe's second-largest owner of shopping centers.

Klépierre operates in 13 European countries including France, Norway, Italy and Spain, and has a portfolio worth €13,075 million, mainly in shopping centers.

Through its subsidiary Ségécé, Klépierre is also continental Europe's leading shopping center manager. Ségécé manages 322 centers, including 246 owned by Klépierre, providing retailers with the expertise and professionalism born of more than half a century of experience. In 2008, Klépierre expanded its European operations with the acquisition of Steen & Strøm, Scandinavia's leading shopping center owner. Steen & Strøm manages 56 shopping centers including 30 of its own.

Klémurs is a SIIC that is 84.1%-owned by Klépierre and has been listed since December 2006. It specializes mainly in retail real estate, assets outsourced by leading retailers. The combination of Klépierre and Klémurs provides retailers with a comprehensive solution to their real estate needs. Klémurs' portfolio, which is valued at €642.1 million, is spread across the whole of France.

Klépierre also lets and manages a portfolio of mostly prime office properties in Paris and the inner suburbs, valued at €1,068.9 million.

Overall, Klépierre's portfolio is worth €14.8 billion.

Klépierre employs more than 1,500 people across Europe.

Litigation

The Group is involved in a number of legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on the Group's businesses, financial condition or results of operations.

Legal action has been taken against several Algerian and international banks, including BNP Paribas El Djazair, a BNP Paribas SA subsidiary, for administrative errors in processing international trade financing applications in which the Algerian authorities did not incur any damages. 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 €50 million. All of these rulings have been appealed, and execution has been suspended pending the outcome of these appeals pursuant to Algerian law. BNP Paribas El Djazaïr 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 damages.

In December 2006, the Bank was named as a defendant, along with AWB Limited (an Australian exporter of wheat) and Commodity Specialists Company (a wheat trader based in Minneapolis), in a putative class action lawsuit brought in New York. The plaintiffs are attempting to assert claims on behalf of all Iraqis who resided in the three northern governorates of Iraq to recover the value of money that the Iraqi Government allegedly demanded be paid to it by entities that supplied goods to it pursuant to the United Nations Oil-for-Food Program. On October 10, 2007, the Bank filed a motion to dismiss the action on the grounds that the Court lacks jurisdiction to hear the case and the plaintiffs have failed to state a claim against the Bank. By order dated September 30, 2008, the court granted the Bank's motion and dismissed the case in its entirety, on the grounds that jurisdiction was lacking because plaintiffs lacked standing to bring suit. On October 22, 2008, the plaintiffs filed a notice of appeal. The appeal is currently pending in the United States Court of Appeals for the Second Circuit. The appeal does not state the amount of the claimed damages and leaves its determination for trial.

Main Shareholders of BNP Paribas

At December 31, 2008, AXA, a French *société anonyme* (corporation), held 5.8% of the share capital, or approximately 53.08 million shares, of BNP Paribas (5.8% of voting rights). At that date, to the knowledge of the Board of Directors of BNP Paribas, no other shareholder held more than 5% of the share capital.

At the date hereof, the Belgian State held 11.6% of the share capital and the Luxembourg State held 1.1% of the share capital. In addition, as of March 31, 2009, the French State held 187,224,669 non-voting shares. See "Recent Developments."

The Bank has also long been a shareholder of AXA. At December 31, 2008, the Bank held 5.8% of the share capital and 9.4% of the voting rights, or approximately 121 million shares, of AXA.

On December 15, 2005, AXA and the Bank entered into an agreement regarding their reciprocal shareholdings. Under the agreement, AXA agreed to hold at least 43,412,598 of the Bank's shares, and the Bank agreed to hold at least 61,587,465 of AXA's shares for as long as the agreement is in place. In addition, each party is entitled, during a three-month period following a "hostile" takeover (i.e. change in control) of the other party, to repurchase its shares held by the other party. The agreement has an initial term of five years and is subject to a two-year and subsequent one-year renewal.

RISK MANAGEMENT

Managing risk is an inherent part of the banking business, which the Bank's operating methods and procedures are geared towards effectively addressing. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the various divisions, 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 controls.

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 and Risk Management 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 the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (Group Tax Department, Group Legal Department, Finance and Development, Group Compliance and Information Technology and Processes). 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 or business activities and exceptional transactions.

The risk categories reported by BNP Paribas are subject to change in line with methodological developments and regulatory requirements. All the risk categories discussed below are managed by BNP Paribas. However, no specific capital requirement is identified for reputation and strategy risk as these are risks that may lead to a change in share price that is borne directly by the shareholders and cannot be protected by the Bank's capital. Reputation risk is contingent on other risks and, aside from market rumors leading to a change in share price, its impact is 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 and Counterparty Risk

The following table shows all the BNP Paribas Group's financial assets, including fixed-income securities, which are exposed to credit and counterparty risk. Credit risk exposure does not include collateral and other security taken by the Group in its lending business or purchases of credit protection. It is based on the carrying value of financial assets recognized on the balance sheet. Exposure to counterparty risk represents the amount of exposure at default on derivative instruments and securities lending/borrowing transactions.

EXPOSURE TO CREDIT AND COUNTERPARTY RISK BY BASEL ASSET CLASS

	Standardised Approach		IRBA		Total		
In millions of euros	**Credit risk**	**Counterparty risk (***)**	**Credit risk**	**Counterparty risk (***)**	**Credit risk**	**Counterparty risk (***)**	**Total**
Central governments and central banks	16,678	12	82,310	11,342	98,988	11,354	110,342
Corporates	130,434	1,489	317,213	56,043	447,647	57,532	505,179
Institutions (*)	33,828	966	95,996	37,022	129,824	37,988	167,812
Retail	144,312	-	121,128	-	265,440	-	265,440
Securitization positions	5,412	-	25,499	-	30,911	-	30,911
Other non credit-obligation assets (**)	76,766	-	-	-	76,766	-	76,766
TOTAL EXPOSURE	**407,430**	**2,467**	**642,146**	**104,407**	**1,049,576**	**106,874**	**1,156,450**

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 Basel II 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 accrued income and other assets.*

(***) *The method used to calculate this exposure has been approved by the French banking supervisor and was not audited by the Group's statutory auditors.*

The credit risk exposure shown in the table above represents the gross amount before impairment of deposit accounts with central banks and post office banks (€39 billion), loans granted to customers (€509 billion), and credit institutions (€69 billion), 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 (€135 billion), remeasurement adjustment on interest-rate risk hedged portfolios (€3 billion), property, plant and equipment, and investment property (€25 billion), accrued income and other assets (€82 billion), and financing and guarantee commitments given (€307 billion).

Exposure to repo transactions (-€33 billion) and exposure not included in the prudential covered scope (-€86 billion) have been deducted from these amounts.

Credit risk

Management of credit risk - lending activities

General credit policy and control and provisioning procedures

The Bank's lending activities are governed by the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The 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 required to be passed up to a higher level for approval. In addition, an industry expert or designated specialist may also be required to sign off on the loan application. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

Monitoring procedures

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organized around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the 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 sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairment provisions, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

Impairment procedures

GRM reviews all 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 realization of collateral.

In addition, a collective impairment is established for each core business on a statistical basis. A committee including the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans 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.

Internal rating system

The BNP Paribas Group has been authorized by the French banking supervisor (Commission Bancaire) to use an advanced internal ratings-based approach (IRBA) to credit risk for the retail, sovereign, bank, corporate and equity asset classes to calculate the regulatory capital requirements for CIB, FRB, Personal Finance France and BNP Paribas Securities Services (BP2S). For other businesses, the Basel II standardized method is used, based on external ratings. Each transaction and each counterparty is rated by the Group using the same methods, regardless of the model used to calculate regulatory capital requirements.

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. The system was formally approved by the French banking supervisor (Commission Bancaire) in December 2007.

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 have the final say. 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 mapping 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[19] 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.

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[20] books. Basel II defines loss given default as the loss that the Bank would suffer in the event of the counterparty's default in economic downturn conditions.

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 prudent 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%), 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 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 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 so far proved that the ratings assigned by the Group are through the cycle and that even factoring in the recent positive economic cycle, the forecast default rate is highly 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 population has an external rating and the benchmarking studies reveal a conservative approach to internal ratings.

Back testing 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 forecast rate. Like the rating parameter, 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 consistent with economic downturn conditions and are conservative on an average basis. Benchmarking of recovery rates is based on data pooling initiatives in which the Group takes part.

The credit conversion factor is also backtested annually, although in less detail given the small volumes of available data.

[19] Defined as an external rating from AAA to BBB-.

[20] According to the group policy, the Corporate book is applicable to banks, corporates, structured financing and sovereigns.

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 Basel II recommendations. For example, apart from calculating capital requirements, they are used when making new loans or reviewing existing loans to measure profitability, determine collective impairment and for internal and external reporting purposes.

Portfolio Policy

In addition to carefully selecting and evaluating individual risks, BNP Paribas follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and recommendations. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitization programs or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses from crisis scenarios. The Bank also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

Scope and nature of risk reporting and measurement systems

All information processes and systems used by the credit risk reporting function for producing Basel II reports have been submitted for review to the French banking supervisor (Commission Bancaire) as part of the IRBA approval process.

The current credit risk 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 owned by GRM.

Risk mitigation techniques

Collateral and other security

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to mitigate risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases such as commodities financing for example; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

Banking regulations set clear guidelines for assessing the risk-mitigating effect of collateral and other security under the Basel II advanced approaches. The Bank's diversified business base means that loans are secured by many different types of collateral and security, particularly asset financing, which may be secured by aircraft, ships or real estate for example. Risk assessments also take into account direct guarantees issued by the counterparty's parent company or other guarantors such as financial institutions. Other guarantees assessed by the Bank include credit derivatives, export credit agencies and credit enhancers. Acceptance of these types of guarantees is governed by strict criteria. A guarantee is considered as mitigating a risk only when the guarantor is rated higher than the counterparty. The value of collateral or other security is only taken into account in measuring exposure if there is no strong correlation with the risk on the first-rank debtor.

BNP Paribas' system for assessing the risk-mitigating effects of collateral and other security has been approved by the French banking supervisor (Commission Bancaire) as part of the implementation of the new Basel II capital adequacy ratio.

Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations that transfer part of the risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks.

The loans hedged by the credit derivatives remain on the consolidated balance sheet. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applied to derivatives used for other purposes.

For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches which are generally junior or mezzanine.

Diversification of exposure to credit risk

Under Basel II, the Group's gross credit risk exposure amounted to €942 billion at December 31, 2008 (€923 billion at December 31, 2007). This portfolio, which is analyzed below in terms of diversification, comprises all exposures to credit risk shown in the table in Note 4.d to the consolidated financial statements for the year ended December 31, 2008, excluding securitization positions and other non credit-obligation assets.[21] 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. Diversification is achieved largely through the extent and variety of the Bank's business activities and the widespread system of discretionary lending authorities.

Diversification of commitments by counterparty is closely and regularly monitored. The risk concentration ratio is designed to ensure that the aggregate risk on beneficiaries whose individual risks each exceed 10% of net consolidated shareholders' equity does not exceed eight times the Group's capital.

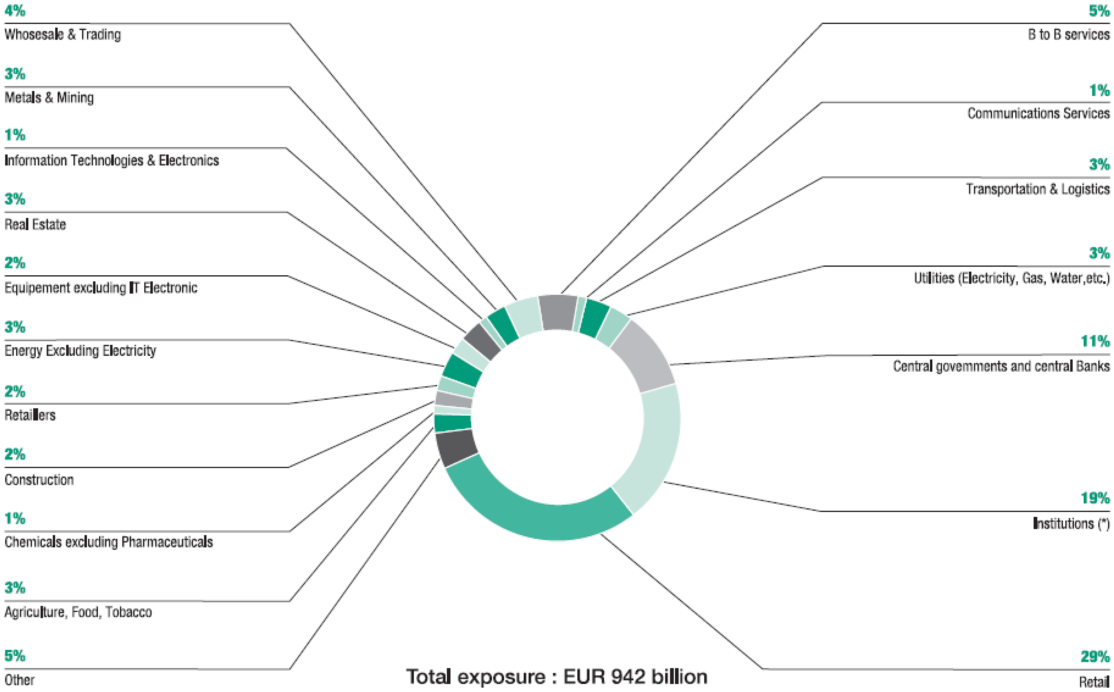
BNP Paribas remains well below the concentration limits set out in the European Directive on Large Exposures. The top ten customer groups accounted for less than 4% of total exposure at December 31, 2008 (stable compared with December 31, 2007).

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. It 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.

[21] 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.

BREAKDOWN OF CREDIT RISK BY BASEL II ASSET CLASS AND BY CORPORATE INDUSTRY AT DECEMBER 31, 2008



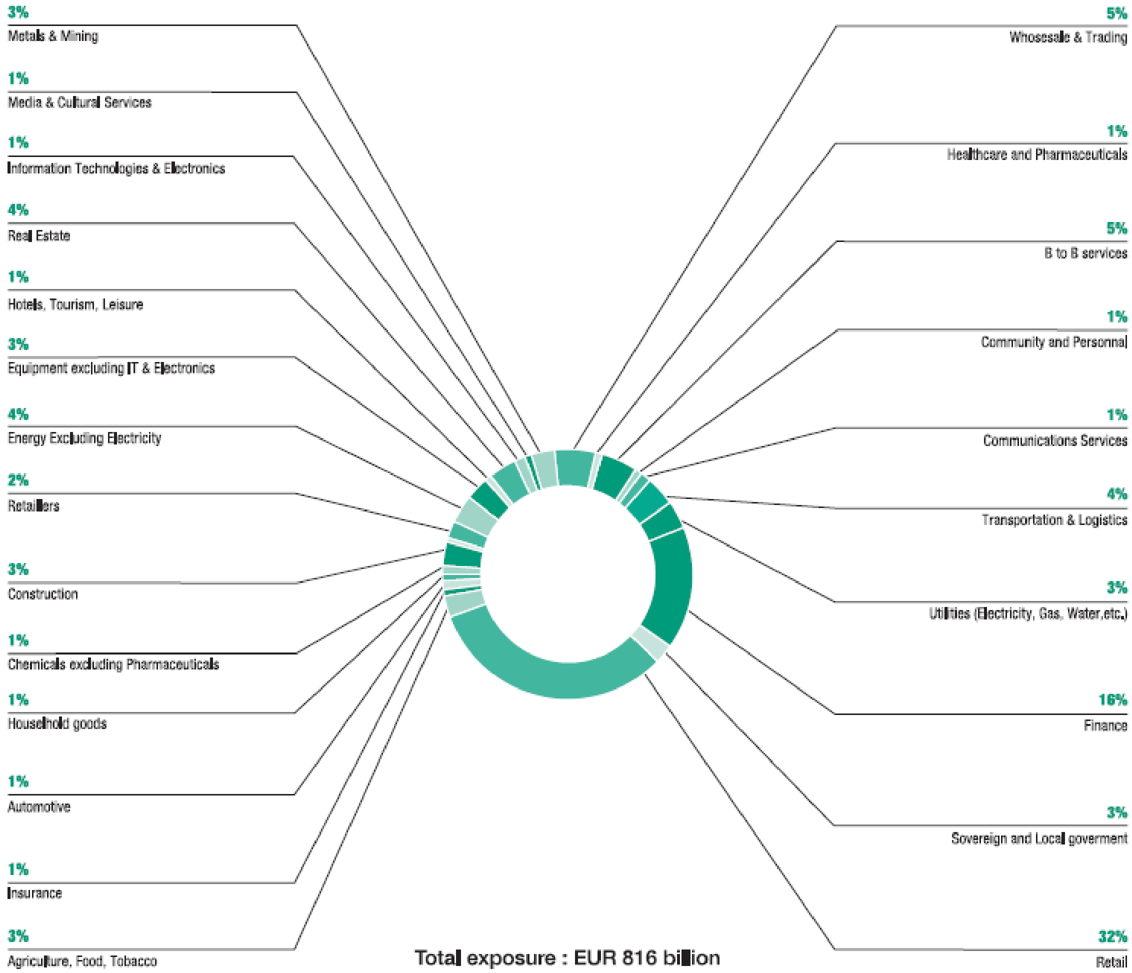
Prudential scope: exposure excluding counterparty risk, other non credit obligation assets and securitization positions.

** The Basel II 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.*

The above-mentioned analysis of the prudential scope set forth above rounds out the analysis of the scope of commercial loans and commitments as presented December 31, 2007.

Within this scope of commercial loans and commitments, below is a comparison of the breakdown by industry at December 31, 2007 and December 31, 2008.

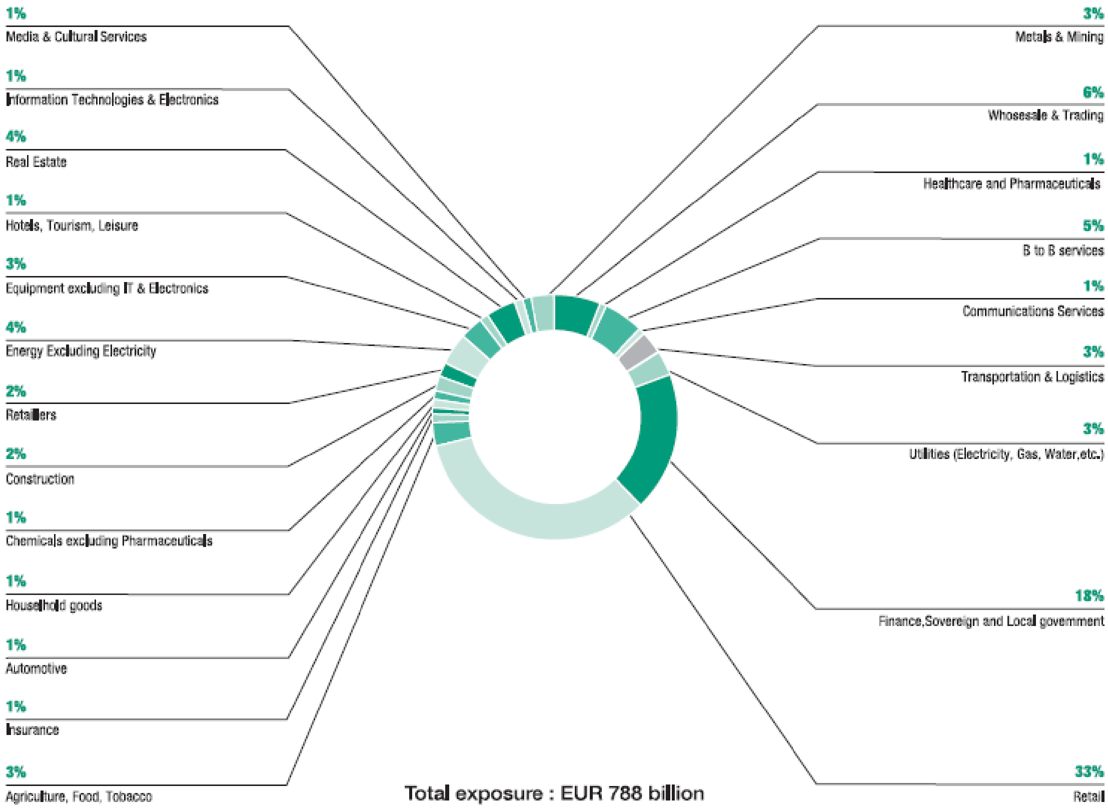
BREAKDOWN OF THE PORTFOLIO OF COMMERCIAL LOANS AND COMMITMENTS AT DECEMBER 31, 2008 BY INDUSTRY



Scope: commercial loans and commitments

The scope covered comprises loans and receivables due from customers, amounts due from credit institutions and central banks, and financing and guarantee commitments given (excluding repo transactions). It does not include fixed-income securities.

BREAKDOWN OF THE PORTFOLIO OF COMMERCIAL LOANS AND COMMITMENTS AT DECEMBER 31, 2007 BY INDUSTRY

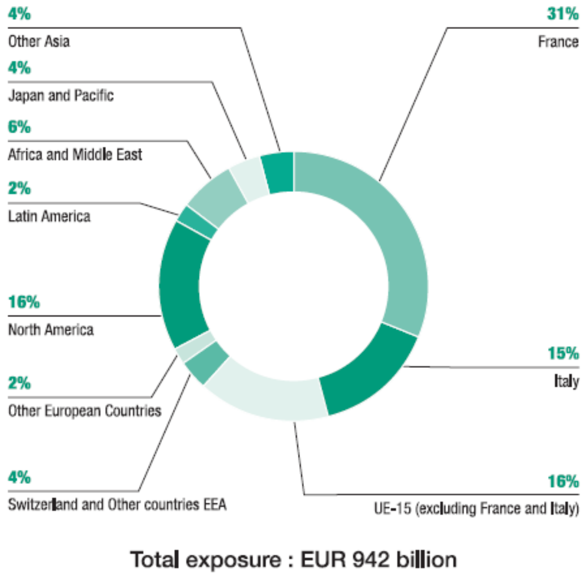


Scope: commercial loans and commitments

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 offshoots. Country risk reflects the Bank's exposure to a given economic and political environment, which must be taken into consideration when assessing counterparty quality. The way in which these considerations are included in the risk rating has recently been reviewed and extended.

GEOGRAPHICAL BREAKDOWN OF CREDIT RISK AT DECEMBER 31, 2008 BY COUNTERPARTY'S COUNTRY OF BUSINESS



Prudential scope: exposure excluding counterparty risk, other non credit obligation assets and securitization positions

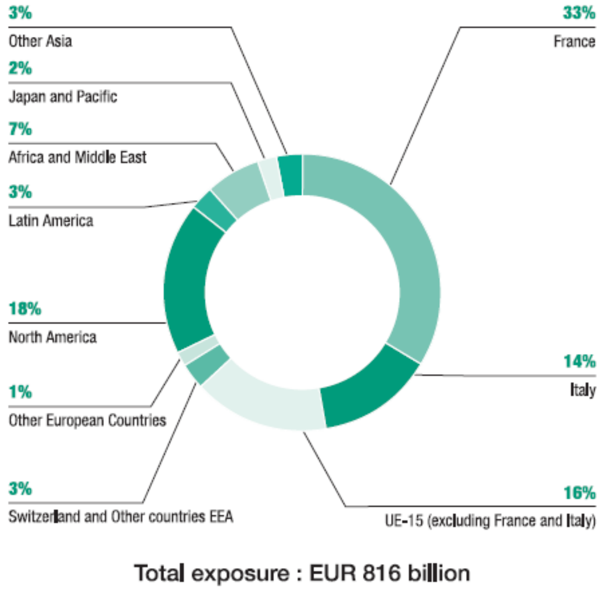
Geographic diversification of exposure remains balanced and relatively stable, reflecting the Group's predominantly European operations.

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. Most of the Group's exposure in these countries comprises export credit and short-term commercial commitments.

The above analysis of the prudential scope rounds out the analysis of the scope of commercial loans and commitments as presented December 31, 2007.

Within this scope of commercial loans and commitments, below is a comparison of the breakdown by region at December 31, 2007 and December 31, 2008.

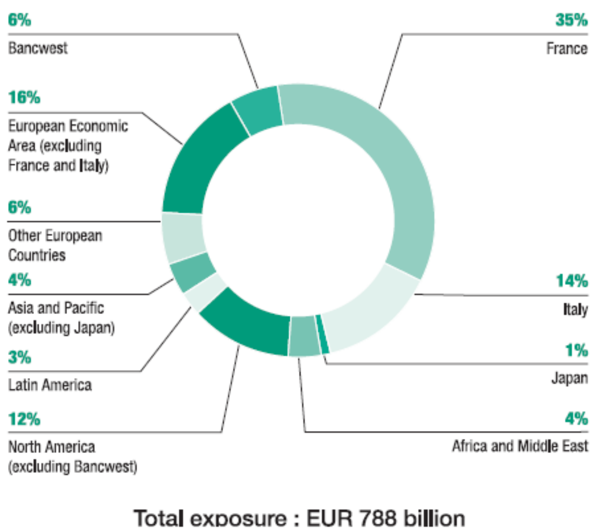
GEOGRAPHICAL BREAKDOWN OF THE PORTFOLIO OF COMMERCIAL LOANS AND COMMITMENTS AT DECEMBER 31, 2008 BY COUNTRY OF BOOKING ENTITY



Scope: commercial loans and commitments

The scope covered comprises loans and receivables due from customers, amounts due from credit institutions and central banks, and financing and guarantee commitments given (excluding repo transactions). It does not include fixed-income securities.

GEOGRAPHICAL BREAKDOWN OF THE PORTFOLIO OF COMMERCIAL LOANS AND COMMITMENTS AT DECEMBER 31, 2007 BY COUNTRY OF BOOKING ENTITY



Scope: commercial loans and commitments

Quality of the portfolio exposed to credit risk

Advanced 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 Investment Banking (CIB) portfolio, the French Retail Banking (FRB) portfolio, as well BP2S and part of Personal Finance. A deployment plan has been presented to and approved by the French banking supervisor (Commission Bancaire) as part of the approval process. In time, the vast majority of Group entities will migrate to IRBA.

Corporate model

The IRBA for the Corporate book (i.e. banks, corporates, structured financing and sovereigns) is based on a consistent rating procedure in which GRM has the final say as regards the rating assigned to the counterparty and the recovery rate assigned to transactions. Credit conversion factors (CCF) are assigned centrally according to counterparty and transaction type.

The generic process for assigning a rating to each segment of the Corporate book is as follows:

- for corporates and structured financing, an analysis is carried out by the unit proposing 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 a personal 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, one of whom has no commercial involvement, to give their opinion on each counterparty rating and each transaction global recovery rate (GRR).

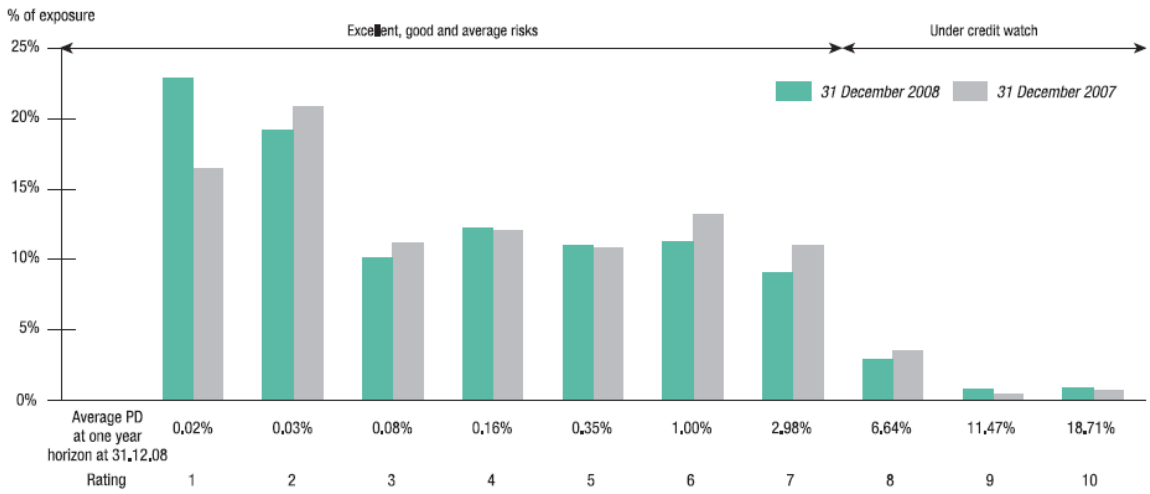
The same definition of default is used consistently throughout the Group.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (exposure classes: corporates, central governments and central banks, institutions) for all the Group's business lines, measured using the internal ratings-based approach. This exposure represents €491 billion of the gross credit risk.

The majority of commitments are towards borrowers rated as good even 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 higher recovery 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[22] EXPOSURES BY CREDIT RATING

[22] The "Corporate" book shown in the chart above includes corporates, central governments and central banks, and institutions.



The proportion of exposures rated "1" has risen significantly due to an increase in compulsory reserves and deposits with central banks, mainly in the United States, France and Japan.

Excluding sovereigns and central banks, the change in breakdown of Corporate exposures during 2008 was mainly in the 6 to 8 rating brackets, due primarily to a sharp decrease in CIB - Energy and Commodities exposure.

Apart from these two structural effects, the corporate portfolio's quality did not experience any significant change.

Retail banking operations

Retail banking operations are carried out either by the BNP Paribas network of branches in France, or by certain subsidiaries and notably Personal Finance.

The Standard Ratings Policy for Retail Operations (SRPRO) provides a framework allowing Group core businesses and risk management departments to assess, prioritise 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.

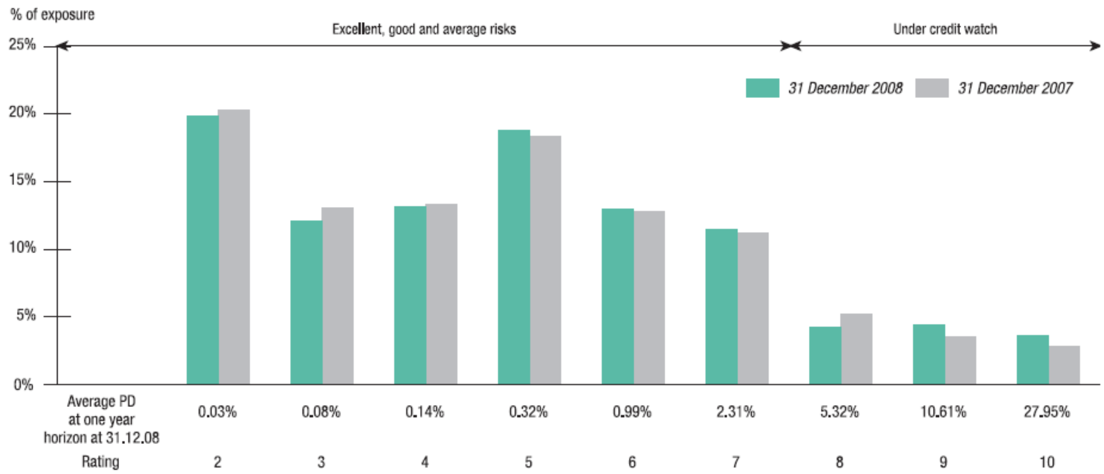
The majority of FRB's retail borrowers are assigned a behavioral score which serves as a basis to determine the probability of default and, for each transaction, the global recovery rate (GRR) and Exposure at Default (EAD). These parameters are calculated monthly on the basis of the latest available 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 Personal Finance book eligible for the IRBA, the risk parameters are determined by the Risk Management Department on a statistical basis according to customer type and relationship history.

Scoring techniques are used to assign retail customers to risk groups presenting the same default risk characteristics. This also applies to the other credit risk inputs: Exposure at Default (EAD) and Loss Given Default (LGD).

The chart below shows a breakdown by credit rating of performing loans and commitments in the retail book for all the Group's business lines, measured using the internal ratings-based approach. This exposure represents €116 billion of the gross credit risk.

BREAKDOWN OF IRBA RETAIL EXPOSURES BY CREDIT RATING



The risk profile remains stable and almost 75% of exposure is to good quality counterparties (equivalent to ratings 1 to 6).

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 French banking supervisor (Commission Bancaire).

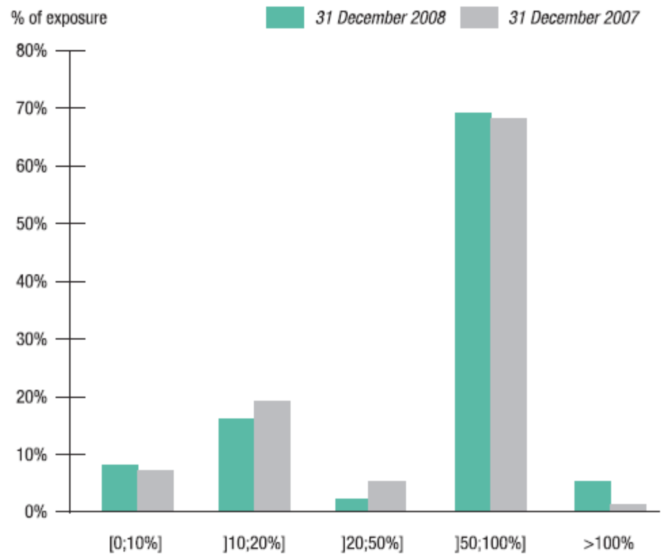
When there is no directly applicable external rating, the issuer's senior unsecured rating may, if available, be obtained from external databases and used for risk-weighting purposes in some cases.

This exposure represents 35% of the BNP Paribas Group's total gross exposure. The main entities using the standardized approach at December 31, 2008 are BNL, BancWest, Cetelem excluding France, UCB, BPLG, TEB, UkrSibbank and the emerging country subsidiaries.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (exposure classes: corporates, central governments and central banks, institutions) for all the Group's business lines, measured using the standardized approach. This exposure represents €176 billion of the gross credit risk.

BREAKDOWN OF CORPORATE[23] EXPOSURE BY ACTUAL WEIGHTING IN THE STANDARDIZED APPROACH

[23] The "Corporate" book shown in the chart above includes corporates, central governments and central banks, and institutions.



The breakdown of Corporate exposures by actual weighting in the standardized approach remains broadly stable.

Loans with past-due installments, whether impaired or not, and related collateral or other security

The following table presents the carrying amounts of financial assets that are past due but not impaired (by age of past due), impaired assets and related collateral or other security. The amounts shown are stated before any collective impairment.

	December 31, 2008							
	Maturities of unimpaired past-due loans							
In millions of euros	**Total**	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**	**Impaired assets and commitments covered by provisions**	**Total loans and commitments**	**Collateral received in respect of these loans and commitments**
Financial assets at fair value through profit or loss (excl. variable-income securities)	18	15	-	-	3	-	18	-
Available-for-sale financial assets (excl. variable-income securities)	1	1	-	-	-	114	115	4
Loans and receivables due from credit institutions	137	87	2	18	30	33	170	20
Loans and receivables due from customers	9,518	8,796	547	94	81	8,407	17,925	9,494
Past-due assets, net of individual impairment provisions	**9,674**	**8,899**	**549**	**112**	**114**	**8,554**	**18,228**	**9,518**
Financing commitments given						223	223	10
Guarantee commitments given						460	460	67
Off-balance sheet non-performing commitments, net of provisions						**683**	**683**	**77**
TOTAL	**9,674**	**8,899**	**549**	**112**	**114**	**9,237**	**18,911**	**9,595**

In millions of euros	Maturities of unimpaired past-due loans: Total	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year	Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of these loans and commitments
								December 31, 2007
Financial assets at fair value through profit or loss (excl. variable-income securities)	6	-	-	-	6	-	6	-
Available-for-sale financial assets (excl. variable-income securities)	2	-	-	-	2	119	121	-
Loans and receivables due from credit institutions	151	66	24	13	48	37	188	35
Loans and receivables due from customers	7,003	6,574	370	30	29	5,753	12,756	6,690
Past-due assets, net of individual impairment provisions	**7,162**	**6,640**	**394**	**43**	**85**	**5,909**	**13,071**	**6,725**
Financing commitments given						149	149	111
Guarantee commitments given						517	517	12
Off-balance sheet non-performing commitments, net of provisions						**666**	**666**	**123**
TOTAL	**7,162**	**6,640**	**394**	**43**	**85**	**6,575**	**13,737**	**6,848**

The amounts shown for collateral and other security correspond to the lower of the value of the collateral or other security and the value of the secured assets.

Counterparty risk

BNP Paribas is exposed to counterparty risk on its capital markets transactions. This risk is managed through the widespread use of standard close-out netting and collateral agreements and through a dynamic hedging policy. Changes in the value of the Bank's exposure are taken into account in the measurement of over-the-counter financial instruments through a credit adjustment process.

Netting agreements

Netting is a technique used by the Bank to mitigate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net amount payable or receivable. The net amount may be secured by collateral in the form of cash, securities or deposits.

The Bank also uses bilateral payment flow netting to mitigate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing payment streams in a given currency by a cumulative balance due to or from each party, representing a single net sum in each currency to be settled on a given day between the Bank and the counterparty.

The transactions are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the Fédération Bancaire Française (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions with other participants within the organization.

Measurement of exposure

Exposure at Default (EAD) for counterparty risk is measured using an internal assessment procedure which is subsequently integrated within the credit risk assessment tool. This tool has been used by the Group for the past ten years and is updated on an ongoing basis. It is based on Monte Carlo simulations which allow analysts to identify likely movements in exposure amounts. The stochastic processes used are sensitive to parameters (including volatility and correlation) calibrated on historical market data. Changes in exposure amounts are calculated up to the maturity of the corresponding transactions. To aggregate exposures, the system takes into account the legal environment of each transaction and counterparty, and any netting or margin call agreements.

Counterparty risk exposures fluctuate significantly over time due to constant changes in the market parameters affecting the value of the underlying transactions. Accordingly, any assessment of counterparty risk must consider possible future changes in the value of these transactions as well as their present value.

Potential future exposures to counterparty risk are captured using ValRisk, an internal model allowing analysts to simulate several thousand possible market trend scenarios and revalue transactions carried out with each counterparty at several hundred future points in time (from 1 day to more than 30 years for very long-term transactions). To aggregate transactions on each counterparty, ValRisk takes into account the legal jurisdiction in which each counterparty operates, and in particular any netting or margin call agreements.

Monitoring and control of Counterparty Risk

Every day, potential future exposures calculated by ValRisk are checked against the approved limits per counterparty. ValRisk allows analysts to simulate new transactions and measure their impact on the counterparty portfolio, making it an essential tool in the risk approval process. Limits are set by the Regional Credit Committee, Global Credit Committee and General Management Credit Committee (in increasing order of authority), according to their level of delegated authority.

Credit adjustments to over-the-counter financial instruments

The fair values of financial instruments traded over-the-counter by the Fixed Income and Global Equity & Commodity Derivatives units include credit value adjustments. A credit value adjustment (CVA) is an adjustment to the value of the trading book to take account of counterparty risk. It reflects the expected loss on the existing exposure to a counterparty due to the potential positive value of the contract, the probability of default and the estimated global recovery rate.

Dynamic counterparty risk management

The CVA varies according to changes in the existing exposure and in the prices quoted for the counterparty's credit risk, which may be reflected in particular in the credit default swap (CDS) spread variations used to calculate the probability of default.

To reduce the risk resulting from a deterioration in the inherent credit quality of a portfolio of financial instruments, BNP Paribas may use a dynamic hedging strategy based on the purchase of market instruments such as credit derivatives.

Economic and regulatory capital

ValRisk is also used to produce the information needed to compute economic capital (distribution of potential future exposures on each counterparty) and Basel II regulatory capital (expected effective positive exposures).

Securitization

The BNP Paribas Group is involved in securitization transactions as originator, sponsor and investor as defined by Basel II. Its activities in each of these roles are described below:

In billion of euros

BNP Paribas role	Securitization exposures originated by BNP Paribas	Securitization positions held or acquired (EAD)
Originator	4.83	0.36
Sponsor	0.03	17.13
Investor	-	13.42
TOTAL	**4.86**	**30.91**

Proprietary securitization (originator under Basel II)

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.

Several securitization transactions were carried out in 2008 by BNP Paribas subsidiaries, Personal Finance in France, BNL in Italy and UCI in Spain. The total amount securitized was €13 billion. All these transactions have been retained by the subsidiaries concerned.

Given the weak market appetite for securitization products since August 2007, the Group's strategy as regards securitizing its retail loans has been to carry out proprietary transactions that serve as collateral for raising short-term liquidity with the European Central Bank.

In 2008, 33 transactions were carried out representing a total Group exposure of €23.5 billion, including €12 billion for Personal Finance, €1 billion for Equipment Solutions and €10.5 billion for BNL. Only nine of these transactions, representing a total Group exposure of €4.8 billion, have been excluded from the calculation of Basel II risk-weighted assets, as shown in the table above.

Securitization as sponsor on behalf of clients

During 2008, BNP Paribas Structured Finance continued to manage CLO conduits on behalf of clients but did not originate any new European CLO packages during the year in view of market conditions.

CIB Fixed Income carries out securitization programs involving the creation of special purpose entities (vehicles) on behalf of its customers. These programs have liquidity facilities and, where appropriate, guarantees. Special purpose entities over which the Group does not exercise control are not consolidated.

Short-term refinancing: at December 31, 2008, six non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird, J Bird 2 and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the secondary default risk on securitized receivables managed for clients by these entities up to an amount of €0.7 billion (stable at December 31, 2007) and has granted liquidity facilities totaling €15.2 billion to these entities (€15 billion at December 31, 2007).

Medium/long-term refinancing: the Group acts as sponsor for customers, setting funds that receive securitized customer assets and issuing medium and long-term bonds which are then placed by the Bank. These funds are not managed by the Bank and they are not consolidated. At December 31, 2008, the Group had granted liquidity facilities totaling €0.3 billion (€0.3 billion at December 31, 2007) to thirteen such funds (Meliadi SARL, Tenzing CFO, Forest Finance, Italfinance, Emerald Assets, LFE Capital III, Cavendish, CR Ferrara, Halcyon, Aurelius CDO, FCC 130, BB Air Funding and Wilmington Trust), representing a total of €3.9 billion of securitized receivables (€4.6 billion at December 31, 2007).

In the current climate of financial crisis, the BNP Paribas Group's structuring ability remains intact and it is therefore able to continue its securitization arrangement business to meet its clients' financing needs, based on products better geared to current conditions in terms of risk and liquidity. These products are sometimes accompanied by specific banking facilities such as bridge financing, senior loans and cash facilities, representing a total of €1.6 billion of securitization positions.

Securitization as investor

The Group's business in securitization as investor is mainly carried out by CIB, AMS and IRS.

CIB Fixed Income is responsible for monitoring and managing the portfolio of ABS (either held or covered by CDOs) transferred to the prudential banking book, which represents a total of €5.9 billion of ABS. It also manages liquidity facilities granted by banking syndicates to ABCP conduits managed by a number of major international industrial groups – clients of BNP Paribas – representing a total of €1.3 billion.

CIB Loan and Portfolio Management (LPM) continued its securitization activities as an investor in 2008. No new transactions have been set up since the first quarter of 2007, and the portfolio has shrunk by over 50% in two years.

At December 31, 2008, the notional amount of the securitization portfolio managed by LPM had fallen to €0.15 billion as several investments reached maturity and other programs were either discontinued or sold following the difficulties suffered in 2008 by Lehman Brothers, Fannie Mae and Freddie Mac. These problems also led to the recognition of €53 million of impairment losses.

In 2008, Asset Management & Services invested in securitization programs to provide liquidity to certain investment funds, mainly in the second and fourth quarters. These investments were made in strict compliance with the Group's risk management rules and totalled €3.1 billion at December 31, 2008.

Within IRS, Bancwest is the only entity that invests in securitization positions. The business is managed by its two subsidiaries, Bank of the West (BoW) and First Hawaiian Bank (FHB).

Bancwest invests exclusively in securitization positions in listed securities as a core component of its refinancing and own funds investment policy. At December 31, 2008, its exposure amounted to €2.1 billion.

Securitization risk management

Securitization transactions arranged by BNP Paribas on behalf of clients are highly technical and specific in nature. They are therefore analyzed and monitored independently by the Transaction Analysis Team, a dedicated unit within Risk-Capital Markets (R-CM). The team calls on additional expertise in terms of liquidity, valuing securitization tranches, credit, accounting risk and compliance.

To ensure a consistent, comprehensive approach at Group level, the team covers cash securitization transactions, credit risk on bridge and warehouse facilities (i.e. receivables awaiting securitization), credit risk on related liquidity and derivative facilities for securitization SPEs, and risks on conduits sponsored by BNP Paribas.

The risk management system for securitization exposures complies with the Group's general risk management framework but is also tailored to the specific requirements of this market through the following additional committees and procedures:

- specific procedure for preparing ABCP credit applications;
- specific rating policies for ABS and ABCP;
- specific credit committees for approvals and reviews, including Regional and Global Securitization Credit Committees (RSCC AND GSCC), Screening Committees where applicable and FICC for underwriting. Annual reviews are carried out for each ABS or program, and also at consolidated conduit level. In addition, watchlist/doubtful committee meetings are held where necessary as part of the overall risk review;
- specific credit policy for structured ABS transactions and ASG's ABS investments (carried on the balance sheet or via conduits).

Given the crisis in the securitization market since 2007, this system has also been strengthened by a crisis reporting procedure that includes specific sections devoted to ABS positions and conduits. Information is reported to Executive Management through Capital Market Risk Committees, Corporate Communication, CCIRC and stress testing reports.

Market Risks

Market risk related to financial instruments

Definitions

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The parameters are as follows:

- interest rate risk covers potential fluctuations in the value of fixed-rate financial instruments or financial instruments indexed to a market benchmark due to changes in market interest rates, and in future cash flows on floating-rate financial instruments;
- currency risk is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates;
- price risk arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded on the market. This may relate, for example, to changes in the price or volatility of shares, stock market indices or commodities. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk;

- credit spread risk on the trading book: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits;

- 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.

Notes:

- market risks arise mainly from trading book transactions carried out by the Fixed Income and Equity teams within Corporate and Investment Banking, and are monitored by GRM;

- similar financial instruments (exchange rate or credit instruments) are included in the banking book, but are monitored within credit risk;

- counterparty risk covers derivatives and repo pension transactions in both trading and banking books (see "Credit and Counterparty Risk").

Risk acceptance process

Governance

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. Two meetings a year are chaired by the Bank CEO, while other meetings may be chaired by one of the Bank's two COOS. The CMRC sets the highest-level trading limits (for market and treasury risks), outlines risk approval procedures, and reviews loss statements and estimates of stress test risks.

GRM's responsibilities in terms of market risk monitoring include the following:

- defining standard, measuring quantitatively and analytically reviewing the various sensitivities that mirror basic market risk;

- working with business units to set limits for sensitivities and other, more global indicators such as Gross Earnings at Risk (GEaR), known more generally as Value-at-Risk (VaR);

- approving the most significant new activities and transactions;

- reviewing and approving market position valuation models;

- generating reports for Executive Management and business line Senior Management; and

- performing Market Parameter (MAP) Reviews monthly with Group Product Control.

Limit setting and tracking

The CMRC has delegated responsibility for setting and tracking limits as follows:

- activity limits – delegated to trading managers;

- business unit limits – delegated to business unit managers;

- CMRC limits - delegated exclusively to the CMRC.

Authorizations to exceed limits*:* Special authorization may be granted on a case-by-case basis to change limits either temporarily or permanently. The amount by which any limit is exceeded must be disclosed according to procedure, and actions must be taken based on the level at which limit responsibility has been delegated. The CMRC will be informed when limits are exceeded.

Measurement of market risk on trading activities

Overview

Market risk on trading activities is measured using three different indicators (GEaR, sensitivity, and stress tests) designed to capture all potential risks, including possible changes resulting from a sudden, severe decline in market conditions.

<u>Measurement of market risk under normal market conditions</u>

VaR (or GEaR) – This indicator is calculated from a model approved by the banking supervisor. It estimates the potential loss on a trading portfolio under normal market conditions over one trading day. The model is based on changes in the market over the previous 260 days with a confidence level of 99%. The banking supervisor has approved this internal model for both general and specific risks (i.e., specific equity and interest rate risks), as well as the following methodologies:

- the incorporation of typical risk factors: interest rates, credit spreads, exchange rates, securities prices, commodities prices, and the corresponding volatility;

- the incorporation of correlations between risk factors in order to account for the knock-on effects of risk diversification.

The algorithms and methodologies are reviewed and improved regularly so as to remain consistent with industry best practices and to take into account product innovations and changes in market trading portfolios.

The Group's global risk tracking system (MRX) calculates the sensitivity of portfolio positions to various market parameters. This system is described below. It completes the series of market risk indicators used by the Group so as to continuously adapt to the increasing complexity of certain markets.

<u>Measurement of market risk under extreme market conditions</u>

Stress testing – The Group performs stress tests to simulate the impact of extreme market conditions on the value of trading portfolios. These conditions are reflected in the extreme stress scenarios and adjusted to reflect changes in the economic environment. GRM has outlined 15 stress test scenarios covering all market activities: interest rate, currency, equity derivative, commodity, and treasury. These scenarios are presented to and reviewed by the CMRC on a monthly basis.

These are reviewed at regular intervals. For interest rate and credit activities, most of the stress tests are performed using the same basis as daily position valuations. The system includes specific scenarios for some asset classes, like ABS.

The Group has also outlined specific scenarios to carefully manage some types of risks, most notably the more complicated risks requiring a full re-evaluation rather than an estimate based on sensitivity indicators (delta, gamma, vega, etc.). The results of these stress tests are presented to business line managers and stress test limits may be set.

Global risk tracking system

The Group uses an integrated system called Market Risk Explorer (MRX) to calculate VaR (GEaR) and help with daily position tracking. The risk coverage provided by MRX has been improved over the past few years with the following:

- a risk calculation for each transaction, enabling a more detailed analysis;

- an enhanced field where risk calculations are made through a complete re-evaluation of values presented during VaR (GEaR) simulations and stress tests, replacing estimates based on sensitivity indicators (delta, gamma, vega, etc.), and

- a greater range of screens available for performing specific analyses,

- the Group's MRX staff and position tracking teams have also created daily variation reports showing the most significant changes in risk indicators (VaR, stress tests, reserves, etc.) for all capital market activities. These reports help improving data quality within a more structured framework.

Analysis of sensitivity to market parameters

Market risk is first analyzed by systematically measuring portfolio sensitivity to various market parameters. The information thus obtained is used to set tolerance ranges for maturities and option strike prices. The results of these sensitivity analyses are compiled at various aggregate position levels and compared with market limits.

MRX incorporates the following in its sensitivity analyses:

- the risk on each counterparty for an increasing number of sensitivity indicators, inflation risk, and a better representation of currency risk and volatility indicators;
- ABS risk (correlations, collection scenarios, and issuer risk reports); and
- base correlation risk.

VaR calculation methods are continually being improved to factor in new risks arising from changes in the structure of financial markets and products.

VaR values in 2008 (10 days, 99%)

The Values at Risk (VaRs) set out below were 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.

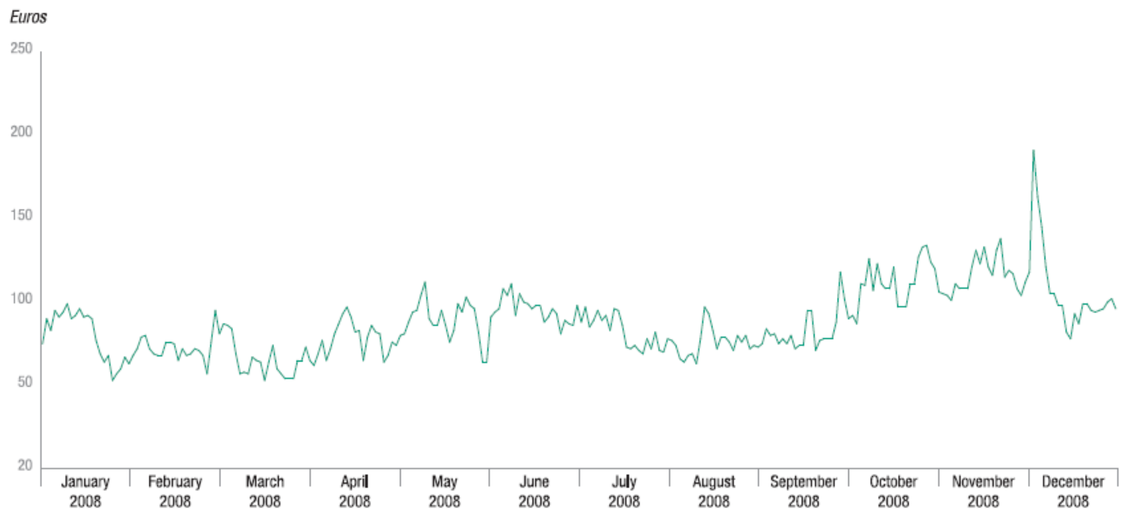
In 2008, total average VaR was €278 million (with a minimum of €167 million and a maximum of €604 million), after taking into account the €255 million effect of netting the different types of risk. These amounts break down as follows:

	Year to Dec. 31, 2008			December 31, 2008	Year to 31 Dec. 2007	December 31, 2007
Type of risk	**Average**	**Minimum**	**Maximum**		**Average**	
Interest rate risk	129	71	374	261	61	82
Credit risk	176	97	309	198	79	147
Currency risk [1]	42	14	102	69	17	41
Equity risk	169	52	400	119	134	152
Commodity risk	17	7	38	13	17	12
Effect of netting	(255)			(357)	(152)	(189)
TOTAL	**278**	**167**	**604**	**303**	**156**	**245**

[1] *The VaR for currency risk is outside the scope of Pillar I of Basel II.*

Risk exposure in 2008

VAR EVOLUTION (1 DAY, 99%) IN MILLIONS OF EUROS



VaR rose markedly as a result of extreme volatility in the financial markets, especially in the fourth quarter, despite a policy to cut the Bank's market positions.

GRM continuously tests the accuracy of its model through a variety of techniques, including a regular comparison over a long-term horizon between actual daily losses on capital market transactions and 1-day VaR. A 99% confidence level means that in theory the Bank should not incur daily losses in excess of VaR more than two or three days a year.

Daily losses exceeded VaR seven times in 2008, reflecting unprecedented shocks and exceptionally high volatility in the financial markets.

Portfolio valuation controls

In 2007 the Group enhanced its portfolio valuation controls by forming a Group Product Control team. This team works under a charter outlining its responsibilities (towards GRM, Finance and Development, the front-office, IT, and Operations) in terms of financial instrument valuations, gains or losses on capital market activities, and control processes.

The main areas of valuation control are:

- transaction recording;
- market Parameter (MAP) Reviews (monthly reviews of book valuations);
- model reviews; and
- reserve calculations.

The procedures for these controls are discussed below.

Governance

The Product and Financial Control Committee (PFCC) is a senior-level committee that meets quarterly to review valuation topics and take related decisions. The committee is chaired jointly by the head of CIB and the Group Chief Financial Officer; other members include the Chief Risk Officer and representatives from Finance and Development and the Risk Department.

At a business unit level, the Valuation Review Committee (VRC) meets every month to examine and approve the results of MAP Reviews and any changes in reserves. The committee is chaired by the Senior Trader and other members include representatives from trading, GRM, Group Product Control, and Finance and Development. The Valuation Review Committee also acts as the referee in any disagreements between trading and functional departments.

Transaction recording controls

Operations (middle-office) is responsible for controlling the transaction recording process, although GRM checks the process for more structured transactions requiring special attention.

Market Parameter (MAP) Review

GRM and Group Product Control are jointly responsible for MAP Review. This review entails a formal verification of all market parameters and are generally performed monthly; the more liquid parameters are reviewed daily. Group Product Control checks the parameters for automated processes, while GRM checks the risk and market parameters requiring an in-depth analysis. The information used for MAP Reviews is obtained from brokers and suppliers of consensus market prices.

The MAP Review methodology is outlined in separate procedures for each major product line. All MAP Review conclusions are documented, and the corresponding adjustments are made in the middle-office books. MAP Review results are presented to business managers during Valuation Review Committee meetings.

Reserve calculations

The Group began making significant efforts in 2007 to consolidate and centralize reserve calculations within MRX, especially for calculations based on sensitivity analyses already in the system and which will replace calculations made by position tracking teams. Reserves can generally be calculated daily.

Models review

GRM is responsible for reviewing valuation models. The main review processes are as follows:

- model approval – A formal review performed when changes are made to a model's methodology. The results of this review are documented in a Model Validation Report explaining the basis of and conditions for the approval.

- model testing – A process designed to test a model's quality and robustness.

- product/model mapping – A process that examines whether pricing models are suited to their products and being used properly within the system.

Day-one-profit

Some structured transactions require the use of parameters considered unobservable, which means that the day-one profit cannot be recognized under IAS 39. In these situations, the middle-office calculates the adjustments needed to offset this profit.

GRM works with Finance and Development, middle-offices, and business units to calculate the day-one profit, and most notably performs the following:

- determines whether a parameter is observable;

- documents evidence of observability; and

- determines whether a transaction is observable whenever this determination cannot be performed by the middle-office's automated processes.

The middle-office calculates the necessary adjustments to the day-one profit and ensures that each transaction is observable.

Risk reports and information for Executive Management

The Global Risk Analysis and Reporting (GRAR) team is responsible for generating risk reports.

Regular risk reports

The following risk reports are generated on a regular basis:

- weekly “Main Position” reports for each business line (equity derivatives, commodities, credit, and interest rate and currency derivatives), summarizing all positions and highlighting items needing particular attention; these reports are sent to business line managers;

- bimonthly “Over €15m at Risk” reports sent to Executive Management;

- “CMRC Events Summary” reports used as a basis for discussions during CMRC meetings;

- “Position Highlights” reports focusing on specific issues; and

- geographical dashboards such as “UK Risk Dashboard” reports.

Crisis reports

Following the subprime crisis and credit crunch that hit the markets in August 2007, GRM expanded its range of reports and activities to include the following:

- weekly meeting between CIB and GRM managers to ensure coordinated efforts and make decisions in light of recent market developments and changes in counterparties’ circumstances;

- new ABS stress tests (for trading and investment portfolios) and daily reports of the results of equity derivative stress tests;

- daily or weekly reports about the current financial crisis, summarizing the result, market movements, emerging markets, and the counterparty risk on watch list, monolines, SIVs, CDPCs, mutual funds, financial institutions, and hedge funds;

- market and counterparty risk concentration analyses (volatility, dividends, etc); and

- specifics counterparties analyses.

Market risk related to banking activities

The market risk related to banking activities encompasses equity holding risk on the one hand, and the interest rate and currency risks stemming from banking intermediation activities on the other hand. Only the equity and currency risks give rise to a weighted assets calculation under Pillar 1 of Basel II. The interest rate risk falls under Pillar 2.

Interest rate and currency risks related to banking intermediation activities and investments mainly concern retail banking activities in France and abroad, 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 is part of the Corporate and Investment Banking Division and 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 within each division or operating entity (CIB, FRB, BNL, BancWest, Personal Finance, Equipment Solutions, Emerging Markets, and AMS).

Equity risk

Scope

Equity interests held by the Group outside the trading book are securities that convey a residual, subordinated claim 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 notes;
- commitments given and hedges related to equity interests; and
- interests in companies accounted for by the equity method.

Modelling equity risk

The Group uses an internal model derived from the one used to calculate daily VaR (GEaR) on the trading book. However, it differs in terms of horizon and confidence interval, which are applied in accordance with article 59.1-c ii of the decree of 20 February. The model estimates the contribution of each equity exposure to the economic loss in the most extreme market conditions for the Bank, and then determines the level of losses actually incurred by the Bank.

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 is assigned an industry and country-specific systemic risk factor, plus an equity-specific risk factor;
- if the exposure is outside the Eurozone, an exchange rate risk factor is also added;

The model has been approved by the banking supervisor for measuring the capital requirement for equity risk as part of the Basel II approval process.

Accounting principles and valuation methods

Accounting principles and valuation methods are set out in Note 1 – 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	**Exposure of fair value**
Internal model method	**10,128**
private equity in diversified portfolios	*3,020*
listed equities	*4,793*
other equity exposures	*2,315*
TOTAL	**10,128**

The market value of exposures measured using the internal model amounted to €10.1 billion at December 31, 2008 (€13.9 billion at December 31, 2007). The Bank's equity portfolios suffered from the widespread slump in the stock markets in 2008.

Total gains and losses

Total gains and losses are set out in Note 5.c. to our consolidated financial statements for the year ended December 31, 2008 – Available-for-sale financial assets.

Currency risk (Pillar 1)

Calculation of risk-weighted assets

Currency risk relates to all transactions whether part of the trading book or not. This risk is treated in the same way under both Basel I and Basel II.

Exposure to currency risk is now determined using the standardized approach (the Group has an internal model but only for the trading book), using the option provided by the banking supervisor to limit the scope to operational currency risk.

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 translated 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 currency risk are as follows:

- matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions;

- CFA and CFP francs are matched with the euro, and are not subject to a capital requirement;

- positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount;

- other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. Group ALM is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by ALM.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies, financed by purchasing the currency in question.

Group policy is usually to borrow the investment currency in order to protect the investment against currency risk. Such borrowings are documented as hedges of net investments in foreign operations. However, for most of soft currencies, the investment may also be financed by purchasing the currency in question.

Interest rate risk (Pillar 2)

Interest rate risk management framework

Interest rate risk on the commercial transactions of the French and International Retail Banking divisions, the specialized financing subsidiaries, and the savings management business lines in the AMS and 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 the Bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Transactions initiated by Group subsidiaries or branches are transferred to the local ALM-Treasury, which matches the entity's net position, mainly in the form of loans and borrowings with Group ALM-Treasury.

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, Group ALM-Treasury and the local ALM-Treasury.

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 modelling, 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 specialist 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 the value of banking intermediation books

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. To comply with the financial reporting rules prescribed by IFRS, BNP Paribas determines the value of the financial instruments that make up these books (see Note 8.g to the consolidated financial statements for the year ended December 31, 2008) and the sensitivity of that value to interest rate fluctuations.

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity band, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an increase in value in the event of a fall and a decrease in value in the event of a rise of approximately €3,629,000 at December 31, 2008, compared with €2,146,000 at December 31, 2007.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

						December 31, 2008
In thousands of euros	**less than 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**more than 5 years**	**Total**
EUR	(20)	(445)	(833)	(1,098)	2,128	(268)
USD	33	57	1,125	(693)	(3,825)	(3,303)
GBP	(1)	7	5	2	11	24
Other currencies	13	(41)	(148)	(69)	163	(82)
TOTAL	**25**	**(422)**	**149**	**(1,858)**	**(1,523)**	**(3,629)**

In thousands of euros	**December 31, 2007**

	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	Total
EUR	550	(1,274)	(646)	(2,022)	3,244	(148)
USD	74	(309)	(856)	(209)	(1,197)	(2,497)
GBP	85	(25)	(59)	(20)	(7)	(26)
Other currencies	4	(11)	(22)	(12)	566	525
TOTAL	**713**	**(1,619)**	**(1,583)**	**(2,263)**	**2,606**	**(2,146)**

Hedging of interest rate and currency risks

Hedging relationships initiated by the Group mainly consist of interest rate or currency hedges in the form of swaps, options, forwards or futures.

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. In this way, it can determine how to achieve an optimum level of offset between different risks. This procedure requires an extremely accurate assessment of the risks 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 for each portfolio - customer activities and own funds - and currency. In 2008, the customer portfolios of most domestic and international retail banking units saw a widening mismatch between fixed-rate customer loan originations and inflows of long-term deposits. In France, there were further net outflows from home savings plans and a continued significant shift away from savings accounts towards higher-yielding deposits. In parallel, origination of new medium- and long-term fixed-rate customer loans remained strong.

The market environment in 2008 can be analyzed as two distinct periods. In the first half, the U.S. Federal Reserve cut its key interest rates while the Central European Bank was still more concerned about inflationary pressures. In the summer, the financial crisis began to spread to the real economy. This resulted in significant revisions to growth forecasts in both mature and emerging countries, leading the central banks to cut their interest rates sharply. The collapse of Lehman Brothers in the U.S. put a further squeeze on liquidity, driving short-term money market rates up continuously until the beginning of the final quarter.

The hedges put in place by the Bank in 2008 mainly reflected a fixed-rate borrowing strategy. They include derivatives and options typically accounted for as fair value hedges (in accordance with EU carved out fair value hedge regulations) or cash flow hedges. Government securities are mostly recorded in the "Available for sale" category.

No hedging relationship was disqualified from hedge accounting in 2008.

Structural currency 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 financed by foreign currency loans so that impacts of movements in exchange rates can be recorded in a symmetrical fashion and have no impact on the profit and loss account. These instruments are designated as net investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of consolidated branches and subsidiaries. Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies. No hedging relationship was disqualified from hedge accounting in 2008.

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.

In 2008, only one hedge of forecast transactions was disqualified on the grounds that the related future event was no longer highly probable.

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 currency risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity bands.

The table below concerns the scope of BNP Paribas SA Paris' 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.

In millions of euros			December 31, 2008					December 31, 2007
Period to realization	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Hedged cash flows	892	1,027	1,543	3,462	1,042	2,080	3,445	6,567

In the year ended December 31, 2008, no hedges of forecast transactions were requalified as ineligible for hedge accounting on the grounds that the related future event would be no longer highly probable.

Operational risk

Risk management framework

Regulatory framework

Operational risk management is governed by a strict regulatory framework:

- Basel II, which requires the allocation of capital to operational risk;

- regulation CRBF 97-02 as amended, which requires 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 for measuring and managing operational risk, BNP Paribas has developed a risk management process that operates in a five-stage loop:

- identifying and assessing risks;

- formulating, implementing and monitoring permanent controls, 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 Bank's operational risk and permanent control systems:

- calculating capital requirements: this is based on a hybrid approach that combines an internal model covering 68% of the Group's Revenues at end 2008 with the standardized approach for other entities in the consolidation scope. Under the Advanced Measurement Approach (AMA), loss distributions are modelled and calibrated using two sets of data: historical event data since 2002 for the BNP Paribas Group and the major international banks, and internally constructed potential event scenarios to take better account of the extreme risks to which the Bank is exposed. This model was approved by the French banking supervisor (Commission Bancaire) on January 1, 2008;

- widespread use of control plans: BNP Paribas has embarked on a process of formulating "control plans", which have three objectives: harmonising practices, rationalising the system and standardising controls. The project will also cover the Group's international operations and thereby support its growth. It is based on a risk mapping exercise carried out to identify and quantify potential risk scenarios, involving all the Group's core businesses and functions.

Key players and governance

The risk management framework relies on teams of operational risk analysts at all levels of the Group (core businesses, functions, business lines, subsidiaries and territories). The teams have been substantially bolstered over the past few years. In mid-2008, there were almost 500 dedicated full-time equivalents (ETP) including nearly 10% focusing entirely on coordinating business continuity. They have two key responsibilities:

- coordinating implementation of the system, its standards and methodologies, reporting and tools across the areas falling within their remit;

- flagging issues to management and ensuring that the system works properly.

The entire system therefore requires significant involvement of operational staff, who have front-line responsibility for managing their risk. Issues that arise in relation to operational risk management and business continuity are discussed with the Group's Executive Committee three times a year, and with the Internal Control Coordination Committee every month. This committee is chaired by the Internal Control Coordinator and brings together key players in the internal control process. Group companies are encouraged to adopt this governance structure in their own organizations.

Scope and nature of risk reporting and measurement

Executive Committees at the level of the Group and the core businesses are tasked with ensuring that operational risk is effectively managed and controlled in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees approves 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.

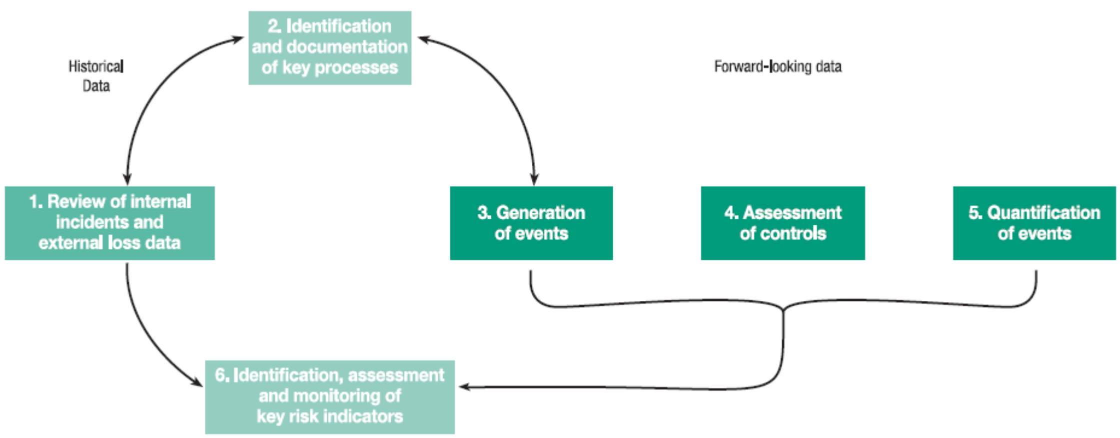
A Risk Analysis Protocol was drawn up in 2003 to structure the method for implementing these regulatory requirements and assessing key processes (see diagram below).

It led to a number of fine-tunings as the system was being built and to the development of a suite of intranet-based tools (OREX) for all Group users, meeting the overall system requirements.

These tools now include modules for recording and managing events, describing and managing key processes, prospective analysis of events and compiling action plans.

The Bank has thus developed a comprehensive and consistent analysis and reporting system by compiling both historical and potential event data based on the structure of its key processes and the organization of its business lines and territories.

PRODUCTION OF MANAGEMENT INFORMATION, DECISION MAKING AND ACTIONS PLANS



Components of operational risk related to legal, tax and information security risks

Legal risk

In each country where it operates, BNP Paribas is bound by specific local regulations applicable to companies engaged in banking, insurance and financial services. The Group is notably required to respect the integrity of the markets and the primacy of clients' interests.

For many years, the Group Legal Department function has had an 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 the activities of the legal department 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 analyses, interprets and distributes throughout the Group the texts of new laws and regulations, and 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 Legal department is a permanent member of the Compliance Committee and the Internal Control Coordination Committee;
- internal procedures and databases providing a framework for (i) managing legal risk, in close collaboration with the Compliance department for all matters which also fall under their responsibility, and (ii) overseeing the activities of the Group's legal staff. At the end of 2004, a procedures database detailing all internal procedures in French and in English was set up on the Group intranet with access rights for all employees;
- 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. Regular visits are made, particularly to countries deemed the most vulnerable, in order to check the effectiveness of the systems developed by international units for managing legal risks;
- internal reporting tools, document templates and analytical models, which are upgraded on an ongoing basis by Group Legal Department and contribute to the analysis of operational risk.

A reorganization of the Legal department began during 2007 and is now complete. The function has been decentralized and legal experts assigned to the operational teams of the divisions and business lines. This has given them a better understanding of the business lines and made them more responsive, leading to improved control over legal risks. The various committees described above meet regularly to maintain a consistent approach and provide overarching oversight.

Tax risk

In each country where it operates, BNP Paribas is bound by specific local tax regulations applicable to companies engaged for example in banking, insurance or financial services.

The Group Tax Department is a global department, responsible for overseeing the consistency of the Group's tax affairs. It also shares responsibility for monitoring global tax risks with Group Finance and Development. The Group Tax Department performs second-tier 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 12 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-chaired the Tax Coordination Committee chaired by Group Finance and Development.

The Tax Coordination Committee also includes the Compliance department and may involve the core businesses when appropriate. The committee is responsible for analyzing key tax issues for the Group and making appropriate decisions. Group Finance and Development is obliged to consult the Group Tax Department on any tax issues arising on transactions processed.

The Group Tax Department has also drawn up procedures covering all core businesses, designed to ensure that tax risks are identified, addressed and controlled appropriately. Tax risks may arise at Group level or from specific customer product or service offerings developed by the Group's entities. To ensure these risks are addressed effectively, the Group Tax Department relies among other on:

- the tax risk management framework. The tax risk charter is presented in the form of a mission letter for the territory tax manager when there is one or in the form of a mission letter for the Group Tax Department authority to the head of core business with regard to entities that do not have a dedicated tax manager. The letter is updated regularly to reflect changes in the charter applicable to Territory Chief Executives;

- procedures for approval by the Group Tax Department of all new products featuring a material tax component, together with all new activities and "specific" transactions structured in France or abroad;

- procedures for procuring independent tax advice;

- definition of operational tax risk incidents and their common filing and reporting;

- definition and disclosure of groupwide tax rules and regulations, and approval of any framework agreement or internal circular/document presenting specific tax issues;

- tax audit reporting procedures;

- control procedures relating to the delivery of tax opinions and advice.

Information security

Information is a bank's key commodity 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.

Incidents reported in different countries involving banking and credit/payment card industries highlight the increased need for vigilance. This topic has been reiterated by regulations and case law on data protection.

Information security at BNP Paribas is managed in accordance with a set of various types of reference documents. These include a general security policy; more specific policies, mainly for various issues related to information systems security; ISO 27001 requirements; practical guides to security requirements; and operational procedures that are more or less specific to the targeted context.

The security framework is drilled down to each individual business line, taking account of any regulatory requirements and the risk appetite of the business line in question. It is governed by the Group's general security policy which itself is based on ISO 27001. Each business line takes the same approach to managing information security. The primary methodology used is ISO 27005, supported by EBIOS, the French government methodology, common objective indicators, periodic controls, residual risk assessments and action plans. This approach is 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 and 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.

Like most global banking players, the Group's online retail banking businesses suffered a number of phishing/pharming attacks in 2008, as in previous years. All large-scale attacks were countered, with no harm whatsoever to our customers, thanks to the continuing reinforcement of existing awareness, prevention, detection and remedial measures. Although we did not see a significant rise in either the number or type of attacks over the year, the Group's businesses remain vigilant and continue to invest in measures that will allow them to keep one step ahead of security threats without increasing complexity for the internet user. In all countries where it has retail banking operations, BNP Paribas plays an active role in raising users' awareness of the intrinsic dangers of the internet and of the key measures that can be taken to mitigate these dangers, by establishing a direct dialogue with customers and working closely alongside public authorities and professional or community associations.

The availability of information systems is vital to allow BNP Paribas to continue operating in a crisis or emergency. In line with its values of operational excellence, the Group maintains, develops and regularly verifies its information back-up capabilities and system robustness 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.

BNP Paribas seeks to minimise information security risk and optimize resources by:

- setting up a procedural framework for each business line governing day-to-day operations (data production) and software management (existing and new applications);
- raising employees' awareness of information security imperatives and training key players in the appropriate procedures and behaviors related to information system resources;
- adopting a formal approach for evaluating existing systems and improving management of security risks through measurable key performance indicators and action plans. This approach is applicable to business projects and shared information system architecture and applications, and is embedded within the Group's system of permanent and periodic controls;
- monitoring incidents and developing intelligence of technological vulnerability and attacks.

Insurance policies

Risks incurred by the 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 an in-depth identification of risks underpinned by detailed operating loss data. The risks identified are then mapped and partially transferred to leading insurers in the market.

The Group purchases insurance against 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 risks, certain risks whose frequency and financial impact can be adequately estimated are self-insured.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned.

Detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality of coverage and risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis in light of new standards and regulations.

Compliance and reputation risk

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; publishing accurate and complete information, 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 antimoney laundering procedures, combating corruption and terrorist financing; and respecting financial embargos.

As required by French regulations, the Compliance department manages compliance risk for all of the Group's domestic and international businesses. The Compliance department reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control and Risk Management Committee.

The function includes a central structure in Paris responsible for overseeing and supervising all compliance matters, and local teams within the different divisions and business lines acting under delegated authority from the central team. The Compliance department has grown continuously since 2004.

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;
- 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 and the introduction of tighter regulations by many countries.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfill current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position.

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 to support BNP Paribas' development strategy; (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) keep the cost of refinancing as low as possible; and (vi) cope with any liquidity crises.

Roles and responsibilities in liquidity risk management

The Group's Executive Committee sets the general liquidity risk management policy, including risk measurement principles, acceptable risk levels and the internal billing system. The Internal Control, Risk Management and Compliance Committee reports quarterly to the Board of Directors on liquidity policy principles and the Bank's position.

ALM-Treasury proposes procedures for implementing the liquidity policy set by the Executive Committee. These proposals are then reviewed and approved by the ALM-CIB Committee. The Executive Committee is informed on a regular basis of liquidity indicators, results of stress tests, and the execution of financing programs. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

After approval by the ALM-CIB Committee, ALM-Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The business line and entity ALM committees implement at local level the strategy approved by the ALM-CIB Committee.

GRM contributes to defining liquidity policy principles. It also provides second-line control by approving the models, risk indicators, limits and market parameters used.

Centralised liquidity risk management

Liquidity risk is managed centrally by ALM-Treasury across all maturities. The Treasury unit is responsible for refinancing and for 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 also tasked with providing financing to the Group's core businesses and business lines, and investing their surplus cash.

Liquidity risk management and supervision

Day-to-day liquidity management is based on a full range of internal standards and warning flags at various maturities.

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 does business.

The refinancing capacity needed to cope with an unexpected surge in liquidity needs is regularly measured at Group level. It mainly comprises available securities and loans eligible for central bank refinancing, available ineligible securities that can be sold under repurchase agreements or immediately on the market, and overnight loans not liable to be renewed.

BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

Medium- and long-term liquidity management is based mainly on an analysis of the medium- and long-term sources of funds available to finance assets with the same maturity.

Over a one-year maturity, the ratio of sources to uses of funds must be more than 80%. The ratio is also monitored over two to five-year maturities. These ratios are based on maturity schedules of balance sheet and off-balance sheet items for all Group entities, whether contractual or theoretical, i.e. based on customer behavior (prepayment in the case of loans, modelling customer behavior in the case of regulated savings accounts, etc.).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 15 years) is measured regularly by business line and currency.

In addition, regular stress tests are performed, based on market factors and factors specific to BNP Paribas that would adversely affect its liquidity position.

Regulatory ratios represent the final plank in the liquidity risk management system.

These include the 1-month liquidity ratio and observation ratios, which are 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 ratios.

Risk exposure in 2008

Movements in the consolidated balance sheet

The Group had total assets of €2,075.6 billion at December 31, 2008. A total of €895 billion in assets, excluding credit institutions, were refinanced in cash, an increase of €77 billion on 2007, including €49 billion relating to loans to customers.

This increase was refinanced primarily by customer deposits for €67 billion.

Regulatory liquidity ratios

The average one-month regulatory liquidity ratio for BNP Paribas SA (French operations and branches) was 114% in 2008 compared with a minimum requirement of 100%.

Internal medium and long-term liquidity ratios

The ratio between sources and uses of funds due in more than one year was 84% at the end of December 2008 for the entire BNP Paribas Group, versus 88% at end-December 2007.

Risk mitigation techniques

As part of the day-to-day management of liquidity, in the event of a temporary liquidity crisis, the Group's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling them on the repo market or discounting them with the central bank. If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by selling assets outright.

Less liquid assets may be converted into liquid assets or collateralised as part of the day-to-day management of liquidity, by securitizing pools of consumer loans granted to retail banking customers, as well as pools of corporate loans.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing.

Hedging strategies

In 2008, the Group continued its policy of diversifying its sources of financing in terms of structures, investors and collateralised financing. The "deposit" product line created in 2007 has contributed to diversifying the corporate and institutional investor base and reduce interbank borrowings. A new certificate of deposit program offers funds the opportunity to increase their investment in the BNP Paribas Group, thereby improving its liquidity. For the year 2008, the collect of "deposit" product line increased by 20%, and amounted for €23 billion.

The creation of a new certificate of deposit program for €10 billion, offers the possibility to increase the shares that funds are willing to invest in BNP Paribas Group and to improve its liquidity as well. At December 31, 2008, its outstanding amount was €2 billion.

The Group has also expanded its sources of funds through the use of asset collateralisation (increased volumes and pool allocation strategy). In late 2008, the Group set up a special purpose vehicle called BNP Paribas SCF to raise liquidity by using loans guaranteed by export credit agencies and public sector loans. In the final quarter of 2008, the creation of SFEF gave the Bank access to collateralised refinancing unconditionally and irrevocably guaranteed by the French State.

Throughout 2008, the Group substantially increased its capacity for discounting securities and receivables with various central banks, both to obtain finance and to increase its liquidity reserve.

The loan to deposit ratio improved markedly in 2008, thanks to an increase of due to customers (€+67 billion) greater than the one of loans and receivable due from customers (€+49 billion). The ratio reached 119% in December 2008 compared to 128% in December 2007.

Senior debt

Senior debt with an economic life of more than one year issued by BNP Paribas SA and its subsidiaries in 2008 totalled €48.7 billion, on par with senior debt issued in 2007.

In 2008, the proportion of collateralized debt securities increased:

- BNP Paribas covered bonds: up from €9 billion to €12.7 billion;
- CRH (Caisse de Refinancement de l'Habitat): up from €2.7 billion to €3.3 billion;
- SFEF (Société de Financement de l'Economie Française): up from 0 to €1.8 billion.

Subordinated debt and hybrid securities

In 2008, the Group issued subordinated notes for €0.6 billion and undated super subordinated notes (TSSDI) for a total amount of €3.8 billion.

Proprietary securitizations

See the section on Proprietary securitization under "Credit and Counterparty Risk."

Insurance Risks

The insurance subsidiaries' risk exposures result from the sale, in France and abroad, of savings and personal risk contracts

Financial risks

Financial risks arise in the Savings business, which accounts for over 95% of the insurance subsidiaries' liabilities.

There are three types of financial risk:

Interest rate risk

Policyholder yields on life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a yield guarantee. All of these policies give rise to an interest rate 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 Assurance 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.

In France, to cover 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, 2008 or 2007 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 customers 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 modelling purposes, forcing it to sell assets at a loss in order to free up the necessary cash for surrenders in excess of forecast.

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;

- 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

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 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.

The capital guarantee reserve 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 €27 million at December 31, 2008 (stable compared with December 31, 2007).

Insurance subscription risks

The insurance subscription risks arise mainly in the Personal Risk business, which accounts for some 5% of the insurance subsidiaries' liabilities.

They result mainly from the sale of annuity policies in France and loan protection insurance worldwide.

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 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 Assurance.

Risk exposures from annuity and loan protection insurance business are monitored at quarterly intervals by BNP Paribas Assurance's Executive Committee, based on an analysis of loss ratios. Loss ratios for annuity contracts are based on mortality tables applicable under insurance regulations, as adjusted by independent actuaries where appropriate. Annuity risks are low.

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.

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.

Extension of the Financial Crisis Started in the Second Half of 2007 into 2008

Background

See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Economic Conditions."

Review of The Bank's Principal Positions Exposed to the Effects of the Crisis

The Group's risk surveillance and financial control teams continue to closely monitor positions that may be affected by the crisis, paying close attention to the methods and parameters used to value these positions.

Exposure to Monoline Risk

Exposure to U.S. monoline insurer counterparty risk, by type of underlying asset

Gross exposure to counterparty risk [3] *In millions of euros, at*	**December 31, 2008**	**December 31, 2007**
CDO's [1] of U.S. RMBS [2] subprime	1,737	1,336
CDO's [1] of european RMBS [2]	21	13
CDO's [1] of CMBS [2]	237	122
CDO's [1] of corporate bonds	1,182	227
CLO's [1]	266	166
Non credit related	-	19
TOTAL OF GROSS EXPOSURE TO COUNTERPARTY RISK	**3,443**	**1,883**

(1) *CDO = Collateralized Debt Obligation; CLO = Collateralized Loan Obligation.*
(2) *RMBS = Residential Mortgage Backed Security; CMBS = Commercial Mortgage Backed Security.*
(3) *Gross counterparty risk is defined as the fair value of the corresponding financial instruments (the data at December 31, 2008 include the restructuring in January 2009 of the exposure to one counterparty).*

Fair value adjustments to protection instruments issued by U.S. monoline insurers

In millions of euros, at	**December 31, 2008**	**December 31, 2007**
GROSS EXPOSURE TO COUNTERPARTY RISK	**3,443**	**1,883**
Hedges	(727)	(773)
RESIDUAL UNHEDGED EXPOSURE	**2,716**	**1,110**
Credit adjustments	(1,827)	(420)
NET EXPOSURE TO COUNTERPARTY RISK	**889**	**690**

Exposure on leveraged buyouts in progress

The Bank reduced its gross exposure from approximately €2,500 million at December 31, 2007 to €1,800 million at September 30, 2008. These loans were reclassified to "Loans and receivables due from customers" on 1 October 2008 as discussed in Note 5.a, "Financial assets, financial liabilities, and derivatives at fair value through profit or loss" to our consolidated financial statements for the year ended December 31, 2008. The Bank recognized €102 million of negative fair value adjustments for the first nine months of 2008 (i.e., up to the reclassification date), compared with €238 million for 2007.

Exposure on sponsored conduits

BNP Paribas manages six securitization conduits on behalf of clients, representing total assets of around €12,800 million (compared to €11,000 million at December 31, 2007). These assets are relatively low-risk. They include approximately €5,800 million of U.S. assets that are not exposed to the mortgage market (compared to €4,200 million at December 31, 2007), compared with around €200 million of mortgage-backed assets of which the subprime portion is not material at December 31, 2007.

These conduits have not been consolidated since they do not meet the consolidation criteria set out in Note 1.b.1 "Scope of consolidation" to the consolidated financial statements for the year ended December 31, 2008. Although the Group provided liquidity assistance to some of these conduits during certain periods – debt securities issued by these conduits and provisionally carried in the Group's balance sheet represented €1,286 million at December 31, 2008, compared to €4,095 million at December 31, 2007 – the analysis of criteria demonstrating the absence of control by the Group has not been substantially modified.

Direct effect of the crisis on profit for the year

In millions of euros	**Year to 31 Dec. 2008**	**Year to 31 Dec. 2007**
EFFECT ON REVENUES		
Fair value adjustments		
Loan syndications in progress	(102)	(238)
Securitizations and other investments	(354)	(88)
Impairment on equity portfolio	(851)	-
Credit adjustments to reflect counterparty risk on over-the-counter derivatives		
Monoline insurers	(914)	(468)
Other counterparties	(721)	(57)
TOTAL EFFECT ON REVENUES	**(2,942)**	**(851)**

EFFECT ON COST OF RISK		
Loans to customers	(57)	(231)
Investment portfolio	(181)	(131)
Market counterparties	(2,060)	(62)
of which monolines classified as doubtful	*(974)*	*(44)*
of which Lehman Brothers	*(540)*	-
of which Icelandic banks	(150)	-
Madoff risk	**(345)**	-
TOTAL EFFECT ON COST OF RISK	**(2,643)**	**(424)**

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. 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 Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) is chaired by the Governor of the *Banque de France*. It makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations.

The Banking Commission (*Commission bancaire*), which is chaired by the Governor of the *Banque de France*, is responsible for the supervision of credit institutions and investment firms. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions and investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the *Commission bancaire* concerning the principal areas of their activity. The *Commission bancaire* may also request additional information that it deems necessary and may carry out on-site inspections. These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. Where regulations have been violated, the *Commission bancaire* may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its winding-up. The *Commission bancaire* also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. These decisions of the *Commission bancaire* may be appealed to the French Administrative Supreme Court (*Conseil d'état*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the *Commission bancaire.*

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. In addition, the aggregate amount of individual exposures exceeding 10% of the credit institution's regulatory capital may not exceed eight times such regulatory capital.

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.

Examination

The principal means used by the *Commission bancaire* to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements and other documents that these banks are required to submit to the *Commission bancaire*. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The *Commission bancaire* may also inspect banks on an unannounced basis.

Reporting Requirements

Credit institutions must make periodic reports, collectively referred to as *états périodiques,* to the *Commission bancaire*. The *états périodiques* comprise principally (a) a statement of the activity of the concerned institution during the relevant period (*situation*), to which is attached exhibits that provide a more detailed breakdown of the amounts involved in each category, (b) a statement of income, together with exhibits and (c) certain additional data relating to operations (*indicateurs d'activité*) such as the number of employees, client accounts and branches.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €70,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional Funding

The Governor of the *Banque de France,* as chairman of the *Commission bancaire*, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails.

French credit institutions are required to have a system for analyzing and measuring credit risk 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 *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Money Laundering

French credit institutions are required to report all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that 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 to a special government agency (*TRACFIN*) placed under the authority of the Minister of the Economy.

French Bank Recapitalization Program

The French bank recapitalization program that has been put in place on October 16, 2008 includes two main components:

First, the French government, through a special purpose company whose obligations are guaranteed by the French State, will extend up to €320 billion of liquidity to banks that wish to participate so long as such banks satisfy mandatory capital requirements. Participating banks may thus obtain financing with a maturity of up to 5 years, secured by a pledge of eligible loans (first ranking mortgage loans, loans to local and regional governments, loans to businesses with at least a fourth priority ranking, and consumer loans to individuals). Draws under the liquidity facility bear interest at the rate of the underlying loans, plus a premium that is essentially a guarantee fee, intended to result in the overall financing cost for the bank being equal to the financing cost that it would bear in the market in normal market conditions. The liquidity facility will be available until December 31, 2009.

Second, the French government, through another special purpose company whose obligations are guaranteed by the French State, may acquire deeply subordinated notes or preference shares of banks, qualifying as Tier 1 capital.

Under both programs, participating banks must undertake to make loans to finance economic activity, and to abide by ethical obligations relating to themselves and their management. Such ethical obligations include caps on severance payments to management, abandonment of the concurrent status of corporate officer and employee (a technical French distinction that can in some circumstances provide advantages to members of management under French labor law), and the systematic use of compensation committees. Also, participating banks must enter an agreement that includes voluntary measures to promote refinancing of mortgage loans for persons in financial difficulty, as well as financing for small and medium businesses and commit to increase the amount of their outstanding loans by 3 or 4% annually.

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 January 1, 1998.

In June 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. The Basel II Accord has no legal force and must be implemented through implementing legislation in each participating jurisdiction. Accordingly, on June 14, 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 implementation date of the EU Capital Requirements Directive—which applies to all credit institutions and investment firms organized in the European Union—was January 1, 2007, for those institutions wishing to adopt the simplest approaches of the Basel II Accord, and January 1, 2008, in all other cases. BNP Paribas has opted for the advanced approaches allowed under Basel II.

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.

It should be noted that with respect to credit risk capital charges, the existing risk weighting categories of the 1988 BIS accord are replaced with three alternative approaches, designed to be more risk sensitive: a "standardized" approach, and two "internal ratings based" (IRB) approaches ("foundation" and "advanced"). The standardized approach is an updated and expanded version of the prior risk weight categories, with risk weights based, in many cases, on credit ratings from *external* sources (such as credit rating agencies), with a greater range of risk weights available (some of the new risk weights would exceed 100% for low quality exposures), and with greater recognition of credit risk mitigation techniques, such as the use of collateral, guarantees and credit derivatives. Under either of the two internal ratings based approaches, banks input their own *internal* calculations of certain risk parameters ("probability of default", "loss given default" and "exposure at default") into risk weight formulas developed by the Basel Committee for each of several different types of assets or credit exposures. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modelling systems must be reviewed and approved by its banking supervisory authority.

In 2007 the French banking supervisory authority (the "*Commission Bancaire*") approved the use of the Group's own models to determine its minimum capital requirements as from January 1, 2008. The scope of entities authorized to use these internal risk models is significant, and includes BNP Paribas SA and Cetelem in France and abroad. Other entities, such as subsidiaries in emerging countries, will only adopt these internal models after a number of years, once they comply with the conditions set by the *Commission Bancaire* and agreed by the Group.

The Basel Committee has said it will continue to review the calibration of the capital requirements as it monitors the results of the parallel calculations submitted by banks during the implementation and transition period. The European Parliament has also authorized technical amendments to the EU Capital Requirements Directive without need for further parliamentary vote.

The 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 new 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, 2008, this disclosure was included as Chapter 5 (Pillar 3) of BNP Paribas' reference document filed with the French *Autorité des marches financiers* (available at http://invest.bnpparibas.com).

Determination 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:

Tier 1 capital ("core capital") includes share capital, reserves share premiums, retained earnings, unallocated profit from the most recent fiscal year (less the amount of any related dividend proposed for approval to the shareholders) or interim period and any reserves for general banking risks (*i.e.*, any reserves established to cover risks that are not accounted for by specific or country risk provisions. Some items are eligible without a limit for Tier 1 capital, whereas others have a limit. Capital is, among others, an item accepted without a limit and consists of ordinary shares/common stock, certificates of investments, "parts socials" issued by mutual and co-operative institutions, and non-cumulative preferred shares and preferred certificates of investments. Preferred shares directly issued under the provisions of Article L.228-11 of the French Commercial code ("*Code de commerce*") may be included, subject to the prior approval of the *Commission Bancaire*, in the elements that are eligible without a limit, provided that those preferred shares: (i) are subject to an accounting treatment that is identical to the accounting treatment of ordinary shares; (ii) present a loss absorption capacity on a going concern basis; (iii) rank *pari passu* with ordinary shares in case of a liquidation. As another example, innovative hybrid instruments (i.e., instruments that provide a strong incentive for early redemption through step-up clauses) are limited to a maximum of 15% of Tier 1 capital, subject to the prior approval of the SGBC and provided they satisfy the eligibility criteria for Tier 1 set forth by the October 27, 1998 Basel Committee press release: Instruments Eligible for Inclusion in Tier 1 Capital. Total innovative instruments ("innovative" and "non-innovative") are limited to 35% of Tier 1 capital. Minority interest arising from the consolidation of special purposes vehicles set up for the indirect issuance of hybrid instruments are included in either 15% and 35% limits given above, depending on whether these instruments are innovative or not. Minority interests that do not arise from the consolidation of special purpose vehicles set up for the indirect issuance of hybrid instruments are excluded from the above 35% limit. Goodwill and certain other non-qualifying intangible and other assets are deducted in calculating Tier 1 capital.

Tier 2 capital (referred to as "supplementary capital") may be included only up to the limit of 100% of Tier 1 capital. Tier 2 capital includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses is classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as "ancillary own funds") consists of subordinated debt that, like Tier 2 capital, must if circumstances demand be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a "lock-in" clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250% of a bank's residual Tier 1 capital (*i.e.*, Tier 1 capital above that required to cover credit risks).

Determination of Capital Adequacy Ratio

Until December 31, 2007, the Group's capital adequacy ratio was calculated in accordance with *CRBF* regulation 91-05, dated February 15, 1991, i.e. total regulatory capital expressed as a percentage of the sum of:

- risk-weighted assets; and

- the regulatory capital requirement for market risks, multiplied by 12.5.

Since January 1, 2008, the 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.

The Tier One capital ratio is calculated in a like manner with the sole exception being that only Tier One capital is considered regulatory capital for purposes of calculating the Tier One capital adequacy ratio.

BNP Paribas Group Regulatory Capital

The following table sets forth BNP Paribas Group's regulatory capital at December 31, 2007 and 2008.

In millions of euros	December 31, 2008 (Basel II)	December 31, 2007 (Basel I) [2]
Shareholders' equity before appropriation of income	**53,228**	**53,799**
Share capital, retained earnings and similar	42,707	47,056
Undated super subordinated notes and similar securities	10,521	6,743
Minority interests before appropriation of income	**5,740**	**5,594**
Share capital, retained earnings and similar	3,492	3,302
Preferred shares	2,248	2,292
Regulatory deductions and other items	**(17,169)**	**(21,792)**
Intangible assets (including goodwill)	(12,854)	(12,342)
Other regulatory deductions [1]	(4,315)	(9,450)
TIER 1 CAPITAL	**41,799**	**37,601**
Tier 2 capital	17,951	19,224
of which positive difference between provisions and expected losses	*1,620*	
Tier 2 regulatory deductions	(1,003)	(3,254)
Allocated Tier 3 capital	752	1,013
REGULATORY CAPITAL	**59,499**	**54,584**

(1) *Deductions in respect of insurance companies, investments in credit institutions and finance companies accounted for by the equity method, subordinated debt of credit institutions held by the Bank and other items, including the dividend to be recommended at the Annual General Meeting of shareholders.*
(2) *European Capital Ratio.*

Under Basel II, any positive difference between provisions and expected losses over one year is considered to be a component of Tier 2 capital. At December 31, 2008, this difference amounted to €1,620 million.

Minimum Capital Adequacy Ratio

Under the European Union regulation transposed into French law by French regulation (*arrêté*) dated February 20, 2007, the Group's capital adequacy ratio must at all times be at least 8%. Under United States capital adequacy regulations, BNP Paribas, as a qualified Financial Holding Company with U.S. banking offices 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.

Capital Management and Planning

Capital adequacy ratios are managed prospectively on a prudential 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 its commitment to offering shareholders an optimal 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 2007 and 2008, 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 quarterly intervals and whenever an event occurs or a decision is made that will materially affect consolidated ratios.

Proposed Changes to BIS Standards

On January 16, 2009, the Basel Committee on Banking Supervision issued a package of consultative documents to strengthen the Basel II capital framework. These changes are part of a broader effort the committee has undertaken to strengthen the regulation and supervision of internationally active banks in light of weaknesses revealed by the financial markets crisis. The proposed changes to capital requirements cover (i) trading book exposures, including complex and illiquid credit products; (ii) certain complex securitizations in the banking book; and (iii) exposures to off-balance sheet vehicles (i.e. asset-backed commercial paper conduits). The committee proposed that the capital requirements for the trading book be implemented in December 2010, while certain other improvements, including those related to risk management and disclosures, be introduced by the end of 2009.

On March 12, 2009, the Basel Committee announced a series of measures to strengthen the level of capital in the banking system. This is expected to be achieved through a combination of measures such as introducing standards to promote the build up of capital buffers that can be drawn down in periods of stress, strengthening the quality of bank capital, improving the risk coverage of the capital framework and introducing a non-risk based supplementary measure. The Committee also announced that the regulatory minimum level of capital will be reviewed in 2010, taking into these and other relevant factors to arrive at a total level and quality of capital greater than the current Basel II framework. On March 30, 2009, the Committee announced a series of further measures, including: (i) better coverage of banks' risk exposures, including for trading book, securitization, and derivative activities; (ii) more and higher quality capital to back these exposures; (iii) countercyclical capital buffers and provisions that can be built up in good times and drawn down in stress; (iv) the introduction of a non-risk based measure to supplement Basel II and help contain leverage in the banking system; (v) higher liquidity buffers; (vi) stronger risk management and governance standards; (vii) more regulatory focus on system-wide or "macroprudential" supervision; and (viii) greater transparency about the risk in banks' portfolios.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 12 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2008 was €523,724.

The following table sets forth the names of the members of the Board of Directors as of May 28, 2009, their current function at the Bank, their business address and their principal business activities[24] outside of the Bank as at May 28, 2009:

Name	**Function**	**Business Address**	**Principal Outside Activities**
Michel Pébereau	Chairman, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** ● Lafarge ● Compagnie de Saint-Gobain ● Total ● *BNP Paribas SA, Switzerland* ● *EADS N.V., Netherlands* ● *Pargesa Holding SA, Switzerland* **Member of the Supervisory Board of:** ● *Axa* ● *Banque Marocaine pour le Commerce et l'Industrie, Morocco* **Non-voting director of:** ● Société Anonyme des Galeries Lafayette **Chairman of:** ● *Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française* ● *Management Board of the Institut d'Études Politiques de Paris* ● *Supervisory Board of the Institut Aspen France* ● *Institut de l'Entreprise* **Member of:** ● *Académie des sciences morales et politiques* ● *Executive committee of Mouvement des Entreprises de France* ● *Haut Conseil de l'Education* ● *European Financial Round Table* ● *Institut International d'Etudes Bancaires* ● *International Advisory Panel of the Monetary Authority of Singapore*

[24] The directorships shown in italics are not governed by provisions of the French Commercial Code (*Code de Commerce*) concerning multiple directorships.

Name	Function	Business Address	Principal Outside Activities
			● *International Capital Markets Advisory Committee of the Federal Reserve Bank of New York* ● *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*
Patrick Auguste	Real Estate Project Manager (*chef de projets immobiliers*), BNP Paribas (elected by employees)	20, avenue Georges-Pompidou, 92300 Levallois Perret, France	
Claude Bébéar		25, avenue Matignon, 75008 Paris, France	**Principal function:** Honorary Chairman of Axa **Director of:** ● *Axa Assurances Iard Mutuelle* ● *Axa Assurances Vie Mutuelle* **Member of the Supervisory Board of:** ● Vivendi **Non-voting director of:** ● *Schneider Electric* **Chairman of:** ● *Institut du Mécénat de Solidarité - Entreprendre pour la Cité* ● *Institut Montaigne* **Member of:** ● *International Advisory Panel of the Monetary Authority of Singapore*
Jean-Louis Beffa	Vice-Chairman BNP Paribas	"Les Miroirs" 18, avenue d'Alsace 92096 La Défense Cedex, France	**Principal function:** Chairman of Compagnie de Saint-Gobain **Vice-Chairman of the Board of Directors** of BNP Paribas **Chairman of:** ● *Claude Bernard Participations* **Director of:** ● GDF SUEZ ● *Groupe Bruxelles Lambert, Belgium* ● *Saint-Gobain Corporation, United States* ***Member of the Supervisory Board of:*** ● *Siemens AG (Germany)* ● Le Monde SA ● *Le Monde & Partenaire Associés (SAS)* ● *Société Éditrice du Monde*
Suzanne Berger		30, Wadsworth Street, E 53-451 Cambridge, MA 02139-4307 U.S.A.	**Principal function:** *Professor of political science, Massachusetts Institute of Technology* **Research associate and Member of Executive Committee of:** ● *Center for European Studies at Harvard University* **Member of:** ● *American Academy of Arts and Sciences*

Name	Function	Business Address	Principal Outside Activities
Jean-Marie Gianno	Sales associate, BNP Paribas (elected by employees)	21, avenue Jean Medecin, 06000 Nice, France	**Member of:** ● *Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI)* ● *European think tank "Confrontation"*
François Grappotte		128, avenue de Lattre de Tassigny, 87045 Limoges, France	**Principal function:** Honorary Chairman of Legrand **Member of the Supervisory Board of:** ● Michelin **Director of:** ● Legrand ● Legrand France
Denis Kessler		1, av. du Général de Gaulle 92074 Paris La Défense Cedex, France	**Principal function:** Chairman and Chief Executive Officer of Scor SE **Chairman of:** ● Scor Global P&C SE ● *Scor Global Investments SE* ● *Scor Global Life US Re Insurance Company, United States* ● *Scor Global Life US Re Insurance Company of Texas, United States* ● *Scor Holding AG, Switzerland* ● *Scor Reinsurance Company, United States* ● *Scor US Corporation, United States* ● Siècle ● Cercle de l'Orchestre de Paris **Director of:** ● Scor Global Life SE ● Bolloré ● Fonds Stratégique d'Investissement ● Dassault Aviation ● *Invesco Ltd, United States* ● *Dexia SA, Belgium* ● *Scor Canada Reinsurance Company, Canada* **Member of the Supervisory Board of:** ● *Yam Invest N.V., Netherlands* **Non-voting director of:** ● *Financière Acofi (ex FDC SA)* ● *Gimar Finance & Cie SCA* **Member of:** ● *Commission Économique de la Nation* ● *Conseil Économique et Social* ● *Board of directors of Association de Genève* ● *Comité des Entreprises d'Assurance* ● *Conseil de la Fondation pour la Recherché Médicale* **Vice chairman of:** ● *Reinsurance advisory board*
Jean-François Lepetit		30, boulevard Diderot, 75572 Paris Cedex 12 France	**Principal function:** Chairman of the Conseil national de la comptabilité **Member of:** ● Collège de l'Autorité des Marchés Financiers

Name	Function	Business Address	Principal Outside Activities
			● *QFCRA (Qatar Financial Center Regulatory Authority, Doha))* **Director of:** ● Smart Trade Technologies S.A. ● Shan SA
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	**Principal function:** Chairman of the Board of Directors of IFOP SA **Chairman of** : *Mouvement des Entreprises de France (MEDEF)* **Director of:** ● Coface SA **Member of the Supervisory Board** : ● Michelin
Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	**Principal function:** Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS **Director of:** ● *Lafarge* ● *Ferring SA, Switzerland* ● *Completel N.V., Netherlands* **Permanent Representative:** ● Pechel Industries ● *Partenaires in Ypso Holding, Luxembourg* **Member of the Supervisory Board of:** ● Publicis Groupe **Legal Manager of:** ● *Hélène Ploix SARL* ● *Hélène Marie Joseph SARL* ● *Sorepe Société Civile* **Member of** *the Investment Committee for the United Nations Personnel Pension Fund*
Baudouin Prot	Chief Executive Officer, BNP Paribas	3, rue d'Antin 75002 Paris, France	**Director of:** ● Accor ● Pinault-Printemps-Redoute ● Veolia Environnement ● *Erbé SA, Belgium* ● *Pargesa Holding SA, Switzerland* **Member of:** ● *Executive Committee of the Fédération Bancaire Française*
Louis Schweitzer		8-10, avenue Emile Zola 92109 Boulogne Billancourt, France	**Principal function:** Chairman of the Board of Directors of Renault **Chairman of the Board of Directors of:** ● *AstraZeneca Plc, United Kingdom* **Chairman of the Supervisory Board of:** ● *Le Monde & Partenaires Associés (SAS)* ● Le Monde SA ● Société Editrice du Monde **Director of:** ● L'Oréal ● Veolia Environnement ● *AB VOLVO, Sweden* **Chairman of:** ● *Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)*

Name	Function	Business Address	Principal Outside Activities
			Member of the board of: ● *Fondation Nationale des Sciences Politiques* ● *Institut Français des Relations Internationales* ● *Musée du Quai Branly* **Member of the Advisory Committee of:** ● *Banque de France* ● *Allianz, Germany*
Daniela Weber-Rey		Mainzer Landstraße 46 D 60325 Frankfurt am Main Germany	**Principal function:** Partner at Clifford Chance **Member** of: • *Expert Group on "Removing obstacles to cross-border investments" at the EU Commission* • *Advisory Group on Corporate Governance and Company Law at the EU Commission* • *German Government Commission on the German Corporate Governance Code*

As a result of the Bank's acquisition of Fortis' banking activities in Belgium and Luxembourg, the Belgian State has the right to propose two directors to the Bank's board of directors, subject to certain conditions. See "Recent Developments—Acquisition of Fortis' activities in Belgium and Luxembourg—Anticipated Changes in the composition of the administrative and governing bodies."

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 with such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. Until the end of 2008, these committees consisted of the Financial Statements Committee, the Internal Control, Risk Management and Compliance Committee, the Compensation Committee and the Corporate Governance and Nominations Committee.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix.

Internal Control, 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 François Grappotte (Chairman), Jean-Marie Gianno, Jean-François Lepetit.

Compensation Committee

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. The Committee's current members are Alain Joly (Chairman), Jean-Louis Beffa and François Grapotte.

Corporate Governance and Nominations Committee

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Alain Joly (Chairman), Claude Bébéar and Laurence Parisot.

Executive Committee

The Executive Committee of BNP Paribas currently consists of the following members:

Baudouin Prot	Chief Executive Officer
Georges Chodron de Courcel	Chief Operating Officer
Jean-Laurent Bonnafé	Chief Operating Officer
Jean Clamon	Managing Director, Head of Compliance and Internal Control Coordinator
Philippe Bordenave	Senior Executive Vice-President, Chief Financial Officer
Alain Papiasse	Head of Corporate and Investment Banking
Fabio Gallia	Head of BNL bc
Michel Konczaty	Chief Risk Officer
Frédéric Lavenir	Head of Group Human Resources
Alain Marbach	Head of Group Information, Technology and Processes
Jacques d'Estais	Head of Investment Solutions (formerly Asset Management and Services)
François Villeroy de Galhau	Head of French Retail Banking

INDEPENDENT STATUTORY AUDITORS

The Group's financial statements as of December 31, 2008 and for the year ended December 31, 2007 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 financial statements as of December 31, 2007 and for the year ended December 31, 2006 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their report appearing herein.