INFORMATION STATEMENT

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

Dated as of June 3, 2010

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	2
INCORPORATION BY REFERENCE	2
EXCHANGE RATE AND CURRENCY INFORMATION	2
PRESENTATION OF FINANCIAL INFORMATION	4
RISK FACTORS	5
SELECTED FINANCIAL DATA	11
CAPITALIZATION OF THE GROUP	13
MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION	17
RECENT DEVELOPMENTS	65
BUSINESS OF THE GROUP	79
RISK MANAGEMENT	101
GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE	145
CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP	149
MANAGEMENT OF THE BANK	153
INDEPENDENT STATUTORY AUDITORS	160

FORWARD-LOOKING STATEMENTS

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

INCORPORATION BY REFERENCE

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

Our audited consolidated financial statements for the year ended December 31, 2009 included in the English-language version of our 2009 Registration Document (*Document de référence* filed with the AMF under the number D.10-0102), as well as Chapter 5 of such English-language Registration Document; Chapter 5 of the English-language version of the First Update to such Registration Document (*Actualisation du document de référence* filed with the AMF under the number D.10-0102-A01); and our consolidated financial statements for the year ended December 31, 2008 included in the English-language version of our 2008 Registration Document (*Document de référence* filed with the AMF under the number D.09-0114) 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 21, 2010, the exchange rate as published by Bloomberg at approximately 12:30 p.m. (New York time) was $1.25 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.

<u>Month</u> **U.S. dollar/Euro**	**Period End**	**Average Rate***	**High**	**Low**
May 2010 (through May 21, 2010)	1.25	1.26	1.31	1.23
April 2010	1.33	1.34	1.37	1.31
March 2010	1.35	1.35	1.37	1.33
February 2010	1.37	1.37	1.40	1.34
January 2010	1.39	1.42	1.45	1.39
December 2009	1.43	1.45	1.51	1.42
November 2009	1.49	1.49	1.50	1.46
October 2009	1.47	1.48	1.50	1.47
<u>Year</u> **U.S. dollar/Euro**				
2009	1.43	1.39	1.51	1.25
2008	1.39	1.47	1.60	1.24

2007	1.47	1.38	1.49	1.29
2006	1.32	1.26	1.33	1.19
2005	1.18	1.24	1.35	1.17

---

* 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, 2009, 2008 and 2007 have been prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union.

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

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

RISK FACTORS

Risks Related to the Bank and its Industry

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

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

The recent financial crisis has resulted, and is likely to continue to result, in more restrictive regulation of the financial services industry, which could have a material adverse effect on the Bank's business, financial condition and results of operations.

Legislators, governments, regulators, advisory groups, trade and professional associations and various committees at the national, European and international level have adopted or are studying an array of measures in response to the financial crisis. The analysis and interpretation of these measures, which are drawn from various and sometimes contradictory sources, may increase compliance risk. Implementation of these new requirements and compliance with them could increase the Bank's costs and its regulatory capital and liquidity requirements and limit its ability to conduct certain types of activities. These measures could also substantially affect the Bank's competitiveness, its ability to attract and retain talent and its profitability, particularly with respect to its investment banking and financing businesses, which would in turn have an adverse effect on its business, financial condition, and results of operations.

In addition, it is difficult to predict what impact these measures (particularly those that are only proposals currently) would have on financial market conditions and thus indirectly on the Bank and it is uncertain whether they would prevent or limit possible future financial crises.

A number of the exceptional measures taken by governments, central banks and regulators to remedy the financial crisis, stabilize financial markets and bolster financial institutions have recently been or will soon be completed or stopped, which, given the currently fragile recovery, could adversely affect operating conditions for banks.

In response to the financial crisis, governments, central banks and regulators implemented measures intended to support financial institutions and thereby stabilize financial markets. Central banks took measures to facilitate financial institutions' access to credit and liquidity, in particular by lowering interest rates to historic lows for a prolonged period. Various central banks decided to increase substantially the amount and duration of liquidity provided to banks and, in some cases, implemented "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of treasury bonds, corporate commercial paper and mortgage-backed securities. These central banks may decide, acting alone or in coordination, to modify their monetary policies (and, in particular, raise interest rates) and tighten their policies regarding access to liquidity, which could substantially and abruptly decrease the flow of liquidity in the financial system. Given that the recovery remains fragile, such changes could have an adverse effect on operating conditions for financial institutions and, hence, on the Bank's financial condition and results of operations.

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 nonperforming assets or for other reasons, as was the case in the second half of 2008 and throughout 2009. Any significant increase in provisions for loan losses or a significant change in the Bank's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Bank's results of operations and financial condition.

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

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in 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 experienced unprecedented volatility and disruption for an extended period from mid-2007 and particularly in the months following the bankruptcy filing of Lehman Brothers in mid-September 2008; as a result, the Bank incurred significant losses on its capital market and investment activities in the fourth quarter of 2008. There can be no assurance that this extreme volatility and market disruption will not return in the future and that the Bank will not incur substantial losses on its capital market 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 that the Bank uses, including swaps, forward and future contracts, options and structured products.

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

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

During the recent market downturn the Bank experienced a decline in the volume of transactions that it executed for its clients and, therefore, a decline in its revenues from this activity. There can be no assurance that it will not experience a similar trend in future market downturns, which may occur periodically and unexpectedly. 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 revenues or profitability.

The amount of net interest income earned by the Bank during any given period significantly affects its overall revenues and profitability for that period. Interest rates are 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 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.

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

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

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

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

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

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

The Bank is exposed to regulatory compliance risk, such as the inability to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. Besides damage to the Bank's reputation, non-compliance could lead to fines, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of operating licenses. This risk is exacerbated by continuously increasing regulatory oversight. This is the case in particular with respect to money laundering, the financing of terrorist activities or transactions with countries that are subject to economic sanctions. For example, U.S. laws require compliance with the rules administered by the Office of Foreign Assets Control relating to certain foreign countries, nationals or others that are subject to economic sanctions. The U.S. Department of Justice and the New York County District Attorney's Office, as well as other governmental authorities, are reported to be conducting a review of how certain financial institutions have processed U.S. dollar payments involving U.S. sanctioned countries, persons and entities. The Bank is currently discussing with these authorities a possible retrospective internal review of certain U.S. dollar payments involving countries, persons or entities subject to these sanctions.

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

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

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

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

The Bank has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Bank's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, particularly risks that the Bank may have failed to identify or anticipate. The Bank's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if, as a result of market turmoil such as that experienced during the recent financial crisis, the models and approaches it uses become less predictive of future 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, during periods of market disruption, be incapable of accurate estimation and, in turn, impact the reliability of the process. These tools and metrics may fail to predict future risk exposures, e.g., if the Bank does not anticipate or correctly evaluate certain factors in its statistical models, or upon the occurrence of an event deemed extremely unlikely by the tools and metrics. This would limit the Bank's ability to manage its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantified modeling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

The Bank's hedging strategies may not prevent losses.

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

The Bank's external growth policy carries certain risks, particularly with respect to the integration of acquired entities, and the Bank may be unable to realize the benefits expected from its acquisitions.

Growth through acquisitions is a component of the Bank's strategy. This strategy exposes the Bank to a number of risks.

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

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

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

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

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group as of December 31, 2009, 2008, 2007, 2006 and 2005 and for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.

The selected financial data for the Group as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2009, 2008 and 2007 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2009 and for the year ended December 31, 2009 and as of December 31, 2008 and for the year ended December 31, 2008, including comparative columns for the year ended December 31, 2007, incorporated by reference herein.

The audited consolidated financial statements of the Group as of and for the years ended December 31, 2009, 2008 and 2007 have been prepared in accordance with IFRS as adopted by the European Union.

BNP Paribas Group	**Year ended December 31, (in millions of euros)**				
Income Statement (IFRS)	**2009**	**2008**	**2007**	**2006**	**2005**
Net interest income	21,021	13,498	9,708	9,124	7,733
Net commission income	7,467	5,859	6,322	6,104	4,547
Net gain on financial instruments at fair value through profit or loss	6,085	2,693	7,843	7,573	5,212
Net gain on available-for-sale financial assets	436	464	2,507	1,367	1,353
Net income from other activities	5,182	4,862	4,657	3,775	3,009
Revenues	**40,191**	**27,376**	**31,037**	**27,943**	**21,854**
Operating expense and depreciation	(23,340)	(18,400)	(18,764)	(17,065)	(13,369)
Gross operating income	**16,851**	**8,976**	**12,273**	**10,878**	**8,485**
Cost of risk	(8,369)	(5,752)	(1,725)	(783)	(610)
Operating income	**8,482**	**3,224**	**10,548**	**10,095**	**7,875**
Share of earnings of associates	178	217	358	293	352
Net gain on non-current assets	87	481	153	195	211
Change in value of goodwill	253	2	(1)	(13)	(14)
Income taxes	(2,526)	(472)	(2,747)	(2,762)	(2,138)
Minority interests	642	431	(489)	(500)	(434)
Net income attributable to equity holders	**5,832**	**3,021**	**7,822**	**7,308**	**5,852**

BNP Paribas Group Balance Sheet (IFRS)	At December 31, 2009	At December 31, 2008	At December 31, 2007	At December 31, 2006	At December 31, 2005
			(in millions of euros)		
Assets					
Cash and amounts due from central banks and post office banks	56,076	39,219	18,542	9,642	7,115
Financial assets at fair value through profit or loss	828,784	1,192,271	931,706	744,858	700,525
Derivatives used for hedging purposes	4,952	4,555	2,154	2,803	3,087
Available-for-sale financial assets	221,425	130,725	112,594	96,739	92,706
Loans and receivables due from credit institutions	88,920	69,153	71,116	75,170	45,009
Loans and receivables due from customers	678,766	494,401	445,103	393,133	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	2,407	2,541	(264)	(295)	(61)
Held-to-maturity financial assets	14,023	14,076	14,808	15,149	15,445
Current and deferred tax assets	12,117	6,055	2,965	3,443	2,135
Accrued income and other assets	103,361	82,457	60,608	66,915	65,327
Policyholders' surplus reserve	-	531	-	-	-
Investments in associates	4,761	2,643	3,333	2,772	1,823
Investment property	11,872	9,920	6,693	5,813	5,255
Property, plant and equipment	17,056	14,807	13,165	12,470	9,213
Intangible assets	2,199	1,810	1,687	1,569	1,225
Goodwill	10,979	10,918	10,244	10,162	8,079
Total Assets	2,057,698	2,075,551	1,694,454	1,440,343	1,258,079
Liabilities and Shareholders' Equity					
Due to central banks and post office banks	5,510	1,047	1,724	939	742
Financial liabilities at fair value through profit or loss	709,337	1,054,802	796,125	653,328	610,681
Derivatives used for hedging purposes	8,108	6,172	1,261	1,335	1,015
Due to credit institutions	220,696	186,187	170,182	143,650	118,893
Due to customers	604,903	413,955	346,704	298,652	247,494
Debt securities	211,029	157,508	141,056	121,559	84,629
Remeasurement adjustment on interest-rate risk hedged portfolios	356	282	20	367	901
Current and deferred tax liabilities	4,762	3,971	2,475	2,306	2,206
Accrued expenses and other liabilities	72,425	83,434	58,815	53,661	48,446
Technical reserves of insurance companies	101,555	86,514	93,320	87,044	76,523
Provisions for contingencies and charges	10,464	4,388	4,738	4,718	3,850
Subordinated debt	28,209	18,323	18,641	17,960	16,706
Minority interests in consolidated subsidiaries	10,843	5,740	5,594	5,312	5,275
Shareholders' equity (group share)	69,501	53,228	53,799	49,512	40,718
Total Liabilities and Shareholders' Equity	2,057,698	2,075,551	1,694,454	1,440,343	1,258,079

BNP Paribas Group Capital Ratios (IFRS)	At December 31,			
	2009	2008	2007	2006
Total ratio	14.2%	11.1%	10.2%	10.5%
Tier 1 ratio	10.1%	7.8%	7.1%	7.4%
Risk-weighted assets (in billions of euros)	621	535	533	463

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, 2010.

The following table sets forth the consolidated capitalization of the Group as of March 31, 2010 and December 31, 2009.

(in millions of euros)	**As of March 31, 2010 (unaudited)**	**As of December 31, 2009**
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	40,619	41,109
Other debt securities	58,407	56,902
Subordinated debt	22,971	23,552
Total Medium- and Long-Term Debt	**121,997**	**121,563**
Shareholders' Equity		
Issued capital(2)	2,370	2,371
Additional paid-in capital	22,527	22,817
Preferred shares and equivalent instruments(3)	8,029	8,045
Retained earnings(4)	34,847	33,248
Unrealized or deferred gains and losses attributable to shareholders	2,576	1,175
Undated participating subordinated notes(5)	223	223
Undated subordinated FRNs(6)	4,816	4,488
Total Shareholders' Equity	**75,388**	**72,367**
Minority interests(7)	10,491	10,665
Total Capitalization	**207,876**	**204,595**

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, 2010: CAD = 1.3379; GBP = 0.8703; CHF = 1.4341; HKD = 10.3367; JPY = 125.81; USD = 1.3315.

2) At December 31, 2009, BNP Paribas' share capital stood at €2,368,310,748 divided into 1,184,155,374 shares with a par value of €2 each. Since the end of 2009, at January 21, 2010, 1,126,390 shares have been created following the exercise of options. As a result, BNP Paribas' share capital stood at €2,370,563,528 divided into 1,185,281,764 shares with a par value of €2 each. On March 30, 2010, 600,000 shares were cancelled as per the decision of the Board of Directors on March 5, 2010. As a result, BNP Paribas' share capital stood at €2,369,363,528 divided into 1,184,681,764 shares with a par value of €2 each. On May 12, 2010, 354 shares were created in remuneration of the merger of Fortis Banque France into BNP Paribas. As a result, BNP Paribas' share capital stood at €2,369,364,236 divided into 1,184,682,118 shares with a par value of €2 each.

3) In June 2005, BNP Paribas SA issued $1,350 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.186% semiannually for a period of ten years. Thereafter, BNP Paribas SA

may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 1.68% per annum.

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

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

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

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

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

Also in July 2006, BNP Paribas SA issued £325 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.945% per annum from and including July 13, 2006 to but excluding July 13, 2016, payable annually in arrears on a non-cumulative basis on July 13 of each year, commencing on July 13, 2007, and thereafter at a floating rate equal to three-month GBP LIBOR plus a margin equal to 1.81% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2016.

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

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

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

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

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

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

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

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

In December 2009, BNP Paribas SA issued €17 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.028% per annum for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date.

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

In December 2009, BNP Paribas SA issued $0.5 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.384% per annum for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date.

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) Subordinated debt mainly comprises an issue of Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) made by Fortis Banque (now BNP Paribas Fortis) in December 2007, for a nominal amount of €3 billion and a market value of €1,620 million at December 31, 2009. They bear interest at a floating rate equal to three-month Euribor plus a margin equal to 2% paid quarterly in arrears. The CASHES are undated but may be exchanged for Fortis SA/NV shares at the holder's sole discretion at a price of €23.94. However, as of December 19, 2014, the CASHES will be automatically exchanged into Fortis SA/NV shares if the price is equal to or higher than €35.91 for twenty consecutive trading days. The principal amount will never be redeemed in cash. The rights of the CASHES holders are limited to the 125,313,283 Fortis SA/NV shares that Fortis Banque acquired on the date of issuance of the CASHES and pledged to them: they are recognized as financial assets and measured at fair value through profit or loss, which amounted to €328 million at December 31, 2009. Fortis SA/NV and Fortis Banque have entered into a Relative Performance Note (RPN) contract, the value of which varies contractually so as to offset the impact on Fortis Banque of the relative difference between changes in the value of the CASHES and changes in the value of the Fortis SA/NV shares. At December 31, 2009, the value of the RPN was €641 million recognized on the balance sheet under "Derivative instruments held for trading" (Financial assets at fair value through profit or loss). On the basis of this RPN value, the debtor pays the creditor interest at three-month Euribor plus 20 basis points, for which BNP Paribas has a guarantee from the Belgian government.

The remaining subordinated debt includes €420 million of undated floating-rate subordinated notes (TSDIs), €1,708 million of other undated subordinated notes and €740 million of undated subordinated debt.

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 three-month LIBOR plus a margin equal to 3.26%.

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 plus a margin equal to 2.6%.

In January 2002, BNP Paribas Capital Preferred IV LLC, a wholly owned subsidiary of BNP Paribas, issued €660 million of noncumulative preferred securities, via BNP Paribas Capital Trust IV. They pay a contractual dividend of 6.342% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR plus a margin equal to 2.33%.

In January 2003, BNP Paribas Capital Preferred VI LLC, a wholly owned subsidiary of BNP Paribas, issued €700 million of noncumulative preferred securities, via BNP Paribas Capital Trust VI. They pay a contractual dividend of 5.868% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR plus a margin equal to 2.48%.

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

In January and May 2004, Cofinoga Funding II LP, a wholly owned subsidiary of BNP Paribas, issued €80 million (before application of the proportionate consolidation rate) of noncumulative preferred securities, via Cofinoga Funding Trust II. They pay a non-cumulative preferred dividend of TEC 10[1] plus a margin equal to 1.35% for a period of 10 years. As from January and May 2014, respectively, the issuer may redeem the securities at par on each dividend payment date.

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

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

The following discussion and analysis relates to the results of operations and financial condition of the Group for the year ended and as of December 31, 2009 as compared to the year ended and as of December 31, 2008, and for the year ended and as of December 31, 2008 as compared to the year ended December 31, 2007. 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, 2009 and 2008 and as of and for the years ended December 31, 2008 and 2007.

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 (three-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.

	2007	2008	2009
French GDP[1]	2.1%	0.7%	-2.19%
Eurozone GDP[2]	2.6%	0.8%	-4.1%
U.S. GDP[3]	2.0%	1.1%	-2.4%
Short-term interest rates (three-month Euribor)[4]	4.68%	2.89%	1.23%
Long-term interest rates (France)[5]	4.42%	3.41%	5.27%
S&P 500*	3.53%	-38.49%	+19.67%
FTSE 100*	3.80%	-31.33%	+18.66%
CAC 40*	1.31%	-42.68%	+17.51%

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.

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. The main stock market indices reached 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 recapitalize 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.

In response to such developments, legislators and financial regulators in many jurisdictions, including France, implemented a number of policy measures designed to bring stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions. In the United States, the federal government took equity stakes in several financial institutions, implemented a program to guarantee the short-term and certain medium-term debt of financial institutions, increased consumer deposit guarantees, and brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government effectively nationalized some of the country's largest banks, provided a preferred equity program open to all financial institutions and a program to guarantee short-term and certain medium-term debt of financial institutions, among other measures. In France, the government created a liquidity facility for financial institutions through a French State-guaranteed special purpose company, and purchased, through another French State-guaranteed special purpose company, preferred shares or hybrid super-subordinated securities issued by financial institutions. Central banks around the world also coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions and lowering interest rates. Certain central banks publicly committed to keeping interest rates low for an extended period of time or outrightly purchased long-term government bonds to reduce longer-term yields.

This governmental intervention helped temper the consequences of the crisis in 2009. The financial markets remained volatile during the first half of 2009 and then stabilized during the second half of the year. Likewise, after experiencing a sharp decline, the commodities markets rose more than 40% from their low point, largely due to increased petroleum and metal prices.[2] Financial conditions in advanced economies significantly improved over the course of 2009, reflected in declining interbank, credit default swap (CDS) and corporate spreads. Growth has gradually returned to the global economy to date in 2010, although concerns over sovereign risk have weighed on the financial and foreign exchange markets.

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. Throughout most of 2007, the dollar maintained an increasingly downward trend against the euro. 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. The dollar demonstrated additional growth during the first quarter of 2009, but weakened during the course of the year, ending at 1.43 dollars per one euro. The dollar has strengthened to date in 2010, standing at 1.25 dollars per one euro at May 21, 2010. 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, 2009 for further segment information.

The divisional analysis is prepared on a basis that ensures the comparability of results across the Group's divisions by assuming a consistent allocation of Group capital across those divisions. Imputed revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division generally corresponds to the amount required to comply with the European Solvency Ratio requirements under Basel II, and is based on 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. The capital allocated to the Insurance business is equal to the solvency requirement calculated according to insurance regulations.

[2] Source: IMF World Economic Outlook, April 2010.

Although the divisional revenues 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 Investment Solutions.

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 exceptional circumstances of late 2007 and 2008 prompted the Group to change its accounting treatment of financial instruments initially held for trading or available for sale. While the Group originally intended to sell these assets, they were reclassified in late 2008 within customer loan portfolios or as securities available for sale as 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.

Year Ended December 31, 2009 as Compared with Year Ended December 31, 2008

The following discussion presents the financial condition of the BNP Paribas Group as of December 31, 2009 as compared to December 31, 2008, as well as the results of operations for the BNP Paribas Group for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

Overview

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**40,191**	**27,376**	**+46.8%**
Operating expenses and depreciation	(23,340)	(18,400)	+26.8%
Gross operating income	**16,851**	**8,976**	**+87.7%**
Cost of risk	(8,369)	(5,752)	+45.5%
Operating income	**8,482**	**3,224**	**x2.6**
Share of earnings of associates	178	217	-18.0%
Other non-operating items	340	483	-29.6%
Non-operating items	**518**	**700**	**-26.0%**
Pre-tax income	**9,000**	**3,924**	**x2.3**
Corporate income tax	(2,526)	(472)	n.s.
Net income attributable to minority interests	(642)	(431)	+49.0%
Net income attributable to equity holders	**5,832**	**3,021**	**+93.0%**
Cost/income ratio	**58.1%**	**67.2%**	-9.1 pts

In an environment characterized by a downturn in the economy, but also by customers' return to the capital markets, the BNP Paribas Group performed well in 2009, posting €5,832 million in net income (Group share), a significant rebound (+93%) compared to 2008, but well below pre-crisis levels (€7,822 million in 2007).

The Group generated €40,191 million in revenues (including a negative impact of €753[3] million revaluation of the Group's own debt compared to a positive €593 million impact in 2008), or +46.8% compared to 2008. Thanks to operating expenses increasing much less, at €23,340 million (+26.8% compared to 2008), gross operating income, at €16,851 million, is 87.7% higher than the amount in 2008. This solid operating performance enabled the Group to offset the new rise in the cost of risk (+45.5% to €8,369 million).

Return on equity was 10.8%, compared to 6.6% in 2008 and 19.6% in 2007.

Net earnings per share was €5.2 compared to €3.0[4] in 2008 +74%, the capital increases having resulted in limited dilution. After the noteworthy positive result in 2008 at the height of the financial crisis, this increase illustrates the Group's capacity to generate growth and create value throughout the cycle.

The Board of Directors will propose to shareholders to pay a €1.50 dividend, a 32.3% payout ratio, with the option to have the dividend paid in shares. This option will mean that, in addition to the two-thirds retained earnings, a further share of profits will go to reinforcing the Group's capital and therefore its ability to continue to grant new loans.

Reinforced Solvency

The Group's powerful capacity to generate capital organically was combined with a reduction in risk-weighted assets, which, at €621 billion, were down €73 billion for the whole year, primarily in CIB and BNP Paribas Fortis' Merchant Banking, while they continued to grow in retail banking.

Thus, as at December 31, 2009, the Tier 1 Ratio was 10.1%, up 230 basis points compared to December

[3] Of which €512 million relating to debt issued by BNP Paribas and €241 million relating to debt issued by BNP Paribas Fortis.

[4] Adjusted to factor in the capital increase made by the Bank in 2009.

31, 2008. The Equity Tier 1 ratio was 8% compared to 5.4% as at December 31, 2008, or a substantial 260 basis points rise as a result of the organic capital generation (+85 basis points), the decline in risk-weighted assets (+75 basis points) and capital increases carried out in 2009, including the dividend paid in shares (+100 basis points).

The Group's capacity to reinforce its solvency organically during the years of the crisis, during which it did not have a single year of losses, confirmed that this level of solvency was appropriate to its diversified business model and its risk profile.

At the dawn of the year 2010 that will be marked by the exit strategies of central banks, the Group is in a favorable liquidity situation due to its limited dependence on the interbank money market due to its position as the leading bank in the eurozone by deposits, proactive liquidity management centralized at the Group's corporate headquarters and a competitive refinancing cost thanks to its CDS spread, which is among the lowest of comparable banks. Furthermore, the Group's medium- and long-term issue needs are less than that of 2009.

The Group's balance sheet total at €2,058 billion as at December 31, 2009, was below the level at December 31, 2008 (€2,076 billion) despite the addition of €518 billion due to the acquisition of Fortis: the increase of the banking book was more than offset by the decline in the trading book.

Results of operations by division

Retail Banking

French Retail Banking

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**6,091**	**5,943**	**+2.5%**
of which Net Interest Income	*3,485*	*3,292*	*+5.9%*
of which Commissions	*2,606*	*2,651*	*-1.7%*
Operating expenses and depreciation	(4,036)	(3,983)	+1.3%
Gross operating income	**2,055**	**1,960**	**+4.8%**
Cost of risk	(452)	(203)	nm
Operating income	**1,603**	**1,757**	**-8.8%**
Non-operating items	0	1	nm
Pre-tax income	**1,604**	**1,758**	**-8.8%**
Income attributable to IS	(103)	(117)	-12.0%
Pre-tax income of French Retail Banking	**1,501**	**1,641**	**-8.5%**
Cost/income ratio	66.3%	67.0%	-0.7 pt
Allocated equity *(in billions of euros)*	4.0	3.9	+2.0%

Including 100% of French Private Banking for revenues to pre-tax income line items

For the whole of 2009, in a challenging economic environment, French Retail Banking devoted an unrelenting effort to serving all its customers—individual customers, entrepreneurs and corporate customers—to help them carry out their projects. This effort is illustrated by the growth in outstanding loans to individual customers (+5.1%/2008) as well as corporate customers (+3%/2008). This effort, combined with the efforts of the Group's other business units operating in France, enabled BNP Paribas to grow its outstanding loans in France by 3.7% between January 1 and December 31, 2009, in line with the commitment made to the French government.

Deposits rose by €2.9 billion in 2009 (+3.1%/2008), showing a positive structural effect, with stronger growth for sight deposits (+7.5%).

FRB's good sales and marketing drive is also illustrated by the addition of individual customers with the opening of a net total of 145,000 check and deposit accounts and gross asset inflows in life insurance up 12.4% as compared to 2008.

Thanks to this good sales and marketing drive, revenues totaled €6,091 million, up 2.5%[5] compared to 2008. This positive trend is due to the significant growth in net interest income (+5.9%) driven by the rise in volumes and the favorable trend of the deposit mix with a limited drop in fees (-1.7%).

The moderate rise in operating expenses (+1.3%)[5], at €4,036 million, helped the division achieve a 1.2-point positive jaws effect, surpassing the target set for 2009, as well as a further 0.7-point improvement of the cost/income ratio, to 66.3%. The cost of risk, at 44 basis points of risk-weighted assets under Basel 1, was up compared to a low 20 basis points in 2008, but still less than comparable banks.

Gross operating income growth (+€95 million) to €2,055 million only partly offset the rise in the cost of risk (+€249 million), and FRB's pre-tax income, which totaled €1,501 million, was down 8.5%[6] compared to 2008, after allocating one-third of French Private Banking's net income to the Investment Solutions Division.

BNL banca commerciale (BNL bc)

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**2,923**	**2,800**	**+4.4%**
Operating expenses and depreciation	(1,746)	(1,757)	-0.6%
Gross operating income	**1,177**	**1,043**	**+12.8%**
Cost of risk	(629)	(411)	+53.0%
Operating income	**548**	**632**	**-13.3%**
Non-operating items	0	1	nm
Pre-tax income	**548**	**633**	**-13.4%**
Income attributable to IS	(8)	(5)	+60.0%
Pre-tax income of BNL bc	**540**	**628**	**-14.0%**
Cost/income ratio	59.7%	62.8%	-3.1 pts
Allocated equity *(in billions of euros)*	3.7	3.6	+5.0%

Including 100% of Italian private banking for revenues to pre-tax Income line items

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

6 Excluding PEL/CEL effects.

The process of integrating BNL has been very satisfactory. The objectives of the 2006-2009 industrial plan were achieved or surpassed, thereby confirming the Group's expertise in successfully executing corporate mergers.

For the whole of 2009, the drive to expand the business continued in Italy, as illustrated by the opening of a net total of over 60,800 check and deposit accounts (+47,000 accounts in 2008, +6,100 in 2007 and -86,000 in 2006 when BNL was merged into the BNP Paribas Group), good growth in loans (+5.0%) both to individual customers (+4.2%) and to corporate customers (+5.7%), as well as market share gains in financial savings, life insurance and mutual funds.

Revenues, which totaled €2,923 million, were up 4.4%[7] compared to 2008. This rise was driven by growth in outstanding loans, financial fees holding up well due, in particular, to the limited share of the more volatile upfront fees in revenues and market share gains.

Even though 51 new branches were opened in 2009, operating expenses were flat[7] (-0.6%) and enabled BNL bc to generate a 5-point positive jaws effect, in line with the 2009 target. This good operating performance is reflected in a further 3.1-point improvement of the cost/income ratio during the same period, at 59.7%, bringing the improvement to close to 11 points in three years. At €1,177 million, gross operating income was up 12.8%[7] compared to 2008.

The downturn in the Italian economy weighed on the cost of risk, which was up €218 million during the period, and came to 106 basis points compared to 73 basis points in 2008.

After allocating one-third of Italian Private Banking's net income to the Investment Solutions Division, BNL bc's pre-tax income came to €540 million, down 14% compared to 2008, the rise in the cost of risk being only partly offset by the good operating performance.

Bancwest

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**2,138**	**2,027**	**+5.5%**
Operating expenses and depreciation	(1,169)	(1,070)	+9.3%
Gross operating income	**969**	**957**	**+1.3%**
Cost of risk	(1,195)	(628)	+90.3%
Operating income	**(226)**	**329**	**nm**
Share of earnings of associates	0	0	nm
Other non-operating items	3	4	-25.0%
Pre-tax income	**(223)**	**333**	**nm**
Cost/income ratio	54.7%	52.8%	+1.9 pts
Allocated equity *(in billions of euros)*	2.8	2.3	+19.4%

7 With 100% Italian Private Banking.

For the whole of 2009, BancWest's revenues totaled €2,138 million, which was stable (+0.6%) at constant exchange rates compared to 2008, the good core deposits growth (+17.5% compared to the fourth quarter 2008) being offset by the limited growth in outstanding loans (+2.3%/2008 but down at the end of the year) and a decline in net interest margin (13 basis points/2008, or -4%) due to falling interest rates.

Thanks to the effects of the cost-cutting program introduced in early 2009, operating expenses (€1,169 million) were up only 3.9% at constant exchange rates compared to 2008. This rise is due only to the sharp rise in FDIC assessment. Excluding this effect, operating expenses were down 1.5% at constant exchange rates.

The cost of risk, which came to €1,195 million compared to €628 million in 2008, was up sharply. This variation is associated with the loan portfolio, especially loan loss provisions on residential mortgages as well as continued impairment charges from the investment portfolio. Again this year, this deterioration is less marked than for most of BancWest's competitors.

Thus, the pre-tax income came to -€223 million compared to €333 million in 2008.

Emerging Market Retail Banking

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**1,735**	**1,896**	**-8.5%**
Operating expenses and depreciation	(1,105)	(1,146)	-3.6%
Gross operating income	**630**	**750**	**-16.0%**
Cost of risk	(788)	(377)	nm
Operating income	**(158)**	**373**	**nm**
Share of earnings of associates	9	14	-35.7%
Other non-operating items	1	147	-99.3%
Pre-tax income	**(148)**	**534**	**nm**
Cost/income ratio	63.7%	60.4%	+3.3 pts
Allocated equity *(in billions of euros)*	2.2	2.2	+0.2%

Emerging Market Retail Banking continued its business development as evidenced by its surpassing the threshold of five million customers in 2009 and continued hiring in the Mediterranean.

For the whole of 2009, revenues, affected by the devaluation of a number of currencies in relation to the euro, were down 8.5% compared to 2008, at €1,735 million. At constant scope and exchange rates, they were up 2.2% thanks to the selective growth in outstandings and despite the negative effects of the falling interest rates on deposit margins in all countries. With the growth in deposits (+4.7%) greater than the growth in loans (+4.2%), the loan/deposit ratio, at 89%, improved by one point compared to 2008 with, notably, a decline in outstandings in Ukraine.

At constant scope and exchange rates, operating expenses rose 7.8% compared to 2008 due to continued expansion in the Mediterranean. They were down in Ukraine.

The cost of risk soared compared to last year (+€411 million). This rise is due to the even higher level of provisions in Ukraine (€450 million in 2009 compared to €319 million in 2008) as well as loan loss provisions on a few loans in the Gulf region (+€162 million). The rise in the cost of risk remain moderate in the other countries.

As a result, pre-tax income was -€148 million in 2009 compared to €534 million in 2008, a year in which there were €145 million in capital gains from disposals.

Personal Finance

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**4,302**	**3,792**	**+13.4%**
Operating expenses and depreciation	(2,071)	(2,101)	-1.4%
Gross operating income	**2,231**	**1,691**	**+31.9%**
Cost of risk	(1,902)	(1,218)	+56.2%
Operating income	**329**	**473**	**-30.4%**
Share of earnings of associates	52	84	-38.1%
Other non-operating items	31	109	-71.6%
Pre-tax income	**412**	**666**	**-38.1%**
Cost/income ratio	48.1%	55.4%	-7.3 pts
Allocated equity *(in billions of euros)*	2.9	2.7	+7.8%

For the whole of 2009, Personal Finance's revenues, which totaled €4,302 million, was up 13.4% compared to 2008 due to the continued growth in outstandings (+5.2%), especially mortgages at the end of the year.

Thanks to the effects of the cost-cutting program, operating expenses edged down 1.4% compared to 2008. This strict cost control, combined with good revenue drive, enabled Personal Finance to post strong growth in its gross operating income (+31.9%) at €2,231 million, as well as a 14.8-point positive jaws effect.

The cost of risk, which was €1,902 million, was up sharply (+56.2%) due to the economic slowdown and rising unemployment. It amounted to 321 basis points compared to 222 basis points in 2008. The good operating performance made it nevertheless possible to offset over three-quarters of this increase.

Pre-tax income totaled €412 million compared to €666 million in 2008, a year during which there were €123 million in capital gains from the disposal of Group's equity stake in Cofidis.

Equipment Solutions

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**1,087**	**1,067**	**+1.9%**
Operating expenses and depreciation	(707)	(716)	-1.3%
Gross operating income	**380**	**351**	**+8.3%**
Cost of risk	(204)	(155)	+31.6%
Operating income	**176**	**196**	**-10.2%**
Share of earnings of associates	(3)	(15)	-80.0%
Other non-operating items	(1)	(1)	+0.0%
Pre-tax income	**172**	**180**	**-4.4%**
Cost/income ratio	65.0%	67.1%	-2.1 pts
Allocated equity *(in billions of euros)*	1.5	1.6	-4.6%

For the whole of 2009, Equipment Solutions' revenues, at €1,087 million, edged up slightly compared to 2008 (+1.9%), despite the drop in outstandings, thanks to a rebound in used car prices in the second half of the year. Revenues holding up well combined with control of operating expenses (-1.3%) helped the business unit generate a gross operating income up 8.3%. Thus, pre-tax income, at €172 million, slid down only 4.4% compared to 2008, despite the rise in the cost of risk (+€49 million /2008).

Investment Solutions

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**4,768**	**4,935**	**-3.4%**
Operating expenses and depreciation	(3,400)	(3,423)	-0.7%
Gross operating income	**1,368**	**1,512**	**-9.5%**
Cost of risk	(27)	(207)	-87.0%
Operating income	**1,341**	**1,305**	**+2.8%**
Share of earnings of associates	(13)	8	nm
Other non-operating items	(38)	(3)	nm
Pre-tax income	**1,290**	**1,310**	**-1.5%**
Cost/income ratio	71.3%	69.4%	+1.9 pts
Allocated equity *(in billions of euros)*	4.8	4.7	+2.4%

For the whole of 2009, the net asset inflows of all Investment Solutions' business units totaled €25.5 billion, bringing the annualized asset inflow rate to 5.1% of assets under management. This very solid level of asset inflows, better than that of 2007 and close to two and a half times the amount in 2008 when BNP Paribas was one of the very few banks to report positive asset inflows, illustrate the powerful appeal of the franchise throughout of the financial crisis. Combined with a positive performance effect as a result of rising stock market indices, this asset inflow pushed assets under management 17% compared to December 31, 2008, reaching €588 billion, returning to their end of 2007 levels.

At €4,768 million, revenues edged down slightly compared to 2008 (-3.4%), as the significant rebound in assets under management made it possible to offset the drop in margins in asset management, the reinforcement of general fund reserves in insurance, as well as the fall in the volume of transactions and the contraction of the net interest margin on float in the Securities Services business unit.

Thanks to the cost-cutting program introduced in all the business units at the end of 2008, operating expenses, which totaled €3,400 million, were practically unchanged (-0.7%).

The division remained highly profitable with pre-tax income totaling €1,290 million, a level comparable to 2008 (-1.5%), after receiving one-third of the income from French and Italian private banking.

Wealth & Asset Management (WAM)

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**2,384**	**2,373**	**+0.5%**
Operating expenses and depreciation	(1,745)	(1,755)	-0.6%
Gross operating income	**639**	**618**	**+3.4%**
Cost of risk	(38)	(24)	+58.3%
Operating income	**601**	**594**	**+1.2%**
Share of earnings of associates	(19)	4	nm
Other non-operating items	(13)	1	nm
Pre-tax income	**569**	**599**	**-5.0%**
Cost/income ratio	73.2%	74.0%	-0.8 pt
Allocated equity *(in billions of euros)*	0.9	1.0	-10.9%

Insurance

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**1,283**	**1,318**	**-2.7%**
Operating expenses and depreciation	(725)	(711)	+2.0%
Gross operating income	**558**	**607**	**-8.1%**
Cost of risk	8	(45)	nm
Operating income	**566**	**562**	**+0.7%**
Share of earnings of associates	5	3	+66.7%
Other non-operating items	(25)	(3)	nm
Pre-tax income	**546**	**562**	**-2.8%**
Cost/income ratio	56.5%	53.9%	+2.6 pts
Allocated equity *(in billions of euros)*	3.6	3.3	+9.1%

Securities Services

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**1,101**	**1,244**	**-11.5%**
Operating expenses and depreciation	(930)	(957)	-2.8%
Gross operating income	**171**	**287**	**-40.4%**
Cost of risk	3	(138)	nm
Operating income	**174**	**149**	**+16.8%**
Non-operating items	1	0	nm
Pre-tax income	**175**	**149**	**+17.4%**
Cost/income ratio	84.5%	76.9%	+7.6 pts
Allocated equity *(in billions of euros)*	0.2	0.3	-26.8%

Corporate and Investment Banking (CIB)

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**12,194**	**4,973**	**nm**
Operating expenses and depreciation	(5,453)	(3,711)	+46.9%
Gross operating income	**6,741**	**1,262**	**nm**
Cost of risk	(2,295)	(2,477)	-7.3%
Operating income	**4,446**	**(1,215)**	**nm**
Share of earnings of associates	0	1	nm
Other non-operating items	(2)	25	nm
Pre-tax income	**4,444**	**(1,189)**	**nm**
Cost/income ratio	44.7%	74.6%	-29.9 pts
Allocated equity *(in billions of euros)*	9.8	10.3	-5.2%

For the whole of 2009, CIB's revenues totaled €12,194 million compared to €4,973 million in 2008, year marked by an unprecedented financial crisis, especially in the fourth quarter after the failure of Lehman Brothers.

The division's operating expenses totaled €5,453 million compared to €3,711 million in 2008. They include the total amount of variable compensation, including the deferred and conditional part as well as one-off taxes in France and in the UK. The cost/income ratio, at 44.7%, remains the industry's best.

The division's cost of risk was €2,295 million compared to €2,477 million in 2008. It is characterized by the sharp decline in the cost of risk on capital markets (-€1,188 million) after 2008, which was marked by the impact of the financial crisis and a very sharp rise in the financing businesses (+€1,006 million) to 96 basis points compared to 25 basis points in 2008, due to the severity of the global economic slowdown.

Thus, CIB's pre-tax income totaled €4,444 million compared to -€1,189 million in 2008 in a context of crisis. This very solid performance demonstrates the quality and diversity of the CIB franchise, the robustness of its customer-driven business model and its proactive ability to adjust to a new market environment. It comes amidst a substantial reduction in market risks as illustrated by the 43.2% decline in the average value-at-risk ("ValRisk") in one year, thereby confirming a business model focused on customers. Thus, market risks amount to only 3.8% of the Group's risk-weighted assets, one of the industry's lowest.

Advisory and Capital Markets

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**9,086**	**2,066**	**nm**
of which equity and advisory	*1,831*	*(341)*	*nm*
of which fixed income	*7,255*	*2,407*	*nm*
Operating expenses and depreciation	(4,338)	(2,607)	+66.4%
Gross operating income	**4,748**	**(541)**	**nm**
Cost of risk	(934)	(2,122)	-56.0%
Operating income	**3,814**	**(2,663)**	**nm**
Share of earnings of associates	0	1	nm
Other non-operating items	(2)	25	nm
Pre-tax income	**3,812**	**(2,637)**	**nm**
Cost/income ratio	47.7%	126.2%	-78.5 pts
Allocated equity *(in billions of euros)*	4.3	3.8	+15.0%

In a year that saw the gradual normalization of markets and very significant volumes of customer business, Advisory and Capital Markets' revenues reached €9,086 million compared to €2,066 million in 2008. Very substantial volumes of securities issuances—be it corporate bonds, capital increases or convertible securities—were accompanied by a significant widening of the bid-offer spreads, especially at the beginning of the year, as well as by notable market share gains.

Revenues from Fixed Income totaled €7,255 million compared to €2,407 million in 2008. They were driven by record customer business, especially for bond issues where the business unit ranked first in euro-denominated issues, supporting its clients in their financing plans. The business in interest rate and foreign exchange derivative products was very significant to meet companies and investors' needs to hedge interest rate and foreign exchange risks.

Equity and Advisory posted revenues of €1,831 million, compared to a loss of €341 million in 2008 due to the sudden drying up of liquidity and the market dislocation that followed the failure of Lehman Brothers. After a first quarter devoted to pursuing reduced exposures, the business unit returned to satisfactory business and revenue levels. Numerous issuances of equities and convertible securities were carried out as well as IPOs to meet corporate customers' capital requirements. Institutional clients' demand for index-based flow products remained strong. There was a gradual return to structured products business in the second half of the year with customer demand for more simple, less volatile guaranteed capital products.

Financing Businesses

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Revenues	**3,108**	**2,907**	**+6.9%**
Operating expenses and depreciation	(1,115)	(1,104)	+1.0%
Gross operating income	**1,993**	**1,803**	**+10.5%**
Cost of risk	(1,361)	(355)	nm
Operating income	**632**	**1,448**	**-56.4%**
Non operating items	0	0	nm
Pre-tax income	**632**	**1,448**	**-56.4%**
Cost/income	35.9%	38.0%	-2.1 pts
Allocated equity *(in billions of euros)*	5.5	6.6	-16.8%

At €3,108 million, the Financing businesses' revenues rose 6.9% compared to 2008, driven by brisk business, especially in structured, commodity and export finance, which illustrates this business unit's active contribution to financing businesses.

BNP Paribas Fortis

In millions of euros	**2009 (*)**
Revenues	**5,292**
Operating expenses and depreciation	(3,147)
Gross operating income	**2,145**
Cost of risk	(853)
Operating income	**1,292**
Share of earnings of associates	59
Other non-operating items	9
Pre-tax income	**1,360**
Corporate income tax	(378)
Minority interests	**(274)**
Net income attributable to equity holders	**708**

(*) For reference purpose: 2009 represents the period post acquisition from May 12 to December 31.

BNP Paribas Fortis contributed to the Group's 2009 results over seven and a half months, from the date of the first consolidation on May 12. There is no basis for comparison for 2008. This contribution takes into account the balance sheet adjustments according to the purchase price accounting rules.

During this period, revenues, which totalled €5,292 million, benefited from the upturn in business in the retail networks and very good volumes in the market businesses in the second and third quarters of the year. Operating expenses were €3,147 million; they include the initial impact of cost synergies for a total of €120 million, ahead of the initial schedule, which provided for only €110 million in synergies in 2009[8]. Gross operating income totalled €2,145 million. The cost of risk remained high at €853 million (78 basis points). Pre-tax income came to €1,360 million, of which €847 million came from the scheduled amortisation of Purchase Price Accounting adjustments. After tax and minority interests, BNP Paribas Fortis contributed a total of €708 million to the Group's net income.

This first substantial contribution came amidst a renewed drive in all the businesses.

Since the Belgian Retail Banking network entered the BNP Paribas Group, its customers have started replenishing their deposits and assets. Outstanding deposits totalled €67.2 billion at the end of 2009 compared to €59.8 billion in the first quarter 2009. Outstanding loans remained stable. The new sales and marketing campaigns launched last May were warmly received by customers and generated substantial sales. The network in Luxembourg enjoyed moderate growth in outstanding loans and stable deposits.

Assets under management rose slightly since the date of the integration to €161 billion, thanks to a positive performance effect. The trends were the same for Private Banking whose assets under management reached €44 billion at the end of 2009.

Merchant Banking's various business units enjoyed a good revenue drive, despite the drop in its risk profile since the beginning of the integration, which is reflected by a decline in risk-weighted assets and a substantial reduction in market risks during the period.

Results of operations by nature of income and expense

Revenues

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Net interest income	21,021	13,498	+56%
Net commission income	7,467	5,859	+27%
Net gain on financial instruments at fair value through profit or loss	6,085	2,693	+126%
Net gain on available-for-sale financial assets	436	464	-6%
Net income from other activities	5,182	4,862	+7%
REVENUES	**40,191**	**27,376**	**+47%**

General. Group revenues grew 47% in 2009, reflecting a 56% climb in net interest income, a 126% jump in the net gain on financial instruments at fair value through profit or loss, and a 27% rise in net commission income.

Net interest income. The "Net interest income" line item includes net income and expenses related to customer items, interbank items, bonds issued by the Group, cash flow 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

[8] Restructuring costs, which totaled €168 million before tax, were booked in the "Corporate Center".

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 fixed-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.

Net interest income grew 56% in 2009 to €21,021 million. This growth was primarily driven by a 47% drop in interest expenses on debt securities issued by the Group, which fell from €7,935 million in 2008 to €4,215 million in 2009. This drop in interest expenses came despite a 34% increase in the amount of debt securities outstanding, thanks to lower interest rates.

Interest expenses on interbank items plunged 50%, from €7,848 million in 2008 to €3,894 million in 2009, due to a 50% reduction in net interest expenses paid on demand accounts and loans on borrowings.

Net interest income on customer items rose 12%, from €17,232 million in 2008 to €19,236 million in 2009. This growth reflects a €2,499 million decrease in expenses on deposits, loans, and borrowings. BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries generated €3,451 million of net interest income on customer items for the Group.

Interest and related income from available-for-sale financial assets rose 4% in 2009 to €5,142 million.

Net interest income on the trading book totaled €2,666 million in 2009, compared with €1,707 million in 2008. This increase is due primarily to a €1,293 million growth in revenues from repurchase agreements, as well as a €1,285 decline in interest expenses on debt securities.

These gains were partially offset by a €1,784 million increase in the net expense on interest rate portfolio hedge instruments, which rose from €77 million in 2008 to €1,861 million in 2009.

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." The change in these assets between December 31, 2008 and December 31, 2009 is described in the following discussion of the Group's balance sheet:

Volumes of interest-earning assets and interest-bearing liabilities can be affected by several factors in addition to general economic conditions and growth of the Group's lending 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 the sections entitled "Division results – Retail Banking" and "Division results – Corporate and Investment Banking." For more information on changes in interest rate spreads in Retail Banking during the year, see the sections entitled "Core business results – Retail Banking – French Retail Banking," "Core business results -- BancWest," "Core business results -- Emerging Markets," and "Core business results – Personal Finance."

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income rose 27%, from €5,859 million in 2008 to €7,467 million in 2009. This can be attributed mainly to higher commissions from trusts and similar activities, which grew from €1,777 million in 2008 to €2,215 million in 2009, as well as a €240 million increase in commissions from financial assets and liabilities that are not measured at fair value through profit or loss.

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 and losses on sales and marking to market gains and losses, along with dividends from variable-income securities. Net gains on the trading book also include gains and losses due to the ineffectiveness of fair value hedges, cash flow hedges, and net foreign investment hedges.

The net gain on financial instruments at fair value through profit or loss surged 126%, from €2,693 million in 2008 to €6,085 million in 2009. 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. Profit and loss items related to derivatives and transactions on variable- and fixed-rate securities totaled €5,397 million in 2009, against a negative €128 million in 2008. This increase was partially offset by a decline in income from loans and repurchase agreements, which fell €1,236 million and €1,036 million, respectively, in 2009.

Net gain on available-for-sale financial assets. Under IFRS, this line item includes net gains and 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 on available-for-sale financial assets" line item.

The net gain on available-for-sale financial assets fell 6%, or €28 million, in 2009. This decline reflects a €311 million drop in the net gain on variable-income assets, partially offset by a €283 million rise in the net gain on fixed-income assets.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities grew 7%, from €4,682 million in 2008 to €5,182 million in 2009. This increase is due primarily to a €238 million climb in net income from investment property, and a €101 million rise in net income from assets held under operating leases.

In the insurance business, 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 decline in net income from the insurance business stems from a €10,075 million net allocation to technical reserves made during the year, compared with a net withdrawal of €5,284 million from these reserves in 2008. This was due to an increase in the value of admissible investments related to unit-linked businesses, which switched from a €7,996 million loss at December 31, 2008 to a €3,864 million gain at December 31, 2009. Gross premiums written increased from €13,473 million in 2008 to €16,876 million in 2009.

Operating Expenses and Depreciation

(in millions of euros)	**2009**	**2008**	**Change (2009/2008)**
Operating expenses	(21,958)	(17,324)	+27%
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(1,382)	(1,076)	+28%
Operating expense and depreciation	**(23,340)**	**(18,400)**	**+27%**

Operating expenses and depreciation rose 27%, from €18,400 million in 2008 to €23,340 million in 2009. €3,199 million of this growth is due to the acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries (including restructuring costs). The rest of the growth can be attributed to a 47% climb in operating expenses and depreciation at CIB, triggered by a 2.5-fold increase in this business' revenues in 2009.

Gross Operating Income

The Group's gross operating income leapt 88%, from €8,976 million in 2008 to €16,851 million in 2009, as revenues growth outstripped a slower climb in operating expenses.

Cost of Risk

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Net additions to impairment provisions	(8,161)	(5,786)	+41%
Recoveries on loans and receivables previously written-off	420	348	+21%
Irrecoverable loans and receivables not covered by impairment provisions	(628)	(314)	x2
Total net additions to provisions	**(8,369)**	**(5,752)**	**+45%**

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.

Cost of risk grew in 2009 as a result of a significant increase in impairment provisions, which itself reflects a 73% jump in provisions at Retail Banking to €5,169 million. This includes a 56% rise in provisions at Personal Finance to €1,902 million. The acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries lifted the Group's cost of risk by €853 million.

Total doubtful loans and commitments net of guarantees amounted to €31 billion at December 31, 2009, up from €16 billion a year earlier, and provisions totaled €28 billion, up from €15 billion a year earlier. The acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries increased the Group's doubtful commitments net of guarantees by €6 billion, and provisions by €7 billion. The Group's coverage ratio was 88% at December 31, 2009, down from 91% the prior year.

For a more detailed discussion of net additions to provisions for each division, see the section entitled "2009 Review of operations – Core business results".

Net Income Group Share

(in millions of euros)	**2009**	**2008**	***Change (2009/2008)***
Operating income	**8,482**	**3,224**	**X2.6**
Share of earnings of associates	178	217	-18%
Net gain on non-current assets	87	481	-82%
Change in value of goodwill	253	2	nm
Income taxes	(2,526)	(472)	x5.4
Minority interests	642	431	+49%
Net income	**5,832**	**3,021**	**+93%**

General. Net income Group share rose 93% in 2009.

Share of earnings of associates. The Group's share of earnings of associates (*i.e.,* companies accounted for under the equity method) decreased from €217 million at December 31, 2008 to €178 million at December 31, 2009 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. The net gain on non-current assets fell from €481 million at December 31, 2008 to €87 million at December 31, 2009.

Change in value of goodwill. Change in value of goodwill rose significantly during the year, climbing from €2 million at December 31, 2008 to €253 million at December 31, 2009, reflecting badwill of €835 million on the acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries, offset by goodwill impairment losses of €582 million on the acquisitions of Personal Finance, Arval, UkrSibBank and Sahara Bank.

Income tax. The Group's income tax expense in 2009 was €2,526 million, up sharply from €472 million in 2008 as a result of higher pre-tax net income. The 2009 income tax expense for BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries was €363 million on €1,308 million of pre-tax income.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group grew to €642 million in 2009, up from €431 million in 2008. The acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries added €263 million to minority interests.

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2009, as compared to its financial condition as of December 31, 2008.

Assets

General. At December 31, 2009, the Group's consolidated assets amounted to €2,057.7 billion, down 1% from €2,075.6 billion at December 31, 2008. 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 93% of total assets at December 31, 2009 (94.9% at December 31, 2008). The 1% decrease in total assets reflects a 30% drop in financial assets at fair value through profit or loss, partially offset by a rise in most of the Group's other assets, including a 69% jump in available-for-sale financial assets and a 37% climb in loans and receivables due from customers.

At April 30, 2009, the last consolidated balance sheet date for BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries (before the two groups were taken over by BNP Paribas), total assets, after restatements in accordance with the accounting rules for business acquisitions[9], amounted to €519.1 billion. These assets accounted for €410.9 billion, or 20%, of BNP Paribas' total consolidated assets at December 31, 2009.

Financial assets at fair value through profit or loss. Financial assets at fair or model value through profit or loss consist of trading account transactions (including derivatives) and certain assets designated by the Group as at fair or model value through profit or loss at the time of acquisition. Financial assets carried in the trading book include mainly securities, repurchase agreements, and derivatives. Assets designated by the Group as at fair value through profit or loss include admissible investments related to unit-linked insurance businesses, 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 €828.8 billion at December 31, 2009, down 30% from €1,192.3 billion at December 31, 2008. This decrease reflects a 36% decline in trading book derivatives to €363.7 billion, and a 40% fall in repurchase agreements to €208.9 billion.

The decline in trading book derivatives is due primarily to a 27% drop in interest rate derivatives to €218 billion, a 58% reduction in credit derivatives to €35.5 billion, and a 40% decrease in equity derivatives to €70.2 billion.

Financial assets at fair value through profit or loss accounted for 40.3% of the Group's total assets at December 31, 2009, compared with 57% at December 31, 2008.

The financial assets at fair value through profit or loss of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €55 billion, or 7%, of the Group's consolidated total, and were comprised mainly of trading book derivatives (€43.1 billion).

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 €88.9 billion at December 31, 2009, up 29% from €69.2 billion at December 31, 2008. The majority of this increase can be attributed to a 370% surge in repurchase agreements to €28.5 billion. Impairment provisions rose to €1 billion at December 31, 2009, up from €0.1 billion at December 31, 2008.

---

[9] As described in Note 8.c, "Business combinations," to the BNP Paribas financial statements at December 31, 2009, the consolidated balance sheet at 30 April 2009 for BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries was prepared under IFRS, including the restatements required by IFRS for business acquisitions, and under BNP Paribas' own Group accounting methods.

The loans and receivables due from credit institutions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €39.6 billion, or 45% of the Group's consolidated total, and were comprised mainly of repurchase agreements (€19.6 billion) and demand accounts and loans (€14.3 billion).

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 €678.8 billion at December 31, 2009, up 37% from €494.4 billion at December 31, 2008. Loans to customers account for the bulk of this increase, as they grew 36% to €616.9 billion. Demand accounts shrank 7.2% to €26.5 billion. Finance leases totaled €34.9 billion at December 31, 2009, up 39% from the prior year, and repurchase agreements totaled €25.9 billion, up from €0.9 billion the prior year. Impairment provisions rose 77% to €25.4 billion at December 31, 2009, up from €14.3 billion at December 31, 2008.

The loans and receivables due from customers of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €197.0 billion, or 29% of the Group's total, and were comprised mainly of loans to customers (€161.0 billion).

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

Available-for-sale financial assets (net of impairment provisions) amounted to €221.4 billion at December 31, 2009, up 69% from €130.7 billion at December 31, 2008. This increase is due primarily to an 83.1% increase in bonds to €173.8 billion, a 45% rise in negotiable debt securities to €28.3 billion, and a 19% climb in other variable income securities to €22.5 billion.

In terms of provisions on available-for-sale financial assets, an additional €0.6 billion of impairment provisions were recognized to bring the total from €2.6 billion at December 31, 2008 to €3.2 billion at December 31, 2009. Impairment provisions for available-for-sale financial assets are calculated at each balance sheet date. Unrealized gains on available-for-sale financial assets totaled €4.4 billion at December 31, 2009, compared with an unrealized loss of €1.7 billion the prior year. Of these unrealized gains, €4 billion came from negotiable debt securities and bonds and €2.1 billion from equities and other variable-income securities.

The available-for-sale financial assets of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €69.1 billion, or 31% of the Group's total, and were comprised of €67.7 billion of fixed-income securities and €1.3 billion of equities and other variable-income securities.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recorded in the balance sheet at amortized 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 stable over the year, edging down from €14.1 billion at December 31, 2008 to €14 billion at December 31, 2009.

BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries had no held-to-maturity financial assets at December 31, 2009.

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

Accrued income and other assets grew 26% to €103.4 billion at December 31, 2009, up from €81.9 billion at December 31, 2008. This increase is primarily due to a €21.2 billion or 82% rise in settlement accounts related to securities transactions.

The accrued income and other assets of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €33.5 billion, or 32% of the Group's total, and were comprised mainly of €24.6 billion of 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 rose 43% to €56.1 billion at December 31, 2009, up from €39.2 billion at December 31, 2008. This growth is attributed to a €16.9 billion increase in loans to central banks.

The cash and amounts due from central banks and post office banks of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €4.6 billion, or 8% of the Group's total.

Liabilities (excluding shareholders' equity)

Overview. The Group's consolidated liabilities (excluding shareholders' equity) totaled €1,977.4 billion at December 31, 2009, down 2% from €2,016.6 billion at December 31, 2008. The main components of the Group's liabilities are financial liabilities at fair value through profit or loss, amounts due to credit institutions, amounts due to customers, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies. These items together accounted for 97.1% of total liabilities (excluding shareholders' equity) at December 31, 2009. The 2% year-on-year decrease was fuelled by a 33% drop in financial liabilities at fair value through profit or loss, partially offset by a 46% increase in amounts due to customers, a 19% rise in amounts due to credit institutions, and a 34% climb in debt securities.

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

Total financial liabilities at fair value through profit or loss shrank 33% to €709.3 billion at December 31, 2009, down from €1,054.8 billion at December 31, 2008. This decrease stems from a 35% decline in trading book derivatives to €356.2 billion, and a 43% fall in repurchase agreements to €209.3 billion.

The decline in trading book derivatives is due primarily to a 28% decrease in interest rate derivatives to €210.8 billion, a 57% drop in credit derivatives to €35.5 billion, and a 35% reduction in equity derivatives to €67.8 billion.

The financial liabilities at fair or model value through profit or loss of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €60 billion, or 8%, of the Group's total, and were comprised of €43.4 billion of trading book derivatives, €5.2 billion of debt securities, and €3.5 billion of subordinated debt.

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

Amounts due to credit institutions grew 19% to €220.7 billion in 2009. This rise mainly reflects a 113% jump in repurchase agreements to €49.4 billion at December 31, 2009.

The amounts due to credit institutions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €53.4 billion, or 24%, of the Group's total, and included €32.4 billion of repurchase agreements.

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

Amounts due to customers totaled €604.9 billion at December 31, 2009, up 46.1% from €414 billion at December 31, 2008. This reflects the combined impact of a 45% increase in term accounts and saving deposits to €234.5 billion, and a 31% climb in demand deposits to €261 billion.

The amounts due to customers of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €191.4 billion, or 32% of the Group's total, and were comprised mostly of

€88.1 billion of term accounts and saving deposits, €52.3 billion of demand deposits, and €50.9 billion of repurchase agreements.

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 5a to the consolidated financial statements).

Debt securities grew 34% to €211 billion at December 31, 2009, up from €157.5 billion at December 31, 2008. This increase was driven by a 47.8% rise in negotiable certificates of deposits to €191.4 billion, partially offset by a 30% decrease in bond issues to €19.6 billion.

The debt securities of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €54.1 billion, or 26% of the Group's total, and were comprised of €51.4 billion of certificates of deposit and negotiable debt securities.

Subordinated debt. Subordinated debt grew 54% to €28.2 billion at December 31, 2009, from €18.3 billion the prior year.

The subordinated debt of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €11.6 billion, or 41% of the Group's total, and were comprised of €9.1 billion of redeemable subordinated debt and €2.4 billion of undated subordinated debt.

Technical reserves of insurance companies. Technical reserves of insurance companies rose 17% to €101.6 billion at December 31, 2009, up from €86.5 billion the prior year. This increase is due primarily to higher technical reserves in the life insurance business.

BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries had negligible technical reserves of insurance companies at December 31, 2009.

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

Accrued expenses and other liabilities fell 13% to €72.4 billion at December 31, 2009, down from €83.4 billion at December 31, 2008. This decrease was driven by a 28% drop in guarantee deposits received to €22.7 billion and a 35% reduction in other creditors and miscellaneous liabilities to €12.9 billion, partially offset by a 39.9% rise in settlement accounts related to securities transactions to €29.4 billion.

The accrued expenses and other liabilities of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €18.7 billion, or 26%, of the Group's total, and included €12.3 billion of other creditors and miscellaneous liabilities.

Minority interests. Minority interests grew to €10.8 billion at December 31, 2009, up from €5.7 billion at December 31, 2008. This increase reflects €4.7 billion of capital transactions carried out in 2009, including the acquisitions of BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries for €4.1 billion. These entities contributed €0.6 billion to the Group's net income and €0.2 billion to the Group's unrealized or deferred gains or losses, and received €0.3 billion of dividends and interim dividends.

Consolidated Shareholders' Equity Attributable to the Group

Consolidated shareholders' equity attributable to the Group before dividend payouts amounted to €69.5 billion at December 31, 2009, up from €53.2 billion a year earlier.

This increase can be attributed to net income for the year of €5.8 billion and share issues totaling €11.7 billion, partially offset by the repayment of €2.5 billion of undated super-subordinated notes and a €1 billion dividend payout for 2008.

Unrealized or deferred gains or losses grew by €2.7 billion as a result of higher unrealized gains on available-for-sale financial assets.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers consist mostly of documentary credits, other confirmed letters of credit and commitments relating to repurchase agreements. These commitments shrank 23% to €238.9 billion at December 31, 2009.

Commitments to credit institutions grew 26% to €34.9 billion at December 31, 2009.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. The financing commitments received fell 36% to €86.1 billion at December 31, 2009, from €134.2 billion the prior year. This decrease reflects the combined effect of a 36% reduction in commitments received from credit institutions to €79.5 billion and a 33% fall in commitments received from customers to €6.6 billion.

The financing commitments given and received by BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €61.2 billion and €1.6 billion, respectively, of the Group's total.

Guarantee Commitments

The amount of guarantee commitments rose 23% to €104.7 billion at December 31, 2009, up from €85 billion a year earlier. This increase can be attributed to a 22% jump in commitments given to customers to €94.3 billion, and a 35% rise 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.

The guarantee commitments given and received by BNP Paribas Fortis, BGL BNP Paribas, and their subsidiaries at December 31, 2009 accounted for €22.2 billion and €54.8 billion, respectively, of the Group's total.

Selected Exposures Based on Financial Stability Board Recommendations

Exposure to Conduits and SIVs

As at December 31, 2009	**Entity data**		**BNP Paribas exposure**				
In billions of euros	**Assets funded**	**Securities issued**	**Liquidity lines**		**Credit enhancement (1)**	**ABCP held and others**	**Maximum commitment (2)**
			Line outstanding	**o/w cash drawn**			
BNP Paribas sponsored entities							
ABCP conduits	8.4	8.4	8.4	-	0.4	0.1	11.0
Structured Investment Vehicles	-	-	-	-	-	-	-
Third party sponsored entities (BNP Paribas share)							
ABCP conduits	0.5	0.5	0.5	0.1	-	-	0.5
Structured Investment Vehicles	-	-	-	-	-	-	-

(1) Provided by BNP Paribas. In addition, each program benefits from other types of credit enhancement.

(2) Represent the cumulative exposure across all types of commitments in a worst case scenario.

At December 31, 2009, exposures declined to €11 billion, down €4.3 billion compared to December 31, 2008, owing principally to repayments and amortizations of facilities.

The Group does not have any exposure to SIVs.

Sponsored ABCP Conduits

BREAKDOWN BY MATURITY AND REGION

Sponsored ABCP conduits as at December 31, 2009 *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	4.2	4.6	1.2	0.6	0.4	11.0
Assets funded	**2.5**	**4.1**	**0.9**	**0.5**	**0.4**	**8.4**
Breakdown by maturity						
0 - 1 year	38%	-	20%	21%	55%	18%
1 year - 3 years	36%	59%	74%	46%	30%	52%
3 years - 5 years	14%	32%	6%	33%	14%	22%
> 5 years	12%	9%	-	-	1%	8%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Breakdown by geography (*)						
USA	93%	2%				37%
France		6%	92%	100%		18%
Spain		19%				8%
UK		9%				3%
Asia		15%			100%	10%
Diversified and Others	7%	49%	8%			24%
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 as diversified.

BREAKDOWN BY ASSET TYPE

Sponsored ABCP conduits as at December 31, 2009	**Starbird United States**	**Matchpoint Europe**	**Eliopee Europe**	**Thesee Europe**	**J Bird 1 & 2 Japan**	**Total**	
						by asset type	**o/w AA and above**
Breakdown by asset type							
Auto Loans, Leases & Dealer Floorplans	33%	25%				23%	
Trade Receivables	19%	27%	100%	100%		35%	
Consumer Loans & Credit Cards	4%	9%			100%	9%	
Equipment Finance	13%					5%	
Student Loans	7%					2%	
RMBS		3%				2%	100%
o/w US (0% subprime)		*1%*				*0%*	
o/w UK							
o/w Spain		*2%*				*1%*	
CMBS		13%				5%	34%
o/w US, UK, Spain							
CDOs of RMBS (non US)		6%				2%	
CLOs	17%	7%				10%	78%
CDOs of corporate bonds		5%				2%	100%
Insurance		1%				3%	
Others	7%	4%				2%	
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Funding through Proprietary Securitization

Cash securitisation as at December 31, 2009 *In billions of euros*	**Amount of securitised assets**	**Amount of notes**	**Securitised positions held**	
			First losses	**Others**
Personal Finance	**4.2**	**4.5**	**0.1**	**1.4**
o/w Residential loans	*3.4*	*3.7*	*0.1*	*1.2*
o/w Consumer loans	*0.2*	*0.2*	*0.0*	*0.1*
o/w Lease receivables	*0.6*	*0.6*	*0.0*	*0.1*
BNL	**3.8**	**3.8**	**0.1**	**0.2**
o/w Residential loans	*3.8*	*3.8*	*0.1*	*0.2*
o/w Consumer loans	-	-	-	-
o/w Lease receivables	-	-	-	-
o/w Public sector	-	-	-	-
TOTAL	**8.0**	**8.3**	**0.2**	**1.6**

€8 billion of loans had been refinanced through securitization at December 31, 2009, down from €9.7 billion at December 31, 2008.

The securitization positions held were affected by the buyback of €0.6 billion in senior notes from certain UCI funds (securitization of mortgage loans).

Following the transition to IFRS in 2005, SPVs are 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, 2009 *In billions of euros*		**Gross outstanding**					**Allowances**		**Net exposure**
		Consumer	**First Mortgage**		**Home Equity Loans**	**Total**	**Portfolio**	**Specific**	
			Full Doc	**Alt A**					
US (BancWest)		**7.8**	**7.4**	**0.3**	**2.9**	**18.4**	**(0.4)**	**(0.1)**	**18.0**
Super Prime	*FICO (*) > 730*	4.7	4.8	0.2	1.9	11.5	-	-	11.5
Prime	*600<FICO (*) <730*	2.6	2.2	0.1	0.8	5.8	-	-	5.8
Subprime	*FICO (*) < 600*	0.6	0.4	0.0	0.2	1.1	-	-	1.1
UK		**0.4**	**0.4**	**-**	**-**	**0.8**	**(0.0)**	**(0.1)**	**0.8**
Spain		**3.9**	**6.1**	**-**	**-**	**9.9**	**(0.1)**	**(0.6)**	**9.2**

(*) At origination.

The Group's personal loans classified as sensitive included the following at December 31, 2009:

- the good quality of the US portfolio, which represented gross exposure of €18.4 billion, down €1.4 billion compared with December 31, 2008. Exposure to subprime loans stood at just €1.1 billion, up €0.8 billion compared with December 31, 2008 owing to migration of FICO scores;

- moderate exposure to the UK (€0.8 billion), including 0.4 billion related to BNP Paribas Fortis' activities;

- well-secured exposure to Spain (affected by the economic downturn) through guarantees in the mortgage portfolio and a sizable percentage of auto loans in the consumer lending portfolio.

COMMERCIAL REAL ESTATE

Commercial Real Estate as at December 31, 2009 *In billions of euros*	Gross exposure					Allowances		Net exposure
	Home Builders	Non residential developers	Property companies	Others [1]	Total	Portfolio	Specific	
US	**1.3**	**0.7**	**0.6**	**4.0**	**6.7**	**(0.1)**	**(0.1)**	**6.4**
BancWest	1.1	0.7	-	4.0	5.9	(0.1)	(0.1)	5.7
CIB	0.1	-	0.1	-	0.3	-	-	0.3
BNP Paribas FORTIS	-	-	0.5	-	0.5	-	(0.0)	0.5
UK	**0.2**	**0.2**	**2.1**	**0.6**	**3.1**	**(0.0)**	**(0.1)**	**3.0**
Spain	**-**	**0.0**	**0.5**	**0.7**	**1.3**	**-**	**(0.0)**	**1.2**

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

The Group's commercial real estate loan portfolio included the following at December 31, 2009:

- exposure to the US home builder sector that is gradually being reduced (down €0.7 billion compared with December 31, 2008);
- diversified and granular exposure of €4.7 billion (down €0.5 billion compared with December 31, 2008) to other US commercial real estate sectors;
- exposure to the UK concentrated on the major property companies and up €1.9 billion owing to the first time consolidation of BNP Paribas Fortis;
- limited exposure to Spain where the Group has no significant exposure to the construction sector, which moved up €0.5 billion owing to the first time consolidation of BNP Paribas Fortis.

Real Estate Related ABS and CDOs Exposure

BANKING BOOK AND TRADING PORTFOLIO

Net exposure *In billions of euros*	31/12/2008			31/12/2009
	Net exposure	Gross exposure (*)	Allowances	Net exposure
TOTAL RMBS	**5.4**	**12.2**	**(0.3)**	**11.8**
US	**2.4**	**1.6**	**(0.2)**	**1.4**
Subprime	0.2	0.2	(0.0)	0.1
Mid-prime	0.2	0.1	(0.0)	0.1
Alt-A	0.2	0.1	(0.0)	0.1
Prime (**)	1.7	1.2	(0.1)	1.1
UK	**1.0**	**1.0**	**(0.1)**	**1.0**
Conforming	0.1	0.2	-	0.2
Non conforming	0.9	0.8	(0.1)	0.8
Spain	**1.4**	**0.9**	**(0.0)**	**0.9**
The Netherlands		**8.2**	**(0.0)**	**8.2**
Other countries	**0.6**	**0.4**	**(0.0)**	**0.4**
TOTAL CMBS	**2.3**	**2.3**	**(0.0)**	**2.2**
US	1.2	1.2	(0.0)	1.2
Non US	1.1	1.0	(0.0)	1.0
TOTAL CDOS (CASH AND SYNTHETIC)	**0.7**	**0.7**	**(0.0)**	**0.7**
RMBS	**0.5**	**0.6**	**(0.0)**	**0.6**
US	(0.1)	0.0	(0.0)	0.0
Non US	0.6	0.6	(0.0)	0.6
CMBS	**(0.0)**	**0.0**	**(0.0)**	**0.0**
CDO of TRUPs	**0.3**	**0.1**	**(0.0)**	**0.1**
TOTAL	**8.5**	**15.1**	**(0.4)**	**14.8**
o/w Trading Book	**2.8**	**-**	**-**	**0.0**
TOTAL SUBPRIME, ALT-A, US CMBS AND RELATED CDOS	**1.5**	**1.6**	**(0.1)**	**1.5**

(*) Entry price + accrued interests – amortization.
(**) Excluding Government Sponsored Entity backed securities.

The banking book's exposure to real estate related ABSs and CDOs grew by €9.1 billion at December 31, 2009 owing predominantly to the first-time consolidation of the AAA-rated Dutch RMBS held by BNP Paribas Fortis. The assets are booked at amortized cost with the appropriate provision whenever there is a permanent impairment.

The trading book's exposure to real estate ABSs and CDOs was negligible.

Monoline Counterparty Exposure

In billions of euros	31/12/2008		31/12/2009	
	Notional	**Gross counterparty exposure**	**Notional**	**Gross counterparty exposure**
CDOs of US RMBS subprime	2.04	1.74	1.56	1.30
CDOs of european RMBS	0.28	0.02	0.27	0.14
CDOs of CMBS	1.07	0.24	1.04	0.24
CDOs of corporate bonds	7.51	1.18	7.32	0.21
CLOs	5.36	0.27	5.07	0.17
Non credit related	n.s	0.00	n.s	0.00
TOTAL GROSS COUNTERPARTY EXPOSURE	**N.S**	**3.44**	**N.S**	**2.06**

In billions of euros	**31/12//2008**	**31/12/2009**
TOTAL GROSS COUNTERPARTY EXPOSURE	**3.44**	**2.06**
Credit derivatives bought from banks or other collateralized third parties	(0.73)	(0.38)
TOTAL UNHEDGED GROSS COUNTERPARTY EXPOSURE	**2.72**	**1.68**
Credit adjustments and allowances (1)	(1.83)	(1.39)
NET COUNTERPARTY EXPOSURE	**0.89**	**0.30**

(1) Including specific allowances as at December 31, 2009 of 0.5bn related to monolines classified as doubtful

BREAKDOWN BY CREDIT RATING

In billions of euros	31/12/2009	
	Groos exposure	**Net exposure**
AAA/AA	0.16	0.06
A/BB	0.07	0.01
B and below	1.83	0.24
NET COUNTERPARTY EXPOSURE	**2.06**	**0.30**

At December 31, 2009, gross exposure to counterparty risk arising from monoline insurers stood at €2.06 billion, down €1.38 billion compared with December 31, 2008.

At December 31, 2009, net exposure to counterparty risk arising from monoline insurers was reduced to €0.30 billion (€0.89 billion at December 31, 2008).

LBO

	Final take by region
Asia	2%
USA	14%
Other Europe	23%
United Kingdom	8%
Italy	8%
France	43%
TOTAL	**100%**

	Final take by sector
Business services	19%
Materials and Ores	12%
Communication	9%
Media	9%
Retail trade	7%
Agriculture, Food, …	5%
Hotels, tourism	5%
Others	34%
TOTAL	**100%**

The Group's LBO final-take portfolio totaled €10.7 billion at December 31, 2009, up €1.9 billion owing to the first-time consolidation of the LBOs held by BNP Paribas Fortis. This portfolio is highly diversified (over 550 transactions), and 93% of it consists of senior debt. The portfolio is booked as loans and receivables at amortized cost.

A provision of €1.4 billion (up 0.6 billion compared with December 31, 2008) was set aside.

The trading book portfolio remained unchanged at €100 million.

BNP Paribas Fortis' "IN" portfolio

Net exposure *In billions of euros*				**31/12/2009**
	Net exposure	**Gross exposure (*)**	**Allowances**	**Net exposure**
TOTAL RMBS	**5.6**	**4.9**	**(0.1)**	**4.8**
US	**1.7**	**1.5**	**(0.1)**	**1.4**
Subprime	0.0	0.0	-	0.0
Mid-prime	-	-	-	-
Alt-A	0.4	0.4	(0.0)	0.4
Prime (**)	1.0	0.9	(0.1)	0.8
Agency	0.2	0.2	-	0.2
UK	**1.3**	**1.1**	**-**	**1.1**
Conforming	0.3	0.2	-	0.2
Non conforming	0.9	0.8	-	0.8
Spain	**0.3**	**0.3**	**-**	**0.3**
Netherlands	**1.0**	**1.0**	**-**	**1.0**
Other countries	**1.3**	**1.1**	**-**	**1.1**
CDO OF RMBS	**-**	**-**	**-**	**-**
TOTAL CMBS	**0.9**	**0.8**	**(0.0)**	**0.8**
US	0.0	0.0	-	0.0
Non US	0.8	0.8	(0.0)	0.8
TOTAL CONSUMER RELATED ABS	**5.9**	**5.6**	**-**	**5.6**
Auto Loans/Leases	**1.5**	**1.3**	**-**	**1.3**
US	0.3	0.2	-	0.2
Non US	1.2	1.1	-	1.1
Student Loans	**3.0**	**3.0**	**-**	**3.0**
Credit cards	**0.9**	**0.9**	**-**	**0.9**
Consumer Loans / Leases	**0.1**	**0.1**	**-**	**0.1**
Other ABS (equipment lease,...)	**0.4**	**0.3**	**-**	**0.3**
CLOS AND CORPORATE CDOS	**3.7**	**3.6**	**(0.0)**	**3.6**
US	2.3	2.4	(0.0)	2.4
Non US	1.4	1.2	-	1.2
Sectorial Provision	**-**		**(0.3)**	
TOTAL	**15.6**	**14.9**	**(0.4)**	**14.6**

(*) Entry price + accrued interests - amortization.
(**) Excluding Government Sponsored Entity backed securities.

The IN portfolio was included for the first time in BNP Paribas' balance sheet upon the consolidation of Fortis' assets from May 12, 2009. At December 31, 2009, the net exposure of the IN portfolio stood at €14.6 billion, down €1 billion compared with June 30, 2009, owing principally to amortization and sales of assets from the RMBS portfolio.

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

The portfolio of RMBS and CMBS is of a good quality: 62% are rated AAA.

The consumer credit related ABS comprises student loans, 96% of which are AAA-rated, auto loans of which 99% are rated AA or higher and credit card outstandings of which 99% are AAA-rated.

The portfolio of CLOs and corporate CDOs is highly diversified. It comprises bonds and corporate loans. 83% of the U.S. assets are rated AA or higher. 64% of the assets in other countries are rated AA or higher.

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)*
Revenues	**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%**
Cost of risk	(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 revenues 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 IS 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 totaled €3,924 million, compared with €11,058 million in 2007. This profit stemmed from the relative strength of Retail Banking and IS, 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)*
Revenues	**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%**
Cost of risk	(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%

Revenues 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 totaled €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. Revenues at Equity and Advisory came in at negative €341 million for the year, while revenues at Fixed Income reached €2,407 million. The financing businesses posted a solid €2,907 million of revenues 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.

Cost of risk was 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)*
Revenues	**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**
Cost of risk	(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.

Cost of risk was 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)***
Revenues	**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%**
Cost of risk	(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. Revenues totaled €2,907 million and grew markedly across the board due 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.

Cost of risk was €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%.

Investment Solutions

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Revenues	**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%**
Cost of risk	(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 IS 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 Investment Solutions, which grew its French market share by 1.7 point to 9.9% (source: Europerformance, Dec. 2008).

Revenues totaled €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 revenues 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, IS 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)***
Revenues	**2,373**	**2,719**	**-12.7%**
Operating expenses and depreciation	(1,755)	(1,828)	-4.0%
Gross operating income	**618**	**891**	**-30.6%**

Cost of risk	(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)***
Revenues	**1,318**	**1,436**	**-8.2%**
Operating expenses and depreciation	(711)	(664)	+7.1%
Gross operating income	**607**	**772**	**-21.4%**
Cost of risk	(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)***
Revenues	**1,244**	**1,109**	**+12.2%**
Operating expenses and depreciation	(957)	(877)	+9.1%
Gross operating income	**287**	**232**	**+23.7%**
Cost of risk	(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)***
Revenues	**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%**
Cost of risk	(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 IS	(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 revenues 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.

Revenues 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% due 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 IS 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)***
Revenues	**2,800**	**2,641**	**+6.0%**
Operating expenses and depreciation	(1,757)	(1,744)	+0.7%
Gross operating income	**1,043**	**897**	**+16.3%**
Cost of risk	(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 IS	(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 revenues 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).

Revenues 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.

Cost of risk was 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 cost of risk corresponds to 73 basis points of risk-weighted assets, against 65 basis points in the prior year.

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

Bancwest

(in millions of euros)	**2008**	**2007**	***Change (2008/2007)***
Revenues	**2,027**	**1,991**	**+1.8%**
Operating expenses and depreciation	(1,070)	(1,052)	+1.7%
Gross operating income	**957**	**939**	**+1.9%**
Cost of risk	(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. Revenues 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 eight 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.

Cost of risk 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 totaled €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)***
Revenues	**1,896**	**1,371**	**+38.3%**
Operating expenses and depreciation	(1,146)	(897)	+27.8%
Gross operating income	**750**	**474**	**+58.2%**
Cost of risk	(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 pts
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.

Revenues soared 38.3% (or 35.1% at constant scope and exchange rates) to €1.896 million, due 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%.

Cost of risk 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. Cost of risk 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 totaled €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)***
Revenues	**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%**
Cost of risk	(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 pts
Allocated equity (in billions of euros)	2.7	2.4	+11.3%

Revenues 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.

Cost of risk, standing at €1,218 million or 222 basis points (compared to 156 basis points in 2007), was 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 totaled €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)***
Revenues	**1,067**	**1,170**	**-8.8%**
Operating expenses and depreciation	(716)	(727)	-1.5%
Gross operating income	**351**	**443**	-20.8%
Cost of risk	(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

Revenues

(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 %
Revenues..	**27,376**	**31,037**	-12 %

General. The 12% decrease in revenues 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 million 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 "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 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 revenues increased from 60.5% for 2007 to 67.2% for 2008, reflecting a comparatively higher rate of decrease in revenues (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 revenues 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 totaled €15 billion (as compared to €12.8 billion at December 31, 2007). The coverage ratio at the same date remained at 91%. Cost of risk 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. Cost of risk 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 totaled €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 amortized 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 totaled €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 totaled €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 totaled €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.

RECENT DEVELOPMENTS

First Quarter 2010 Results (Unaudited)

Greater Profit Generating Capacity Thanks to the Group's New Dimension

After the year 2009 marked by the economic recession, particularly in the first quarter, the first quarter 2010 has seen signs of the beginning of economic recovery. For BNP Paribas, the integration of BNP Paribas Fortis, taken over on May 12, 2009, is ongoing. In particular, the businesses of BNP Paribas Fortis and BGL BNP Paribas were split into different businesses of BNP Paribas Group and a new business unit was created: BeLux Retail Banking, which encompasses the retail and corporate banking businesses in Belgium and Luxembourg, the Group's new domestic markets.

In this context, BNP Paribas Group had an excellent performance, enabling it to generate net earnings of €2,283 million, up 46.5% compared to the first quarter 2009. This rise is due both to the Group's new dimension and to good income growth at constant scope and exchange rates of each of the Group's three operating divisions.

Net earnings per share in the first quarter reached €1.87, up 20.6% compared to the first quarter 2009. The annualized return on equity was 14.4% compared to 12.3% in the first quarter 2009.

The new Group posted €11,530 million in revenues, up 21.7% compared to the first quarter 2009. In keeping with the Group's strategy, the retail banking businesses account for more than half of revenues (53%), CIB's account for 34% and Investment Solutions' for 13%. At constant scope and exchange rates, the level of revenues was comparable to that of the first quarter 2009, despite an exceptionally high base. This solid performance is due to the sales and marketing drive of the business units as well as the strengthening of the Group's franchise.

At €6,596 million, operating expenses rose 23.3% compared to the first quarter 2009. At constant scope and exchange rates, they were down 3.4% compared to the same period a year earlier, thanks to cost-cutting efforts undertaken across all the business units during the crisis.

The Group's cost/income ratio was 57.2%. At constant scope and exchange rates, it improved by 2 points.

Gross operating income totalled €4,934 million, up 19.5% compared to the first quarter 2009. At constant scope and exchange rates, it was up 5.0% compared to the first quarter 2009, reflecting the good operating performance of all the Group's business units.

The Group's cost of risk, at €1,337 million, or 83 basis points of customer loans, was down respectively €489 million and €561 million compared to the first and fourth quarters of 2009.

The good operating performance of all the Group's business units, combined with the effects of the integration of BNP Paribas Fortis and the drop in the cost of risk, helped generate €3,840 million in pre-tax income, up 67.7% compared to the first quarter 2009 (+55.4% at constant scope and exchange rates).

BNP Paribas has never bought a Greek bank. Therefore, it has no material exposure to the country's local economy. Its exposure to the Greek banking system is negligible. Its corporate commitments are limited (about €3 billion or 0.2% of the Group's total commitments). They are focused on corporations which are primarily international and in the shipping sector with asset-secured loans and risks with minimal correlation to the Greek economy. Moreover, the Group has some exposure, limited compared to its size, in respect of Greek sovereign debt: about €5 billion or 0.4% of the Group's total commitments. Besides banking risks, BNP Paribas net exposure to Greece arising from its insurance business is negligible.

The integration of entities of BNP Paribas Fortis and BGL BNP Paribas with those of BNP Paribas was, due to its magnitude, supported by all the Group's business units, functions and territories. More than 85% of the 1,160 integration projects identified have already been launched. During the quarter, €42 million in synergies were booked and added to the €120 million already recorded in the 2009 accounts. In addition to the €162 million already booked, the full year effect of synergies implemented comes to €92 million, which will be reflected in the financial statements in the coming quarters. So, the total of €254 million in synergies already implemented is in line with the plan announced.

A positive contribution of all the business units

All of the Group's business units continued their business development and made a positive contribution to the results.

Retail banking

French Retail Banking (FRB)

In the first quarter of the year, the network remained devoted to supporting customers in their financing needs as illustrated by the growth in customer loans by 3.4% at constant scope of consolidation and exchange rates over the year, driven by mortgages to households (+6.5% at constant scope of consolidation and exchange rates) and investment loans to companies (+3.1% at constant scope of consolidation and exchange rates). In a setting of low interest rates, outstanding deposits enjoyed a favorable structural effect: customers reduced their time deposits (-46.6% at constant scope of consolidation and exchange rates) and increased their sight deposits (+8.0% at constant scope of consolidation and exchange rates) and their savings accounts (+6.6% at constant scope of consolidation and exchange rates).

In its new scope including retail banking businesses in French overseas territories and BNP Paribas Fortis businesses in France, FRB generated revenues[5] of €1,753 million, up 9.4% compared to the first quarter 2009. At constant scope, it rose 5.0% with a more balanced contribution between net interest income (+4.0% at constant scope of consolidation and exchange rates), which benefited from a favorable growth of volumes and the positive trend in the structure of deposits, and fees (+6.3% at constant scope of consolidation and exchange rates), in particular financial fees, up 15.2% at constant scope of consolidation and exchange rates compared to a very low base in the first quarter 2009 in an environment which, at the time, was unfavorable for financial savings.

The moderate increase in operating expenses[5] compared to the first quarter 2009 (+1.7% at constant scope of consolidation and exchange rates) helped push up FRB's gross operating income considerably (+10.7% at constant scope of consolidation and exchange rates) and produced a positive jaws effect well above the 1-point target set for 2010. The cost/income ratio, at 62.2%[5], improved 2 points at constant scope of consolidation and exchange rates during the period.

The cost of risk[5] 37 basis points of customer loans, was up moderately compared to the first quarter 2009 (31 basis points). This level is significantly lower than that of comparable networks.

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 €507 million, up 9.0% at constant scope of consolidation and exchange rates compared to the first quarter 2009.

BNL banca commerciale (BNL bc)

Thanks to the opening of new branches and the regular gains of new customers since it joined the Group (a net total of 17,000 individual cheque and deposit accounts in the first quarter 2010), BNL bc continued its business development, as illustrated by the good growth in sight deposits for individuals (+4.5% at constant scope of consolidation and exchange rates) and for companies (+3.6% at constant scope of consolidation and exchange rates) as well as market share gains in financial savings in life insurance and mutual funds. Customer loans were stable (-0.3% at constant scope of consolidation and exchange rates) with a selective origination in certain segments.

In its new scope, which includes the businesses of Fortis Italia and Banca UCB, BNL bc posted revenues[7] of €759 million, up 4.4% compared to the first quarter 2009. At constant scope, revenues rose 2.9% thanks to the positive structural effect observed in respect of deposits and to rise in financial fees associated with market share gains as well as the predominant share of recurring fees in revenues.

The stability of operating expenses[7] (0.0% at constant scope of consolidation and exchange rates), thanks to the prolonged effect of synergies achieved while integrating BNL as part of the Group, helped BNL bc to generate a positive jaws effect of close to 3 points, in line with the target set for 2010. This good operating performance is reflected in a new 1.7 point at constant scope of consolidation and exchange rates improvement in the cost/income ratio, at 57.0%, and 7.1% at constant scope of consolidation and exchange rates growth in gross operating income[7].

However, Italy's business community, comprised of many small and medium sized businesses, was hard hit by the economic environment and the cost of risk[7], at €200 million, was up compared to the first quarter 2009. It was 107 basis points of customer loans compared to 64 basis points during the same period a year earlier.

After allocating one-third of Italian Private Banking's net income to the Investment Solutions division, BNL bc's pre-tax income came to €123 million, down 33.9% compared to the first quarter 2009.

BeLux Retail Banking

BeLux Retail Banking is the name of the new operating retail banking business in Belgium and Luxembourg created out of BNP Paribas Fortis and BGL BNP Paribas, including the Corporate and Public Banking business operations.

BeLux Retail Banking's commercial drive is illustrated notably by the relaunch of a new Private Banking business in Belgium based on the model used in France and Italy and the successful launch of a Premium account which brought in €5.5 billion in the first quarter of the year. In addition, the good asset inflows and market share gains in savings pushed deposits up 9.5% at constant scope of consolidation and exchange rates compared to the first quarter 2009, with a sharp rise in the number of savings accounts to the detriment of time deposits. Growth in customer loans was moderate (+0.6% at constant scope of consolidation and exchange rates) compared to the first quarter 2009, the good growth in mortgages in Belgium and Luxembourg (+7.8% at constant scope of consolidation and exchange rates) and the sharp rise in loans to entrepreneurs in Belgium thanks to promotional campaigns being offset by the decline in loans to companies due to clients' capacity to seek refinancing on bond markets.

These good commercial performances illustrate the return of customer confidence.

At €864 million, revenues[7] were up 10.4% at constant scope of consolidation and exchange rates compared to the first quarter 2009 pro forma thanks to the positive structural effect observed in respect of deposits and the good growth in financial fees.

The limited rise in operating expenses[7] compared to the first quarter 2009 pro forma (+2.0% at constant scope of consolidation and exchange rates) helped BeLux Retail Banking to generate gross operating income up 35.6% at constant scope of consolidation and exchange rates over the period and to bring down the cost/income ratio by 5.7 points at constant scope of consolidation and exchange rates to 69.2%. For the whole year 2010, the business unit is expected to produce a positive 3-point jaws effect.

The decrease in the cost of risk[7] in 2010, amplified by the seasonal effect, brought it to only 7 basis points of customer loans (38 basis points pro forma in the first quarter 2009).

After allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BeLux Retail Banking's pre-tax income came to €235 million. It was more than twice at constant scope of consolidation and exchange rates the amount in the first quarter 2009 pro forma.

Europe-Mediterranean

The networks in emerging markets have been renamed Europe-Mediterranean. They include the entities of BNP Paribas Fortis in Turkey and in Poland whilst the retail banking operations in the French overseas territories are now included in French Retail Banking. Europe-Mediterranean has 6 million customers and manages over €23 billion in customer loans.

In this new scope, Europe-Mediterranean's revenues, which totalled €454 million, grew 5.8% during the period. At constant scope and exchange rates, they are down 9.8% over the period, this contraction being primarily due to the economic crisis that hit Ukraine in 2009 whilst the trend in the Mediterranean is positive.

At €330 million, operating expenses were down 1.3% at constant scope of consolidation and exchange rates.

Thanks to the recent improvement in the environment in Ukraine and after more than €850 million in new provisions since 2008, the business unit's cost of risk, at €89 million, of which €83 million in Ukraine, was down compared to the first quarter 2009. It was 138 basis points of customer loans compared, respectively, to 334 basis points and 394 basis points during the first and fourth quarters 2009.

The significant decline in the cost of risk helped Europe-Mediterranean generate €44 million in pre-tax income compared to €37 million in the first quarter 2009 and €91 million in losses in the fourth quarter 2009.

BancWest

In a context of recent signs of economic recovery in the United States, BancWest's revenues, at €533 million, were virtually stable (+0.1%) at constant rate, compared to the first quarter 2009. The turnaround in the net interest margin (+16 basis points over the period) thanks notably to the sharp decline in the yield on certain types of deposits, combined with strong growth in deposits (+9.3% at constant scope of consolidation and exchange rates), in particular core deposits, helped offset the negative effect of the continued decline in customer loans (-5.6% at constant scope of consolidation and exchange rates over the period).

Thanks to the effects of the cost-cutting program implemented in 2009, operating expenses, at €288 million, were down slightly (-0.9%) at constant rate, compared to the first quarter 2009.

At €150 million, the cost of risk was down sharply compared to the first quarter 2009, due to lesser impairment charges on the investment portfolio and a more stable quality of the credit portfolio. It was 163 basis points of customer loans compared to 282 basis points during the same period a year earlier and 311 basis points in the fourth quarter 2009.

This significant drop in the cost of risk helped BancWest to return to profits and to post pre-tax income of €96 million compared to pre-tax losses of €26 million in the first quarter 2009.

Personal Finance

In the new scope, which now includes the entities of BNP Paribas Fortis and Findomestic that is fully consolidated since control was taken over on December 1, 2009, Personal Finance's revenues totalled €1,261 million, up 22.9% compared to the first quarter 2009. At constant scope and exchange rates, it grew 7.1% thanks to a rise in outstandings (+2.1% at constant scope of consolidation and exchange rates), in particular outstanding mortgages in France and in the Netherlands.

Thanks to the full effect of the structural cost-cutting programs implemented in 2009, operating expenses, which include a gradual pickup in sales and marketing spending, were up only 1.0% at constant scope of consolidation and exchange rates compared to the first quarter 2009. This good operating performance helped the business unit to drive gross operating income up 13.1% at constant scope of consolidation and exchange rates over the period and a jaws effect above the annual target of 2 points.

At €524 million, the cost of risk was up €109 million compared to the first quarter 2009, but down €24 million compared to the fourth quarter 2009. It was 258 basis points of customer loans compared to 235 basis points in the first quarter 2009 and 287 basis points in the fourth quarter 2009. The trend towards stabilisation is thus confirmed.

Pre-tax income, at €181 million, was up sharply by 28.9% at constant scope of consolidation and exchange rates compared to the first quarter 2009.

Equipment Solutions

In the new scope including BNP Paribas Fortis' businesses and after transferring the domestic networks' leasing origination to the respective domestic Retail Banking business units, Equipment Solutions' revenues, at €357 million, were up 81.2% compared to the first quarter 2009. At constant scope and exchange rates, they were up 43.9% thanks to the considerable upswing in the prices of used vehicles. This vigorous growth in revenues combined with operating expenses stability over the period (+0.4% at constant scope of consolidation and exchange rates) helped the business unit to generate €162 million in gross operating income, three times the level in the first quarter 2009 at constant scope of consolidation and exchange rates.

The cost of risk was €65 million compared to €47 million in the first quarter 2009. Pre-tax income thus came to €95 million compared to pre-tax losses of €20 million during the same period a year earlier.

Investment Solutions

After the integration of the BNP Paribas Fortis businesses, in particular in Private Banking and Asset Management, the Investment Solutions division changed its dimension, as illustrated by the level of assets under management which rose to €874 billion as at March 31, 2010 compared to €510 billion as at 31 March 2009. They were up 16% compared to March 31, 2009 at constant scope. In addition, the inclusion of Fortis Investment's assets resulted in a decline in the relative weight of money market funds (from 31% to 22%) in Asset Management, primarily in favor of bond assets.

The net asset outflows during the quarter were very limited (-€0.2 billion), the good asset inflows in Private Banking (+1.7 billion) due mostly to the three main domestic networks and in Insurance (+€2.2 billion) being slightly more than offset by continued asset outflows in Asset Management (-€4.3 billion) essentially in money market funds and equities whilst it remained positive in bond funds.

In this new scope, the division's revenues, at €1,444 million, were up 26.0% compared to the first quarter 2009. At constant scope and exchange rates, they were up 4.3%. Wealth and Asset Management's revenues (+6.2% at constant scope of consolidation and exchange rates) were driven by the good performance of asset management and private banking in domestic networks. Insurance revenues rose 17.9% at constant scope of consolidation and exchange rates compared to a low base in the first quarter 2009, affected by the stock market crisis. The revenues of the Securities Services business unit fell 12.8% at constant scope of consolidation and exchange rates due to the contraction of the net interest margin on floats.

At €1,023 million, operating expenses were down slightly compared to the first quarter 2009 (-0.8% at constant scope of consolidation and exchange rates) thanks to cost-cutting efforts undertaken in all the business units in 2009. These operating performances helped the division to drive gross operating income up 19.4% at constant scope of consolidation and exchange rates compared to the same period a year earlier.

Pre-tax income thus came to €467 million, up 33.6% at constant scope of consolidation and exchange rates compared to the first quarter 2009.

Corporate and Investment Banking (CIB)

In the new scope, which includes BNP Paribas Fortis' corresponding businesses, CIB's revenues totalled €3,752 million, up 0.6% compared to the first quarter 2009, which had benefited from exceptionally favorable market conditions. At constant scope and exchange rates, they were down only 12.4% thanks to a recurrent and growing client revenue base in the Financing businesses, Fixed Income's solid contribution and the powerful rebound of the Equities and Advisory business.

Fixed Income's revenues totalled €1,874 million. While they did not achieve the exceptional level of the first quarter 2009 (€2,895 million), they were driven by sustained client business both on bond markets, animated with the presence of a great diversity of issuers, and on interest rate derivatives, in particular flow products, and foreign exchange products with extremely high volumes. The relative contribution by institutional investors to the business unit's revenues is growing.

The revenues of the Equity and Advisory business rebounded considerably to €845 million, the best ever quarterly results, driven by sustained demand from retail customers for simple guaranteed capital structured products, the success of the index-based and tailor-made product offering as well as by the continued expansion of the line of flow products. BNP Paribas ranked second in Europe for convertible securities issues (source: Dealogic).

The Financing Businesses' revenues totalled €1,033 million, up 29.6% compared to the first quarter 2009. At constant scope and exchange rates, they were up 19.9%, driven by the very good performance of energy and commodity finance as well as of project and asset finance. They thereby actively contributed to financing the global economy.

The division's operating expenses came to €1,859 million, down 8.6% at constant scope of consolidation and exchange rates compared to the first quarter 2009. The cost/income ratio was 49.5%. For reference purposes, all expenses pertaining to the 2009 performance-related compensation were included in the 2009 accounts.

The division's cost of risk, at €207 million, was down €490 million compared to the first quarter 2009. In capital markets, the decline compared to the first quarter 2009 confirms the downward trend of counterparty risk. In the Financing Businesses, the cost of risk, down substantially at €80 million, was 21 basis points of customer loans compared to 119 basis points in the first quarter 2009 and 36 basis points in the fourth quarter 2009, also confirming the downward trend observed in the second half 2009.

CIB's pre-tax income thus came to €1,697 million, up 26.2% at constant scope of consolidation and exchange rates compared to the first quarter 2009.

This very good performance, commensurate with the Group's new dimension, illustrates the diversity of the CIB franchise, focused on its position as a preferred partner of all clients, issuers and investors alike. It comes amidst a reduction of the average ValRisk which was less than €60 million in the first quarter 2010.

Corporate Center

The Corporate Center's revenues, at €462 million, were up significantly compared to the low level of €123 million in the first quarter 2009. They now include the amortisation of the adjustment to fair value of the banking book (Purchase Accounting), which was €147 million this quarter. The effect of the own debt revaluation is negligible this quarter.

Operating expenses totaled €255 million and include €143 million in restructuring costs.

The capital gain from the disposal of Artémis (€131 million), an asset management subsidiary not included in the Group's organisational set up, is recorded in Other Non Operating Items.

The quarterly pre-tax income came to €399 million compared to losses of €25 million during the same period a year earlier.

*

* *

As at March 31, 2010, the Tier 1 ratio was 10.5%, up 0.4 points compared to December 31, 2009. At 8.3%, the Equity Tier 1 ratio was up 0.3 points compared to December 31, 2009. These high solvency ratios are the result of organic generation of equity this quarter and a slight decline in risk-weighted assets to €617 billion compared to €621 billion as at December 31, 2009.

The Group enjoys a favorable liquidity situation due to its limited dependence on the interbank money market, thanks to its position as the top bank in the eurozone by deposits and competitive refinancing cost thanks to its CDS spread - one of the lowest of comparable banks. More than half of the Group's 2010 medium - and long-term debt issue program has already been completed, close to half of the debt being issued with a maturity superior or equal to five years.

Consolidated Profit and Loss Account

in millions of euros	1Q10	1Q09	1Q10/ 1Q09	4Q09	1Q10/ 4Q09
Revenues	11,530	9,477	+21.7%	10,058	+14.6%
Operating Expenses and Dep.	-6,596	-5,348	+23.3%	-6,137	+7.5%
Gross Operating Income	4,934	4,129	+19.5%	3,921	+25.8%
Cost of risk	-1,337	-1,826	-26.8%	-1,898	-29.6%
Operating Income	3,597	2,303	+56.2%	2,023	+77.8%
Share of earnings of associates	68	-16	n.s.	74	-8.1%
Other Non Operating Items	175	3	n.s.	-2	n.s.
Non Operating Items	243	-13	n.s.	72	n.s.
Pre-Tax Income	3,840	2,290	+67.7%	2,095	+83.3%
Corporate income tax	-1,188	-658	+80.5%	-574	n.s.
Net income attributable to minority interests	-369	-74	n.s.	-156	n.s.
Net income attributable to equity holders	2,283	1,558	+46.5%	1,365	+67.3%
Cost/Income	57.2%	56.4%	+0.8 pt	61.0%	-3.8 pt

First Quarter 2010 – Results by Core Businesses

in millions of euros		Retail Banking	Investment Solutions	CIB	Operating Divisions	Other Activities	Group
Revenues		5,872	1,444	3,752	11,068	462	11,530
	%Change/1Q09	+31.1%	+26.0%	+0.6%	+18.3%	n.s.	+21.7%
	%Change/4Q09	+4.7%	-0.5%	+53.8%	+16.5%	-17.2%	+14.6%
Operating Expenses and Dep.		-3,459	-1,023	-1,859	-6,341	-255	-6,596
	%Change/1Q09	+31.4%	+24.8%	+4.9%	+21.4%	n.s.	+23.3%
	%Change/4Q09	-3.0%	-2.1%	+37.8%	+6.4%	+44.1%	+7.5%
Gross Operating Income		2,413	421	1,893	4,727	207	4,934
	%Change/1Q09	+30.6%	+29.1%	-3.2%	+14.5%	n.s.	+19.5%
	%Change/4Q09	+18.1%	+3.7%	+73.5%	+33.5%	-45.7%	+25.8%
Cost of risk		-1,166	-2	-207	-1,375	38	-1,337
	%Change/1Q09	+5.0%	-83.3%	-70.3%	-24.5%	n.s.	-26.8%
	%Change/4Q09	-27.4%	-88.9%	-11.5%	-26.0%	n.s.	-29.6%
Operating Income		1,247	419	1,686	3,352	245	3,597
	%Change/1Q09	+69.4%	+33.4%	+33.9%	+45.2%	n.s.	+56.2%
	%Change/4Q09	n.s.	+8.0%	+96.7%	+99.3%	-28.2%	+77.8%
Share of earnings of associates		21	26	5	52	16	68
Other Non Operating Items		9	22	6	37	138	175
Pre-Tax Income		1,277	467	1,697	3,441	399	3,840
	%Change/1Q09	+69.1%	+55.1%	+34.8%	+48.6%	n.s.	+67.7%
	%Change/4Q09	n.s.	+20.1%	+95.1%	n.s.	+3.4%	+83.3%

in millions of euros		Retail Banking	Investment Solutions	CIB	Operating Divisions	Other Activities	Group
Revenues		5,872	1,444	3,752	11,068	462	11,530
	1Q09	4,480	1,146	3,728	9,354	123	9,477
	4Q09	5,609	1,451	2,440	9,500	558	10,058
Operating Expenses and Dep.		-3,459	-1,023	-1,859	-6,341	-255	-6,596
	1Q09	-2,633	-820	-1,772	-5,225	-123	-5,348
	4Q09	-3,566	-1,045	-1,349	-5,960	-177	-6,137
Gross Operating Income		2,413	421	1,893	4,727	207	4,934
	1Q09	1,847	326	1,956	4,129	0	4,129
	4Q09	2,043	406	1,091	3,540	381	3,921
Cost of risk		-1,166	-2	-207	-1,375	38	-1,337
	1Q09	-1,111	-12	-697	-1,820	-6	-1,826
	4Q09	-1,606	-18	-234	-1,858	-40	-1,898
Operating Income		1,247	419	1,686	3,352	245	3,597
	1Q09	736	314	1,259	2,309	-6	2,303
	4Q09	437	388	857	1,682	341	2,023
Share of earnings of associates		21	26	5	52	16	68
	1Q09	17	-9	-2	6	-22	-16
	4Q09	18	6	18	42	32	74
Other Non Operating Items		9	22	6	37	138	175
	1Q09	2	-4	2	0	3	3
	4Q09	-5	-5	-5	-15	13	-2
Pre-Tax Income		1,277	467	1,697	3,441	399	3,840
	1Q09	755	301	1,259	2,315	-25	2,290
	4Q09	450	389	870	1,709	386	2,095
Corporate income tax							-1,188
Net income attributable to minority interests							-369
Net income attributable to equity holders							2,283

Quarterly Series

in millions of euros	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**1Q10**
GROUP					
Revenues	9,477	9,993	10,663	10,058	11,530
Operating Expenses and Dep.	-5,348	-5,818	-6,037	-6,137	-6,596
Gross Operating Income	4,129	4,175	4,626	3,921	4,934
Cost of risk	-1,826	-2,345	-2,300	-1,898	-1,337
Operating Income	2,303	1,830	2,326	2,023	3,597
Share of earnings of associates	-16	59	61	74	68
Other Non Operating Items	3	281	58	-2	175
Pre-Tax Income	2,290	2,170	2,445	2,095	3,840
Corporate income tax	-658	-376	-918	-574	-1,188
Net income attributable to minority interests	-74	-190	-222	-156	-369
Net income attributable to equity holders	1,558	1,604	1,305	1,365	2,283

in millions of euros	1Q09	2Q09	3Q09	4Q09	1Q10
FRENCH RETAIL BANKING (including 100% of Private Banking in France)					
Revenues	1,598	1,621	1,638	1,613	1,749
Incl. Net Interest Income	*934*	*945*	*945*	*921*	*1,015*
Incl. Commissions	*664*	*676*	*693*	*692*	*734*
Operating Expenses and Dep.	-1,021	-1,054	-1,140	-1,152	-1,091
Gross Operating Income	577	567	498	461	658
Cost of risk	-93	-142	-128	-155	-122
Operating Income	484	425	370	306	536
Non Operating Items	1	0	0	0	0
Pre-Tax Income	485	425	370	306	536
Income Attributable to Investment Solutions	-25	-25	-25	-27	-33
Pre-Tax Income of French Retail Bkg	460	400	345	279	503
FRENCH RETAIL BANKING (including 100% of Private Banking in France) Excluding PEL/CEL Effects					
Revenues	1,602	1,635	1,659	1,645	1,753
Incl. Net Interest Income	*938*	*959*	*966*	*953*	*1,019*
Incl. Commissions	*664*	*676*	*693*	*692*	*734*
Operating Expenses and Dep.	-1,021	-1,054	-1,140	-1,152	-1,091
Gross Operating Income	581	581	519	493	662
Cost of risk	-93	-142	-128	-155	-122
Operating Income	488	439	391	338	540
Non Operating Items	1	0	0	0	0
Pre-Tax Income	489	439	391	338	540
Income Attributable to IS	-25	-25	-25	-27	-33
Pre-Tax Income of French Retail Bkg	464	414	366	311	507
French Retail Banking (including 2/3 of Private Banking in France)					
Revenues	1,545	1,566	1,580	1,556	1,685
Operating Expenses and Dep.	-993	-1,025	-1,108	-1,123	-1,060
Gross Operating Income	552	541	472	433	625
Cost of risk	-93	-141	-127	-154	-122
Operating Income	459	400	345	279	503
Non Operating Items	1	0	0	0	0
Pre-Tax Income	460	400	345	279	503

in millions of euros	1Q09	2Q09	3Q09	4Q09	1Q10
BNL banca commerciale (Including 100% of Private Banking in Italy)					
Revenues	727	741	760	775	759
Operating Expenses and Dep.	-426	-445	-442	-488	-433
Gross Operating Income	301	296	318	287	326
Cost of risk	-115	-165	-185	-206	-200
Operating Income	186	131	133	81	126
Non Operating Items	0	1	0	-1	0
Pre-Tax Income	186	132	133	80	126
Income Attributable to IS	0	-2	-3	-2	-3
Pre-Tax Income of BNL bc	186	130	130	78	123
BNL banca commerciale (Including 2/3 of Private Banking in Italy)					
Revenues	722	734	753	766	751
Operating Expenses and Dep.	-421	-441	-437	-481	-428
Gross Operating Income	301	293	316	285	323
Cost of risk	-115	-164	-186	-206	-200
Operating Income	186	129	130	79	123
Non Operating Items	0	1	0	-1	0
Pre-Tax Income	186	130	130	78	123
BELUX RETAIL BANKING (Including 100% of Private Banking Belgium)					
Revenues	0	402	810	799	864
Operating Expenses and Dep.	0	-309	-568	-610	-598
Gross Operating Income	0	93	242	189	266
Cost of risk	0	-111	-168	-74	-15
Operating Income	0	-18	74	115	251
Associated Companies	0	1	1	-1	0
Other Non Operating Items	0	1	1	-7	2
Pre-Tax Income	0	-16	76	107	253
Income Attributable to IS	0	-10	-11	-15	-18
Pre-Tax Income of BeLux	0	-26	65	92	235
BELUX RETAIL BANKING (Including 2/3 of Private Banking Belgium)					
Revenues	0	383	782	766	831
Operating Expenses and Dep.	0	-300	-551	-593	-582
Gross Operating Income	0	83	231	173	249
Cost of risk	0	-111	-168	-73	-16
Operating Income	0	-28	63	100	233
Associated Companies	0	1	1	-1	0
Other Non Operating Items	0	1	1	-7	2
Pre-Tax Income	0	-26	65	92	235

in millions of euros	1Q09	2Q09	3Q09	4Q09	1Q10
EUROPE MEDITERRANEAN					
Revenues	429	468	452	498	454
Operating Expenses and Dep.	-236	-286	-333	-339	-330
Gross Operating Income	193	182	119	159	124
Cost of risk	-162	-218	-234	-255	-89
Operating Income	31	-36	-115	-96	35
Associated Companies	6	-4	4	6	12
Other Non Operating Items	0	1	0	-1	-3
Pre-Tax Income	37	-39	-111	-91	44
BANCWEST					
Revenues	561	552	549	500	533
Operating Expenses and Dep.	-309	-316	-267	-275	-288
Gross Operating Income	252	236	282	225	245
Cost of risk	-279	-299	-342	-275	-150
Operating Income	-27	-63	-60	-50	95
Non Operating Items	1	1	0	1	1
Pre-Tax Income	-26	-62	-60	-49	96
PERSONAL FINANCE					
Revenues	1,026	1,064	1,103	1,147	1,261
Operating Expenses and Dep.	-508	-509	-493	-558	-576
Gross Operating Income	518	555	610	589	685
Cost of risk	-415	-462	-513	-548	-524
Operating Income	103	93	97	41	161
Associated Companies	14	19	15	13	13
Other Non Operating Items	1	26	-1	5	7
Pre-Tax Income	118	138	111	59	181
EQUIPMENT SOLUTIONS					
Revenues	197	291	336	376	357
Operating Expenses and Dep.	-166	-181	-196	-197	-195
Gross Operating Income	31	110	140	179	162
Cost of risk	-47	-77	-88	-95	-65
Operating Income	-16	33	52	84	97
Associated Companies	-4	-3	4	0	-4
Other Non Operating Items	0	0	0	-2	2
Pre-Tax Income	-20	30	56	82	95

in millions of euros	1Q09	2Q09	3Q09	4Q09	1Q10
INVESTMENT SOLUTIONS					
Revenues	1,146	1,330	1,436	1,451	1,444
Operating Expenses and Dep.	-820	-941	-1,029	-1,045	-1,023
Gross Operating Income	326	389	407	406	421
Cost of risk	-12	-24	13	-18	-2
Operating Income	314	365	420	388	419
Associated Companies	-9	21	-7	6	26
Other Non Operating Items	-4	-28	2	-5	22
Pre-Tax Income	301	358	415	389	467
WEALTH AND ASSET MANAGEMENT					
Revenues	546	721	833	835	812
Operating Expenses and Dep.	-418	-519	-607	-611	-587
Gross Operating Income	128	202	226	224	225
Cost of risk	-4	-23	-7	-18	1
Operating Income	124	179	219	206	226
Associated Companies	-2	7	-2	-7	5
Other Non Operating Items	-4	-2	2	-6	23
Pre-Tax Income	118	184	219	193	254
INSURANCE					
Revenues	299	303	335	345	353
Operating Expenses and Dep.	-170	-181	-182	-192	-189
Gross Operating Income	129	122	153	153	164
Cost of risk	-7	-2	17	0	-3
Operating Income	122	120	170	153	161
Associated Companies	-7	13	-6	13	20
Other Non Operating Items	0	-26	0	1	-1
Pre-Tax Income	115	107	164	167	180
SECURITIES SERVICES					
Revenues	301	306	268	271	279
Operating Expenses and Dep.	-232	-241	-240	-242	-247
Gross Operating Income	69	65	28	29	32
Cost of risk	-1	1	3	0	0
Operating Income	68	66	31	29	32
Non Operating Items	0	1	1	0	1
Pre-Tax Income	68	67	32	29	33

in millions of euros	1Q09	2Q09	3Q09	4Q09	1Q10
CORPORATE AND INVESTMENT BANKING					
Revenues	3,728	3,851	3,478	2,440	3,752
Operating Expenses and Dep.	-1,772	-1,635	-1,418	-1,349	-1,859
Gross Operating Income	1,956	2,216	2,060	1,091	1,893
Cost of risk	-697	-844	-698	-234	-207
Operating Income	1,259	1,372	1,362	857	1,686
Associated Companies	-2	4	1	18	5
Other Non Operating Items	2	3	-5	-5	6
Pre-Tax Income	1,259	1,379	1,358	870	1,697
ADVISORY AND CAPITAL MARKETS					
Revenues	2,931	3,039	2,571	1,380	2,719
Operating Expenses and Dep.	-1,484	-1,281	-997	-985	-1,460
Gross Operating Income	1,447	1,758	1,574	395	1,259
Cost of risk	-277	-304	-273	-86	-127
Operating Income	1,170	1,454	1,301	309	1,132
Associated Companies	-2	0	2	1	1
Other Non Operating Items	2	5	-7	-3	7
Pre-Tax Income	1,170	1,459	1,296	307	1,140
FINANCING BUSINESSES					
Revenues	797	812	907	1,060	1,033
Operating Expenses and Dep.	-288	-354	-421	-364	-399
Gross Operating Income	509	458	486	696	634
Cost of risk	-420	-540	-425	-148	-80
Operating Income	89	-82	61	548	554
Non Operating Items	0	2	1	15	3
Pre-Tax Income	89	-80	62	563	557
CORPORATE CENTRE (INCLUDING BNP PARIBAS CAPITAL AND KLEPIERRE)					
Revenues	123	-246	194	558	462
Operating Expenses and Dep.	-123	-184	-205	-177	-255
incl. restructuring costs	*-5*	*-20*	*-33*	*-115*	*-143*
Gross Operating Income	0	-430	-11	381	207
Cost of risk	-6	-5	43	-40	38
Operating Income	-6	-435	32	341	245
Associated Companies	-22	21	43	32	16
Other Non Operating Items	3	276	61	13	138
Pre-Tax Income	-25	-138	136	386	399

BNP Transfers its Wealth Management Business in Panama, Grand Cayman and The Bahamas to Scotiabank

On April 2, 2010, the Bank announced that it had signed an agreement with Scotiabank whereby the wealth management activities of BNP Paribas in Panama, Grand Cayman, and The Bahamas will be transferred to Scotiabank. The transaction is subject to regulatory approval and is expected to be completed in the third quarter of 2010.

The transaction will optimally preserve employment locally and ensure that clients will continue to be provided with high-quality service. Scotiabank is Canada's most international bank and a premier multi-national financial institution. Scotiabank has offered personal and commercial financial services in Panama since 1974, the Cayman Islands since 1968 and The Bahamas since 1956. This transaction will make Scotiabank one of the largest wealth management providers in Panama.

The transaction will enable BNP Paribas to cease its wealth management activities in the three jurisdictions, in line with its September 2009 announcement.

BNP Paribas Investment Partners and Fortis Investments Combine Their Operations

On April 1, 2010, the closing of the transaction between BNP Paribas Investment Partners and Fortis Investments was completed. The combined entity is now operating under a single brand name: BNP Paribas Investment Partners.

The integration of Fortis Investments has provided BNP Paribas Investment Partners (BNPP IP), the asset management arm of BNP Paribas, with a new dimension. As a result of the integration, BNPP IP has become the fifth-largest asset manager in Europe and the eleventh-largest in the world, with €530 billion in assets under management and advice (as at December 31, 2009).

BNPP IP's existing multi-specialist investment platform has been complemented and strengthened with new capabilities from Fortis Investments. BNPP IP now has 60 investment centers, each responsible for the management of a specific asset class or type of product, and some 1,200 investment professionals.

The integration has also reinforced BNPP IP's well-established multi-specialist model, which has proven its resilience in a wide range of market conditions. Over the years BNPP IP has adopted a multi-boutique model that combines the advantages of a large, top-tier global asset manager with those of our boutique–like Partners.

BNPP IP has also expanded its geographic presence, extending its presence in Europe, gaining strong positions in Belgium, Luxembourg and the Netherlands to complement existing strong footholds in the French and Italian markets. Furthermore, BNPP IP is now one of the world's premier emerging market managers, with an extensive on-the-ground presence, in-depth local investment knowledge and a full range of emerging market investment solutions. With the addition of new country and product expertise in Asia, it becomes a key growth region for BNP Paribas Investment Partners.

BNP Paribas Securities Services and Banca Popolare di Milano (BPM) Sign an Agreement to Sell BPM'S Depository Bank to BNP Paribas Securities Services

On April 19, 2010, the Bank announced that Banca Popolare di Milano S.c.a.r.l. (BPM) and BNP Paribas Securities Services had signed an agreement for the sale of BPM's depository banking business to BNP Paribas Securities Services.

The business unit being sold includes all depository bank services currently performed by BPM for long only and alternative funds on behalf of asset management companies belonging to the BPM Group as well as external clients. Amounts held total approximately €20.3 billion, with around €19.1 billion relating to long only funds and the remainder to real estate and hedge funds.

The transaction is set to close during the first half of 2010. The transaction is subject to two major conditions. Firstly, Anima SGR S.p.A. must fulfil the Bank of Italy rules for the required changes to the regulations of funds managed by the company that arise as a result of the sale. As well some preliminary agreements already signed with certain employees of the business unit must be executed in front of the trade unions (or other competent offices).

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), a leading provider of banking and financial services in Europe, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg. It is present in over 80 countries and has more than 200,000 employees, including 160,000 in Europe. BNP Paribas holds key positions in its three activities:

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

The acquisition of Fortis Bank and BGL has strengthened the Retail Banking businesses in Belgium and Luxembourg, as well as Investment Solutions and Corporate and Investment Banking.

At December 31, 2009, the Group had consolidated assets of €2,057.7 billion (compared to €2,075.6 billion at December 31, 2008), consolidated loans and receivables due from customers of €678.7 billion (compared to €494.4 billion at December 31, 2008), consolidated items due to customers of €604.9 billion (compared to €414.0 billion at December 31, 2008) and shareholders' equity (Group share including income for 2009) of €69.5 billion (compared to €53.2 billion at December 31, 2008). Pre-tax income for the year ended December 31, 2009 was €9.0 billion (compared to €3.9 billion for the year ended December 31, 2008). Net income, Group share, for the year ended December 31, 2009 was €5.8 billion (compared to €3.0 billion for the year ended December 31, 2008).

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2009.

Retail Banking

BNP Paribas generated 45% of its 2009 revenues from retail banking. It has a strong international presence, with close to 4,000 of its 6,000 branches (excluding Fortis) outside France, and 250,000 points of contact with clients in its specialist businesses of personal finance and business equipment loans. Retail banking activities employ a total of more than 119,000 staff (excluding Fortis) in 52 countries, representing over 59% of the Group's headcount.

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

Investment Solutions

Investment Solutions provides a unique range of solutions to meet all the needs of institutional, corporate and retail investors:

- 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).

During 2009, the Investment Solutions businesses all held prominent positions in their market.

Investment Solutions operates in 66 countries and employs almost 25,000 people of more than 70 different nationalities represented. It continues to expand its international reach, mainly in Europe, Asia, Latin America and the Middle East, through new implantations, acquisitions, joint ventures and partnership agreements.

Focused on their clients and looking to the future, BNP Paribas Investment Solutions' experts always endeavour to offer the products and services that are best suited to client expectations in terms of transparency, performance and security, while meeting the strictest sustainable development standards.

Corporate and Investment Banking

BNP Paribas Corporate & Investment Banking (CIB) employs 16,000 people across more than 50 countries. CIB provides to its clients financing, advisory and capital markets services. During 2009, CIB made a significant contribution to the BNP Paribas Group's revenues (30% of total revenues) and earnings (49% of pre-tax net income).

BNP Paribas CIB has 13,000 clients, consisting of companies, financial institutions, investment funds and hedge funds. They are central to BNP Paribas CIB's strategy and business model. BNP Paribas CIB's 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.

Thanks to the Group's financial strength and the diversity of its business model, BNP Paribas CIB has demonstrated a strong resilience to the economic and financial crisis that has affected the banking sector since 2007. During 2009, BNP Paribas CIB further reinforced its European leadership and developed its activities internationally through a stronger emphasis on Asia and selective growth in North America.

Strategy

In 2010, **FRB** will continue to support individual and corporate customers to help them achieve their financial plans.

In addition, the division will integrate Fortis France's 50,000 individual customers and 20,000 corporate customers with the goal of delivering to them even better service while generating €50 million in synergies each year as from 2012.

FRB will also focus on implementing three projects to grow its annual revenues by €200 million as from 2013:

- build a best-in-class online banking service: through the "Net Branch" created in 2009, introduce new online and cell phone services;
- increase the sales and marketing effectiveness towards small businesses and entrepreneurs by opening 60 *Maisons des entrepreneurs* by 2011; and
- reinforce the sale of non-life insurance products through the branch network.

Lastly, in 2010, the division still aims to maintain a 1-point positive jaws effect.

With the integration completed, **BNL bc** is implementing a 3-year business development plan, which entails:

- opening new branches bringing their number to 1,000 in 2012;
- increasing the commercial effectiveness with individual customers in particular by expanding the product offering and cross-selling with Findomestic and Investment Solutions and implementing the integration of UCB;
- step up cross-selling to corporate customers with CIB;
- integrate Fortis Italy.

This plan is expected to produce a 3-point positive jaws effect in 2010.

In 2010, **BancWest** will strive to step up commercial effectiveness of its network in order to increase cross-selling and boost customer acquisition. Cost-cutting efforts will be stepped up and the cost-cutting program, which already generated $72 million in savings in 2009, will be increased to $130 million.
Lastly, a decline in the cost of risk being expected due to less new impairments on the investment portfolio, BancWest's objective is to return to profits in 2010.

Emerging Retail Banking's ambition is to expand in their fast-growing markets. The new Europe Mediterranean operating unit, which is already in place and already includes close to 2,300 branches, including those of BNP Paribas Fortis, is refocusing on three priority regions with high growth potential: Turkey, the Mediterranean where the branch opening program will continue, and Central and Eastern Europe thanks to business development potential in Poland. In these regions, the retail banking model will be rolled out in a manner that is adapted to the specific needs of each market.

In 2010, **Personal Finance** plans to:

- take advantage of growth levers while engaging in responsible lending in Italy and France and develop partnerships with e-business players (PayPal);
- increase synergies with banking networks in Belgium, Europe Mediterranean and Germany where the longstanding partnership with Dresdner Bank has recently been expanded to include Commerzbank customers;
- upgrade and streamline the IT systems.

Taking control of Findomestic in December 2009 will make it possible to implement a new business strategy and strengthen the Group's standing in one of its four domestic markets.

All these measures are expected to enable Personal Finance to produce a 2-point positive jaws effect.

In 2010, **BNP Paribas Lease Group** plans to:

- increase its loan production with customers from the Group's networks in France, Italy, Belgium and Luxembourg;
- form new partnership alliances with equipment manufacturers, drawing on its greater presence around the world in the wake of its tie-up with Fortis Lease;
- speed up the marketing of its added-value leasing service directly to end users.

As the used car market recovers, **Arval** will focus on growing the size of its financed fleet and its market share in Europe.

In 2010, **Investment Solutions** will continue to pursue its strategy to grow cross-selling with the domestic networks as well as to acquire customers.

It will seek to successfully complete the integration of the BNP Paribas Fortis and BGL BNP Paribas's Private Banking, Asset Management and Securities Services businesses, which will make it the eurozone's number one private bank and Europe's fifth largest fund manager.

Lastly, the division will continue expanding businesses in Asian markets in an effort to become one of the pan-Asian leaders in asset management and therefore join the group of major players in Asia with three main centres in Hong Kong, Singapore and India.

In 2010, **CIB** will strive to:

- consolidate its leading position in Europe, notably by improving the penetration of the banking offering to companies through the new Corporate & Transaction Banking Europe set up;
- pursue selective growth in North America by capitalising on leading positions in energy and commodity finance to expand the offering to the energy and commodity industry;
- take advantage of rapid growth in the Asian market by expanding the product offering in capital markets and bolstering its positions in structured finance.

History

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

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

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

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

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

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

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

Retail Banking

BNP Paribas generated 45% of its 2009 revenues from retail banking. It has a strong international presence, with close to 4,000 of its 6,000 branches (excluding Fortis) outside France, and 250,000 points of contact with clients in its specialist businesses of personal finance and business equipment loans. Retail banking activities employ a total of more than 119,000 staff (excluding Fortis) in 52 countries, representing over 59% of the Group's headcount.

Retail banking operates branch networks in France, Italy, the United States and the emerging markets, together with specialized financial services. It is divided into six Operating Units:

- French Retail Banking, the branch network in France;
- BNL bc, the branch network in Italy;
- BancWest, the branch network in the United States;
- Emerging Markets Retail Banking, renamed Europe Mediterranean in December 2009, the banking network covering the Mediterranean Basin, plus Central and Eastern Europe;
- Personal Finance, comprising 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 pooled 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;
- industrializing activities, pooling major investments and transferring know-how and innovation between the banking networks and the specialized Personal Finance and Equipment Solutions businesses;
- promoting the Group's expansion in these businesses, both through acquisitions and organic growth; and
- developing cross-selling between the networks and the specialized retail financing businesses, and with Corporate & Investment Banking and Investment Solutions.

To support the expansion of BNP Paribas Retail Banking, six central missions have been created to provide operating units with the benefit of their expertise in cross-functional activities and projects. Based on this organization, the operating entities increased their exchanges and joint projects substantially during 2009, notably at the initiative of Distribution, Markets & Solutions (central mission responsible for business development of the retail banking segment), Wealth Management Networks (central mission responsible for the development of Wealth Management across the banking networks) and Retail Banking Information Systems. Communities comprising employees from all operating units were set up to facilitate the sharing of best practices and uptake of the Group's models, notably concerning multi-channel distribution and wealth management.

During 2010, the Retail Banking businesses of BNP Paribas Fortis and BGL BNP Paribas are expected to join the Retail Banking activity.

French Retail Banking

French Retail Banking (FRB) has a client base made up of 6.5 million individual and private banking clients, 565,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a broad line-up of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

The French Retail Banking Division network has been strengthened with a view to enhancing local coverage and client service. As at December 31, 2009, it consisted of 2,245 branches, of which 1,300 had been refurbished with the new "Welcome & Services" concept, and 5,400 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 an 18% market share in the Paris region.[10] FRB is characterized by a strong presence in the upper affluent segments of the retail market and a prominent position among businesses with market share of 38%[4] of companies with 50 or more employees.

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.

The role of branch advisors has been strengthened in order to meet client expectations.

The network is segmented by client category:

- branches dedicated to individual, professional and business clients,
- 224 private banking centers, representing the most extensive private banking coverage in France[11]
- a unique network of 27 business centers dedicated to business customers across the length and breadth of the country, as well as a professional assistance service – "Service Assistance Enterprise (SAE)" – and Cash Customer Services (CCS).

This organization is complemented by a Client Relations Center (CRC) and back-offices handling the processing of transactions. The Client Relations Center's three platforms in Paris, Orléans and Lille deal with calls made to the branches and process client e-mails. As for back-offices, the integrated information technology system is completed by production and sales support units. Specialized by type of transaction, they span the whole of France. At year-end 2009, 63 production units were responsible for transaction processing.

Completing the NetÉpargne area of the BNP Paribas.net website was set up to inform customers and enables them to apply for savings accounts and life insurance products. The "Net Crédit Immo" contact center handles mortgage requests in less than 48 hours.

---

[10] BNP Paribas FRB 2009 marketing research, percentage of adults living in the Paris region who are BNP Paribas clients.

[11] Source: Internal data.

The French Retail Banking Division is also pursuing development in personal banking through its multi-channel approach encompassing automated banking systems in branches, mobile internet account management, SMS text alerts, new online services and loans, and the creation of "Net Agence", an online bank.

BNL banca commerciale (BNL bc)

BNL banca commerciale (BNL bc) is Italy's sixth-largest banking group in terms of total assets[12]. It is one of the major players in the Italian banking and financial system, which includes banks of international stature following the sector consolidation of recent years.

BNL bc provides a comprehensive range of banking, financial and insurance products and services, from the traditional to the most innovative, segmented to meet the needs of each client category. It boasts a large, diversified client base consisting of:

- approximately 2.5 million individuals and more than 14,000 private clients (households);
- over 150,000 business clients (with turnover under €5 million);
- over 27,000 medium and large companies;
- 16,000 local authorities and non-profit organizations.

In retail and private banking, BNL bc has a strong position in lending (especially residential mortgages, with a market share of nearly 7%[13]), and is gaining ground in the deposits segment (market share approximately 3.5%[13] well ahead of its network presence (2.3%[13] in terms of branch numbers).

Another of BNL bc's strengths is its relationship with large companies and local authorities, a segment in which it boasts a market share of approximately 5% and 6% respectively[13], with a well-established reputation in cross-border payments, project financing and structured finance, as well as factoring (the specialized subsidiary Ifitalia ranks third in Italy in terms of credit outstanding[14]).

BNL bc has structured its distribution model so as to increase direct contact with clients, reinforce the central role and flexibility of the sale network and improve the communication of commercial policies for both traditional and innovative products.

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

- 104 retail banking groups with 810 branches;
- 29 private banking centers;
- 20 business centers with 52 branches dealing with small and medium enterprises, large companies, local authorities and public sector organizations.

In addition, five Trade Centers are operational, providing companies with a range of products, services and solutions for cross-border activities and complementing BNP Paribas' international network which globally consists of 100 Trade Centers spread over 55 countries. At the same time, the network of Italian desks that assist Italian companies abroad as well as multinational companies with direct investments in Italy now covers 11 countries, mainly in the Mediterranean area.

The multi-channel offering is complemented by more than 1,800 ATMs (Automated Teller Machines) and 26,000 points of sale with retailers, as well as telephone and online banking for both retail and business clients.

---

12 Source: Internal estimates based on published financial information as of September 30, 2009.

13 Source: Internal data and Bank of Italy statistics as of September 30, 2009.

14 Source: Internal data and Assifact as of September 30, 2009.

This organization is supported by specialized local back-office units, which work closely with the distribution network to improve the satisfaction of both internal and external clients by delivering high-quality, effective services and better management of operational 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 then, the most recent Commercial Federal Corporation in December 2005.

Bank of the West markets a very broad range of retail banking products and services to individuals, small businesses and corporate clients in 19 states in western and mid-western America. It also has strong positions across the USA 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[15], First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and businesses.

In total, with 11,200 employees, 752 branches and total assets of almost $74 billion at December 31, 2009, BancWest currently serves some five million client accounts. It currently ranks as the seventh[15] largest commercial bank in the western United States by deposits.

Emerging Markets Retail Banking

The name change from "Emerging Markets Retail Banking" to "Europe Mediterranean" reflects the refocusing of BNP Paribas' strategy on high-potential countries of central and eastern Europe (a region with a population of 80 million), of Turkey (76 million inhabitants) and of the Mediterranean Basin (160 million inhabitants).

Europe Mediterranean (EM) operates a network of 1,803 branches (including 785 in Central and Eastern Europe, 347 in Turkey, 525 in the Mediterranean Basin, and also, 77 in Africa, 61 in French overseas departments and territories and eight in the Gulf. The business line has a total of 5.1 million individual, small businesses and corporate clients served by 28,880 employees. The integration with BNP Paribas Fortis adds a significant presence in Poland and is set to give the Group's positions a major boost in Turkey. Europe Mediterranean is also present in Asia through two partnerships with local banks in China and Vietnam.

The new organization intends to sharpen its focus on high-potential regions, step up the pace of business development and enhance credit and liquidity risk management through emphasis on a multi-pole presence throughout the geographies. These networks and their fast-growing client base provide a unique distribution platform for all the Group's businesses, including partnerships with Personal Finance, distribution of structured products produced by CIB, integration with CIB's network of trade centers and the creation of a joint venture with Wealth Management.

Personal Finance

BNP Paribas Personal Finance was ranked first in Europe for personal finance in 2009.[16]

Within the BNP Paribas Group, BNP Paribas Personal Finance specializes in personal finance through its consumer finance and mortgage activities. With nearly 28,000 employees in more than 30 countries and on four continents, BNP Paribas Personal Finance ranks as the leading player in France and Europe.[16]

BNP Paribas Personal Finance markets a comprehensive range of solutions available at the point of sale (stores, car dealerships), through authorized business providers (brokers, estate agents, property developers) or directly via its customer relations centers and over the internet.

[15] Source: SNL Financial, June 30, 2009.

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

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

Pursuing responsible growth

For over 50 years, BNP Paribas Personal Finance, via its main trading brand Cetelem, which was created in 1953, has been committed to responsible lending. Its vision of personal finance consists of making a sustained contribution to improving the personal and social quality of consumers' lives. From 2004, Cetelem started to publicize in France its commitment to four major priorities:

- combating overindebtedness;
- improving access to lending for as many people as possible;
- supporting each customer with flexible solutions; and
- handling every customer who runs into difficulties.

BNP Paribas Personal Finance makes information about personal finance available to the public on its web site: www.moncreditresponsable.com.

Equipment Solutions

Equipment Solutions through a multi-channel approach (direct sales, sales via referrals or via partnerships), offers corporate and business clients a range of rental solutions ranging from financing to fleet outsourcing.

Equipment Solutions consists of four international business lines organized around assets and specially designed rental solutions:

- corporate cars and light commercial vehicles are managed by Arval, which is dedicated to full service leasing;
- Technology Solutions (TS) comprising IT, telecom and office equipment rental solutions is run jointly by BNP Paribas Lease Group, specialized in equipment financing, and Arius, specializing in the leasing and management of IT equipment;
- Equipment & Logistics Solutions (ELS) for construction, farming and transport equipment rental solutions is managed by specialists at BNP Paribas Lease Group;
- Retail & Industry (RI) encompasses rental solutions for real estate assets, medical and trade and retail equipment within the 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[17].

In 2009, Arval recorded a slight increase in its fleet (up 1% as compared with 2008) in spite of a significant downturn in the number of purchased cars (142,680 vehicles, down 32% as compared with 2008).

At year-end 2009, Arval leased a total of 607,900 vehicles and its total managed fleet comprised

[17] Source: Leaseurope 2008 reported in September 2009.

681,500 vehicles. Arval ranks first in terms of leased vehicles in France[18] and in Italy and second in Europe[19].

BNP Paribas Lease Group arranged over 267,000 financing deals, taking its loans outstanding to €20.2 billion at year-end 2009.

Investment Solutions

Investment Solutions provides a unique range of solutions to meet all the needs of institutional, corporate and retail investors:

- 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).

During 2009, the Investment Solutions businesses all held prominent positions in their market.

Investment Solutions operates in 66 countries and employs almost 25,000 people with more than 70 different nationalities represented. It continues to expand its international reach, mainly in Europe, Asia, Latin America and the Middle East, through new implantations, acquisitions, joint ventures and partnership agreements.

Focused on their clients and looking to the future, BNP Paribas Investment Solutions' experts always endeavour to offer products and services that are best suited to client expectations in terms of transparency, performance and security, while meeting the strictest sustainable development standards.

BNP Paribas Investment Partners

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

A unique 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.[20] At December 31, 2009, BNP Paribas Investment Partners had €357 billion of assets under management (including assets under advisory), almost half on behalf of institutional clients.

Taking into account the assets managed by Fortis Investments, this figure stands at €518 billion and will lift BNP Paribas Investment Partners into 5th spot in the European asset manager rankings.

With 2,400 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-specialisation 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,

[18] Source: Syndicat National des Loueurs Véhicules Longue Durée (SNLVLD) data for 2008 published in September 2009.

[19] Source: Internal data.

[20] Source: Watson Wyatt rankings at year-end 2008, "World's 500 Largest Asset Managers".

South Korea, China, India, Morocco, Turkey and Saudi Arabia. With 430 client relationship managers in 34 countries, BNP Paribas Investment Partners has a local presence that brings it closer to its clients.

Insurance

BNP Paribas Assurance designs and markets its savings and protection products and services under two brand names:

- BNP Paribas for products distributed by the BNP Paribas branch network in France;
- Cardif for the other networks and distribution partners, both in and outside France.

It holds strong positions on three continents (Europe, Asia and Latin America).

- 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 and early retirement benefit contracts.
- In the protection business, BNP Paribas Assurance offers a broad range of products in many countries, including creditor insurance, bill protection, credit card protection, extended warranties, gap insurance and personal protection. In France, it provides both standard and personalized group policies to large companies and SMEs.
- The property and casualty insurance business in France is conducted via Natio Assurance, a company owned equally with AXA. The products offered include comprehensive home insurance, car insurance, educational insurance, travel insurance, and legal protection coverage.

BNP Paribas Assurance's partners comprise 35 of the world's 100 leading banks plus a large number of financial institutions, including consumer finance companies, credit subsidiaries of car makers and major retail groups. BNP Paribas Assurance ranks among the top 15 insurers in Europe[21] and is the world leader in creditor insurance[21].

Wealth Management

BNP Paribas Wealth Management encompasses BNP Paribas' private banking activities. As part of an integrated approach to client relationships, Wealth Management offers its targeted client base security through its affiliation with a robust, world-class banking group, as well as its ability to innovate and deliver sophisticated products and services.

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

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

Wealth Management (WM) is organized into two business lines, namely Wealth Management Networks (WMN) and Wealth Management International (WMI). Wealth Management Networks' role is to support the development of the wealth management business in countries where the Bank has a retail client base. Wealth Management International aims to pursue the development of the business in other markets in which the Group boasts affluent clients and intends to strengthen its positions through close cooperation with CIB, partnerships and acquisitions.

21 Source: Internal survey based on information published by competitors.

Wealth Management International and Wealth Management Networks draw on the expertise of BNP Paribas Wealth Management's support teams in terms of financial and estate management offer. It sources solutions from the Group's other businesses (Investment Partners, Securities Services, Insurance, Corporate Finance, Fixed Income, Equity Derivatives, etc.), as well as from selected external product and service providers.

In order to strengthen their ability to attract and advise the world's largest fortunes, Wealth Management International and Wealth Management Networks are supported by a "Key clients" unit responsible for global coverage of this segment.

BNP Paribas Wealth Management ranks as sixth worldwide and fourth in western Europe[22] in private banking with almost €163 billion in assets under management at year-end 2009 and over 4,500 professionals in more than 30 countries. In France, it ranks first[22], with €63 billion in assets under management. Its extensive network comprises 224 wealth management centers covering the whole of France and a dedicated wealth management department for high net-worth clients with €5 million or more in assets (plan currently being implemented to set up a wealth management department for high net-worth clients in the regions).

The acquisition of Fortis Bank gives it an additional €44 billion in client assets under management[23] at year-end 2009, thereby strengthening BNP Paribas Wealth Management's leadership in the eurozone.

Personal Investors

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

- Cortal Consors, Europe's leading online savings and brokerage player for individuals[24], provides personalized investment advice and online trading services in Germany, France and Spain. Cortal Consors offers clients its investment advisory experience through several channels – online, telephone and 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, an investment firm, specializes in personalized advice on securities and derivatives as well as discretionary portfolio management for affluent clients. It provides clients with direct access to all markets, financial analysis, personalized portfolio advisory and portfolio management services. B*capital is the majority shareholder in investment firm Portzamparc;

- Geojit BNP Paribas is one of the leading retail brokers in India. It provides brokerage services for equities, derivatives and financial savings products (funds and life insurance) over the phone, online and via a network of more than 500 branches. Geojit BNP Paribas also operates in the United Arab Emirates, Saudi Arabia, Oman, Bahrain and Kuwait, where it targets a principally non-resident Indian clientele.

In Luxembourg and Singapore, BNP Paribas Personal Investors provides high-end products and services based on an open architecture to an international and expatriate clientele.

At December 31, 2009, BNP Paribas Personal Investors[25] had 1.31 million customers and €28.3 billion in assets under management, of which 38% was invested in equity assets, 37% in savings products or mutual funds and 25% in cash. BNP Paribas Personal Investors employs over 3,800 staff.

BNP Paribas Personal Investors' goal is to strengthen its leading position in Europe and in emerging markets that enjoy strong potential for savings.

[22] Source: Euromoney 2010 rankings.
[23] Excluding Fortis and BGL Personal Banking.
[24] Source: In-house study based on information published by competitors.
[25] With Geojit included at a rate of 34.33%.

BNP Paribas Securities Services

BNP Paribas Securities Services is a leading global provider of securities services and ranks first in Europe among custodian banks[26]. Assets under custody increased in 2009 by +20% over 2008 to €4,021 billion and assets under administration grew by +29% to €728 billion. However, the number of transactions treated decreased by 7% to €49.6 million, which reflects lower general activity in the financial markets.

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

- financial intermediaries (banks, broker-dealers, investment banks, market organizations) are offered customized solutions in clearing, settlement/delivery, and global custody for all onshore and offshore asset classes worldwide. Outsourcing solutions for middle- and back-office activities are also provided;

- institutional investors (asset managers, alternative funds, sovereign wealth funds, insurance companies, pension funds, distributors and fund sponsors) have access to an array of custodian and fund administration services, including fund distribution support, transfer agency services, depository bank and trustee services, fund accounting, middle-office outsourcing and risk and performance measurement; and

- issuers (originators, arrangers and corporations) are provided with a wide range of solutions relating to administrative services, securitization and management of stock option – and employee share ownership – plans.

BNP Paribas Real Estate

With 3,100 employees, BNP Paribas Real Estate is continental Europe's leading provider of real estate services to companies[27] and one of France's major players in residential property. Its multi-expertise offering is unique, both in terms of its geographical reach and the diversity of its business lines. Its client base encompasses occupiers, investors, local authorities, property developers and individuals.

International network

In commercial real estate, BNP Paribas Real Estate supports its customers in 28 countries worldwide:

- 14 countries with direct operations in Abu Dhabi, Germany, Bahrain, Belgium, Dubai, Spain, France, India, Ireland, Italy, Jersey, Luxembourg, the United Kingdom and Romania;

- 14 other countries through alliances with local partners.

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

Multi-expertise offering through six complementary real estate business lines

Property development in France and Italy

BNP Paribas Real Estate is one of France's leading property developers and ranks 1st in commercial property development.[28]

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.[19]

---

[26] Source: BNP Paribas Securities Services' figures for assets under custody December 31, 2009; globalcustody.net competitors' assets under custody tables, January 20, 2010.

[27] Source: Property Week – June 2009.

[28] Source: Property developer rankings published by Innovapresse in June 2009.

In residential real estate, its French network markets the new housing units built by the property development line.

Consulting

In commercial real estate, BNP Paribas Real Estate advises clients with their real estate projects, helping them to design their work spaces and optimize their real estate assets.

Valuation

BNP Paribas appraises all types of real estate assets (offices, retail properties, hotels, warehouses, land, etc.) in line with the international standards defined by the Standards Board of the International Valuation Standards Committee (IVSC) and the "Royal Institution of Chartered Surveyors (RICS) Red Book."

Property Management

BNP Paribas Real Estate Property Management manages 27 million square meters of commercial property in Europe, including over 13 million square meters in France where it is the market leader[29], as it is, too, in Belgium and Luxembourg[30].

In residential real estate, BNP Paribas Real Estate manages over 22,000 housing units, including approximately 5,500 serviced residences units.

Investment Management

In France, Italy, the United Kingdom and Belgium, this business manages €10 billion in real estate assets. In France, BNP Paribas REIM is one of the leading managers of non-trading property investment trusts.

Corporate & Investment Banking

A client-focused business model strengthened after the crisis

BNP Paribas Corporate & Investment Banking (CIB) employs 16,000 people across over 50 countries. CIB provides financing, advisory and capital markets services. During 2009, CIB made a significant contribution to the BNP Paribas Group's revenues (30% of total revenues) and earnings (49% of pre-tax net income).

BNP Paribas CIB has 13,000 clients, consisting of companies, financial institutions, investment funds and hedge funds. They are central to BNP Paribas CIB's strategy and 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.

Thanks to the Group's financial strength and the diversity of its business model, BNP Paribas CIB has demonstrated a strong resilience to the economic and financial crisis that has affected the banking sector since 2007. During 2009, BNP Paribas CIB further reinforced its European leadership and developed its activities internationally through a stronger emphasis on Asia and selective growth in North America.

Financing: a reinforced business model and confirmed leadership in 2009

Structured Finance

Structured Finance (SF) operates at the crossroads of the lending and capital markets activities. It designs customized financing solutions for a global clientele. With a presence in over 30 countries and over 1,500 experts around the world, Structured Finance offers a full range of financing solutions, from the origination, structuring and execution of structured debt through syndication. Structured Finance also includes CIB's flow banking activities. In Trade Finance, Structured Finance provides to its clients a network of 100

[29] Source: Euromoney – September 2009.

[30] Source: Expertise – November 2009.

Trade Centers around the world and access to 250 specialists. This network offers to clients a comprehensive and integrated range of solutions combining product expertise with dedicated sales teams.

In spite of unprecedented volatility during 2009, Structured Finance closed numerous deals, helping as a result to finance the economy in France and the rest of the world.

CIB plays a prominent role in energy and commodities financing, asset financing (aircraft, maritime, real estate), export financing, leveraged financing, project financing, acquisition financing, trade financing, cash management and loan syndication.

Once again in 2009, Structured Finance won a number of awards reflecting the excellence of its teams and the quality of its achievements:

- Number one Bookrunner and Mandated Lead Arranger (MLA) in EMEA in Acquisition/Demerger Finance by volume and number of deals, *Dealogic 2009*;
- Number one Bookrunner and MLA of EMEA syndicated loans by volume and number of deals, *Dealogic 2009*;
- Number one Lead Arranger by number of deals for US Oil & Gas transactions, *Thomson Reuters* 2009;
- Number one MLA for all ECA backed loans, *Dealogic 2009*;
- Number one MLA of Global Trade Finance loans, *Dealogic 2009*;
- BNP Paribas was also ranked among the top 10 providers of international cash management solutions (the only French bank to be ranked as such), *Euromoney 2009;*

Awards

- Excellence in Renewable Energy, *Energy Business* – December 2009;
- Aircraft Finance House of the Year, *Jane's Transport Finance* – December 2009;
- Ship Financier of the Year, *Lloyd's List* – Sept. 2009;
- Best Global Infrastructure & Project Finance House, *Euromoney* – July 2009;
- Best Debt House in Western Europe, *Euromoney* – July 2009;
- Best Global Commodity Finance Bank, *Global Trade Review* – February 2009;
- Best Arranger of Corporate Loans & Western European Loans, *Euroweek* – Jan. 2010;
- Global Best Trade Finance Bank, *Global Finance* – August 2009;
- Best Cash Management Bank in Southern Europe, *TMI* – Feb. 2009.

Advisory and capital markets: increased market share and a client-centric business model

Corporate Finance

Corporate Finance offers advice for mergers and acquisitions, primary equity capital market transactions and restructuring. The Mergers & Acquisitions (M&A) teams advise both buyers and targets and also offer advice on strategic financial issues and privatizations. Primary capital market services include flotations, equity issues, secondary placements, and convertible/exchangeable bond issues. Corporate Finance employs close to 400 professionals in its global network, combining the skills of sector, geographic and product specialists. The business is mainly focused on Europe and Asia. In addition, over the past two years, BNP Paribas CIB has also expanded its presence in Russia, the Middle East and Latin America.

During 2009, BNP Paribas CIB was ranked first in the French M&A market (source: *Thomson Reuters, Dealogic and Mergermarket*, completed deals) and, based on the same rankings, ranked tenth in Europe (completed deals), further confirming its European expansion and French leadership. In Latin America, notably in Brazil, BNP Paribas made a significant breakthrough, ranking second and third respectively (source: *Thomson Reuters*, announced deals).

The following awards are further recognition of BNP Paribas CIB's leadership in France and of its international expansion:

- "Financial Advisor of the Year in France" by *FT Mergermarket 2009*;
- "France M&A Advisor of the Year" by *Acquisitions Monthly 2009*;
- M&A Deal of the Year in the US - Inbev acquisition of AB – by *The Banker 2009*;
- M&A Deal of the Year in Europe - EDF and British Energy – by *The Banker 2009*.

In primary equity market transactions, BNP Paribas CIB is ranked the second bookrunner in Europe for equity-linked transactions in the *Dealogic and Bloomberg* rankings at December 31, 2009, and is a top 10 bookrunner in Europe for Equity Capital Markets transactions – all categories combined – (ninth all European Equity Capital Markets issues – source: *Dealogic*) and won the following awards:

- "Best Secondary Offer" from *The Asset* (Asian Regional awards) for "Shinhan Financial Group's $1.1 billion rights issue", on which BNP Paribas acted as bookrunner;
- "EMEA Equity Issue of the Year" from *IFR* for "Heidelberg Cement's €4.4 billion offering", on which BNP Paribas acted as bookrunner.

Global Equities & Commodity Derivatives

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

The commodity derivatives teams provide comprehensive risk management solutions. With 175 people in eight countries, teams operate both in organized and over-the-counter (OTC) markets. The OTC team provides a market-making service, acting as a swaps and options counterparty for bilateral trades. In addition, the team provides investors with access to commodities through a diverse range of strategies and structured solutions. The futures team acts as an intermediary for clients, providing execution, clearing, settlement-delivery and margin financing services for contracts traded in the main European, American and Asian commodity markets. The commodities derivatives team covers all industrial commodities (metals, energy, softs) and new markets such as carbon emissions rights and freight.

BNP Paribas CIB's equity derivatives business line encompasses research, structuring, trading and sales of equity derivatives, indices and funds. With some 950 front-office staff based across five core platforms, the business is active in both the primary and secondary markets in Paris, London, Tokyo, Hong Kong and New York. Equity derivatives products are designed for use by companies, financial institutions, hedge funds and individuals in more than 60 countries. In recent years, GECD has developed a complete range of flow products that address client needs for financing, hedging, indexation, leveraged borrowing and market access. Through its skills in product design, along with the extensive resources dedicated to the development of products incorporating new strategies, the equity derivatives business offers innovative solutions tailored to clients needs in all market environments.

BNP Paribas Securities Asia provides institutional investors with a comprehensive range of research, execution and service distribution for Asian equities. BNP Paribas Securities Asia's staff of 230 employees is based mainly in Hong Kong and covers the whole of Asia, particularly China, Japan, India, South Korea, Taiwan and Southeast Asia (Singapore, Indonesia, Malaysia and Thailand). These teams are active in the secondary markets and provide a distribution platform for the primary and derivatives markets.

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

- Equity Derivatives House of the Year – *Risk* 2009;
- Best Structured Products House Asia – *The Asset Asia* 2009;
- Derivatives House of the Year Asia – *The Asset Asia* 2009;
- Index Innovation of the Year – *Structured Products Americas* 2009.

Fixed Income

BNP Paribas CIB's Fixed Income division is a global provider of solutions in the interest rate, foreign exchange (FX) and credit markets. With headquarters in London, six other trading floors in Paris, New York, São Paulo, Hong Kong, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, the business employs approximately 1,900 staff globally. The business line covers a broad range of products and services, including origination, syndication, trading, distribution, eCommerce, structuring and research.

The division's global network of fixed income experts has built a large and diverse client base of asset managers, insurance companies, companies, banks, governments and supranational organizations.

Teams of dedicated experts in each region help to finance the economy by meeting client needs with financing solutions such as bond issues. Fixed Income also offers its institutional client base new investment opportunities, liquidity sources and solutions to manage various types of risk, such as interest rate, inflation, foreign exchange and credit risk. In 2009, the fixed income division consolidated its position across its activities, as evidenced by industry league tables, client surveys and awards:

- in 2009, BNP Paribas CIB ranked among the top 10 bookrunners for global bond issues (*Thomson Reuters*: bookrunner league tables) and was ranked the first bookrunner for euro-denominated bond issues (*Thomson Reuters* bookrunner league tables);
- BNP Paribas CIB's FX business was voted among the top 10 by volumes globally (*Euromoney* FX Poll 2009) and first by investors in Asia-Pacific (*Asiamoney* FX Poll 2009) in 2009;
- in 2009, BNP Paribas CIB's interest rate derivatives business ranked fifth across all currencies and products, fourth in inflation products and fourth in euro-denominated interest rate products (*Total Derivatives/Euromoney* Interest Rate Derivatives Survey);
- BNP Paribas CIB's secondary debt trading business ranked sixth worldwide in 2009 (*Euromoney* Secondary Debt Trading Poll 2009) and its credit derivatives business was voted fifth worldwide for CDS in all currencies by dealers and brokers (*Risk* Interdealer survey 2009), and sixth worldwide by institutional investors (Risk Institutional Investor Survey 2009);
- Euro Bond House and Swiss Franc Bond House of the Year – *IFR* 2009;
- Most Innovative in Risk Management and Most Innovative in Interest Rates – *The Banker*, 2009;
- Currency Derivatives House of the Year – *AsiaRisk* 2009;
- the division's interest rate, FX and credit specialists offer a broad range of research and strategies, with analysts available for one-on-one client support. Analysts' research and strategy notes are available through a variety of channels, including the Global Markets web portal. In 2009, our clients voted BNP Paribas CIB second for credit research on Banks, General Industries, Consumer Products and Retail fourth for Credit Strategy and fifth for Trade Ideas (*Euromoney* Fixed Income Research Poll 2009).

In 2009, the Fixed Income division launched a new FX electronic trading platform to cater to increasing client demand for fast, flexible and functional electronic trading in FX spot, swaps and forwards. BNP Paribas FX eTrader is part of a broader electronic trading offer covering OTC and secondary market products in interest rate, credit and FX, which will continue to be developed in 2010.

BNP Paribas "Principal Investments"

BNP Paribas Principal Investments includes BNP Paribas Capital, along with the Listed Investment and Sovereign Loan Management businesses.

BNP Paribas Capital

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

This portfolio had an estimated value of €2.8 billion at December 31, 2009 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 extract the greatest possible value from its assets over the medium term. This aim 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

A major player in shopping center real estate in continental Europe, Klépierre, a real estate investment company listed in compartment A of Euronext Paris™, enjoyed a brisk pace of expansion, driven by partnerships and acquisitions that have taken it into Italy (1999), Central Europe (2004) and Scandinavia (2008). Its portfolio was valued at €14,750 million at December 31, 2009.

As a property owner, manager and developer, Klépierre offers major international retailers an integrated European platform thanks to its 274 shopping centers in 13 continental European countries (France, Belgium, Norway, Sweden, Denmark, Italy, Greece, Spain, Portugal, Poland, Hungary, Czech Republic and Slovakia). Altogether, the company manages 374 shopping centers through its Ségécé and Steen & Strøm subsidiaries, which rank first among shopping center managers in continental Europe and Scandinavia respectively. Klépierre also supports its tenants in out-of-town and city-center locations in France through Klémurs (real estate investment company in which Klépierre owns an 84.1% stake), which was listed in December 2006.

Furthermore, Klépierre owns and manages a portfolio of office buildings concentrated in the principal business districts of Paris and inner suburbs (5.3% of the portfolio at December 31, 2009).

Klépierre has 1,500 employees (including 950 outside France).

BNP Paribas Fortis

Fortis Bank SA/NV, under its new brand BNP Paribas Fortis, offers a comprehensive package of financial services to retail, private and professional clients in the Belgian market, as well as in Poland and Turkey. The bank also provides corporations and public and financial institutions with tailor made solutions, for which it can draw on BNP Paribas's know-how and international network. Currently, BNP Paribas Fortis is organized around four core activities: Retail & Private Banking, Corporate & Public Banking, Corporate & Investment Banking and Investment Solutions. In the insurance sector, BNP Paribas Fortis works in strategic partnership with Belgian market leader AG Insurance, in which it holds a 25% participation.

Retail & Private Banking

In Retail & Private Banking, BNP Paribas Fortis occupies a leadership position in Belgium, with 9,700 staff serving 3.6 million clients (one third of the total Belgian population). The market share of Retail & Private Banking hovers at approximately 27%[31] with strong positions in all banking products.

Retail clients are reached by means of a multi-channel distribution strategy. The Focus project, launched in 2007, combines a segmented market approach with a performance-oriented sales organization. The branch network is divided into 82 markets, each comprising 12 branches, on average. Branches operating in the same market work closely together, focusing on customer needs. All competences are available to customers everywhere in the network and all retail customers are offered the same service regardless of the channel through which they contact the bank.

BNP Paribas Fortis network includes 1,023 branches, complemented with 322 franchises under the Fintro brand and 650 points of sale of the 50/50 joint venture with Banque de La Poste. A network of 2,300 ATMs completed with 1,220 non-cash machines (bank transfers) and 650 bank statement printers, online banking facilities (1.3 million users) and phone banking are linked up in the BNP Paribas Fortis CRM (Customer Relationship Management) platform, allowing a deployment of all systems across all channels. The long-term partnership with AG Insurance until 2020 leverages the distribution power of the retail network and builds on the experience gained in bancassurance over the years.

With €44 billion assets under management, BNP Paribas Fortis is the largest private banking services provider in the Belgian market. Individuals holding assets over €250,000 are eligible for private banking services, creating a large customer base for investment purposes.

Wealth Management caters to about 1,000 clients with potential assets of more than €4 million. They benefit from a dedicated service model and are primarily served via two Wealth Management Centers in Antwerp and Brussels.

Corporate & Public Bank, Belgium

BNP Paribas Fortis Corporate & Public Bank Belgium offers a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. With 457 corporate clients and 34,100 midcap clients, it is the market leader[32] in both those categories, and a challenger in public banking (1,300 clients). The offering includes domestic banking products, specialized financial skills, and securities, insurance and real estate services. Skills include trade services, cash management, factoring and leasing, as well as mergers and acquisitions and capital markets.

A central team of more than 60 corporate bankers, 200 relationship managers at 24 business centers and skills officers ensure that BNP Paribas Fortis is close to the market. Combined with the European network of business centers, managed within Corporate & Investment Banking, BNP Paribas Fortis is able to offer unified commercial management to its Belgian clients locally and abroad.

[31] Source: 4Q09 BNP Paribas Fortis research.

[32] Source: Internal data and Banque Nationale de Belgique 2009 data.

Corporate & Investment Banking

Corporate & Investment Banking (CIB) Belgium acts as a hub for BNP Paribas CIB and supplies Belgian clients with its product offering. Outside Belgium it provides expertise to CIB globally and links up its network of business centers with the network of BNP Paribas as part of the pan-European network.

Global Markets covers Belgian clients and clients of Corporate and Transaction Banking Europe (except trading of complex products or very large flows) for Fixed Income. It serves all Belgian clients in Belgium for Fixed Income and Equity Derivatives, with local sales teams having access to the whole BNP Paribas Group product range. For corporate acquisition finance, export finance and project finance activities, CIB Belgium acts as the structured finance regional platform, serving the Benelux countries, Northern and Central Europe, Greece and Turkey. BNP Paribas Fortis expertise is also leveraged in the management of public-private partnership financing in Europe.

For trade finance and cash management, project competence centers are responsible for product development, including design and technical and marketing support. Corporate and Transaction Banking Europe (CTBE) leverages both the BNP Paribas CIB and the BNP Paribas Fortis CIB networks. CTBE is present in 16 European countries with over 30 business centers (outside the domestic retail banking networks). CIB Belgium serves subsidiaries of Belgian and CIB clients, as well as selected local clients.

Investment Solutions

Fortis Investments, the asset management arm within BNP Paribas Fortis, has assets under management of €161 billion[33], employs over 2,000 people in 34 countries and offers a full range of investment management services to institutional and retail clients around the world. Around 500 investment professionals work across a network of some 40 investment centers, each of which is accountable for the research and management of a single asset/product class. In the new Investment Solutions organization, BNP Paribas Investment Partners will be maintained as the overall umbrella brand.

BNP Paribas Fortis Poland

In Poland, BNP Paribas Fortis is a universal bank providing savings and investment products and loans to individual customers and integrated solutions to companies for financing their businesses in local and international markets.

The year 2009 saw the successful integration of BNP Paribas Fortis with Dominet Bank. The legal merger of both banks occurred on July 31, 2009 and the operational integration was effected between July 31 and August 4. The combined entity has a customer base of more than 400,000 clients, served by 2,600 employees through a network of 258 branches out of which eight are business centers.

Specialized services of BNP Paribas Fortis in Poland include:

- Fortis Private Investments Poland, a brokerage house specializing in customer asset management. The company's offering includes comprehensive solutions regarding capital market investments – management of investment fund portfolios and securities portfolios, as well as investment funds;

- Fortis Lease Poland, offering real estate lease and a wide range of fixed assets, including transport, construction equipment, typesetting machines and other equipment.

Fortis Bank Turkey

Fortis Bank Turkey provides a range of banking and financial services to its customers. The Bank's retail banking offerings consist of debit and credit cards, personal loans, and investment and insurance products. Its corporate banking services include international trade financing, asset and cash management, credit services, factoring and leasing. Through its commercial and small business banking segments, the Bank offers various investment services to small- and medium-sized enterprises. Internet and telephone banking are also part of the Bank's offering. As of 31December 2009, the Bank had a total of 297 branches countrywide. Fortis Bank SA/NV is the majority shareholder of Fortis Bank Turkey owning 94.11% of its shares.

---

[33] As of December 31, 2009.

From 2010, BNP Paribas Fortis CIB and Investment Solutions activities will be integrated within BNP Paribas CIB and Investment Solutions activities.

Retail Banking activities, including "Retail & Private Banking" and "Corporate & Public Bank Belgium" will constitute, for their part, a specific operational entity.

BGL BNP Paribas

Founded in 1919, Banque Générale du Luxembourg, now renamed BGL BNP Paribas, has actively contributed to Luxembourg's emergence as an international financial center. The international financial services provider is one of the country's largest employers and holds a leading position in its domestic market (first in the entrepreneurs and small and medium-sized business clients segment with 36%[34] market share and second in the retail segment with 16%[34] market share) while expanding its reach to the "Grande Region", which encompasses neighboring areas of Belgium, France and Germany.

In 2009, BGL BNP Paribas was organized into three business lines, themselves sub-divided into sectors of activity and/or segments.

Retail Banking

Through its network of 37 branches, Retail Banking offers financial services to retail clients, including individuals, self-employed workers and small and medium-sized businesses.

Retail Banking has introduced a targeted approach towards customers in order to optimize its services and advice in all aspects of daily banking, savings, investments, credit and insurance.

Private Banking & Asset Management

The Private Banking business line provides integrated asset and liability management solutions to high net-worth residents and non-residents. Solutions offered to these high-potential clients include a broad array of tailored banking services such as the management of structures and investments, trust and corporate services, property management and insurance.

Merchant Banking

Merchant Banking offers an extensive range of banking products and financial services geared to the needs of multinational businesses and institutional clients, including investment funds.

The highlights of 2009 were integration with BNP Paribas and the approval by the Board of Directors on November 25, 2009 of the Luxembourg-related section of the industrial plan ensuring that the Bank would continue to pursue an ambitious development and expansion strategy in its national, regional and international markets.

Drawing strength from the quality of its shareholders, the Luxembourg government (34%) and the BNP Paribas Group (65.96% directly and indirectly), BGL BNP Paribas aims to regain market share by leveraging its commercial dynamism and excellent quality of service for its clients.

Litigation

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. BNP Paribas El Djazair has been accused of non-compliance with foreign exchange regulations in seven cases before Algerian courts. BNP Paribas El Djazair was ordered by a lower court to pay fines of approximately €200 million. Three of these cases were subsequently overturned on appeal, including the case involving the most significant amount (€150 million). Two other appeals rulings have upheld fines totaling €52 million. All of these rulings have been appealed, and execution has been suspended pending the outcome of these appeals pursuant to Algerian law. BNP Paribas El Djazair will continue to vigorously defend itself before the Algerian courts with a view to obtaining recognition of its good faith towards the authorities, which suffered

[34] Source: ILRES research.

no actual damage.

On June 27, 2008, the Republic of Iraq filed a lawsuit in New York against 92 international companies that participated in the oil-for-food ("OFF") program, among them BNP Paribas. The complaint alleges, notably, that the defendants conspired to defraud the OFF program, thereby depriving the Iraqi people of more than $10 billion in food, medicine and other humanitarian goods. The complaint also contends that BNP Paribas breached purported fiduciary duties and contractual obligations created by the banking agreement between BNP Paribas and the United Nations Organization. The complaint is based on the U.S. Racketeer Influenced and Corrupt Organizations Act ("RICO") which provides for treble damages. At year-end 2009, the complaint was still being served to defendants outside the United States. No hearing is scheduled before the end of 2010. The Bank considers that there is no basis to sustain any accusation or allegation concerning any purported breach by the Bank in relation to any payments made by other persons in connection with the export of humanitarian goods to Iraq under the OFF program, and intends to vigorously defend itself against this complaint.

On January 28, 2009, a writ of summons to appear before the Brussels Commercial Court was served to Fortis Banque SA (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. In the first instance, the claimants request the Court to order the Kingdom of the Netherlands and the Dutch central bank to pay an indemnity of €5 per share held by the claimants (plus accrued interest since October 3, 2008). The claimants have also requested the Court to order SFPI and BNP Paribas to pay an indemnity of €4 per held share held by the claimants (plus accrued interest since October 3, 2008). It should be noted that in the course of the pending proceedings, the claimants abandoned their request that the Court cancel the takeover of Fortis Banque SA by BNP Paribas S.A. and have opted to limit their claim to compensation for the damages alleged by them. The Bank intends to vigorously defend itself against this unjustified claim.

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

Main Shareholders of BNP Paribas

As of December 31, 2009, the SFPI (*Société Fédérale de Participation et d'Investissement*) a public-interest *société anonyme* (public limited company) acting on behalf of the Belgian government held 10.8% of the Bank's share capital and the Grand Duchy of Luxembourg held 1.1% of the Bank's share capital.

At December 31, 2009, AXA held 5.2% of the share capital, or approximately 61.63 million shares, of BNP Paribas (5.2% of voting rights).

The Bank has also long been a shareholder of AXA, a French *société anonyme* (corporation). At December 31, 2009, the Bank held 5.28% of the share capital and 8.29% of the voting rights, or approximately 120.8 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.

As of December 31, 2009, to the knowledge of the Board of Directors of BNP Paribas, no shareholder other than SFPI or AXA owns more than 5% of the Bank's share capital or voting rights.

RISK MANAGEMENT

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organization are geared towards effectively addressing this matter. The entire process is supervised primarily by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the 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 validating risk measurement methods, and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (Group Tax Department, Group Legal Department, Group Development and Finance, Group Compliance and Information Technology and Processes). The quality of the validation 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 validating new products, new business activities and exceptional transactions.

Risk Categories

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

All 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, apart 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

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

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

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

Market Risk

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

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

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

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

Operational Risk

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

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

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

Compliance and Reputation Risk

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

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

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

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

Asset-Liability Management Risk

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

Liquidity and Refinancing Risk

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

Insurance Subscription Risk

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

Breakeven Risk

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

Strategy Risk

Strategy risk is the risk that the Bank's share price may fall because of its strategic decisions.

Concentration Risk

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

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

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 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 CREDIT RISK BY BASEL ASSET CLASS

(in millions of euros)	December 31, 2009			December 31, 2008		
	IRBA	**Standardized Approach**	**Total**	**IRBA**	**Standardized Approach**	**Total**
Central governments and central banks	181,691	31,359	213,050	82,310	16,678	98,988
Corporates	419,000	149,341	568,341	317,213	130,434	447,647
Institutions (*)	109,701	28,661	138,362	95,996	33,828	129,824
Retail	184,382	167,960	352,342	121,128	144,312	265,440
Securitization positions	52,621	5,260	57,881	25,499	5,412	30,911
Other non credit-obligation assets (**)	261	79,894	80,155	-	76,766	76,766
TOTAL EXPOSURE	**947,656**	**462,475**	**1,410,131**	**642,146**	**407,430**	**1,049,576**

(*) 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 table above shows the entire prudential scope based on the asset classes defined in Article 40-1 of the decree of February 20, 2007 on capital requirements for credit institutions and investment firms.

The credit risk exposure shown in the table above represents the gross amount before impairment of deposit accounts with central banks and post office banks (€56 billion), loans granted to customers (€703 billion), and credit institutions (€90 billion), loans and fixed-income securities classified as “available-for-sale financial assets”, “held-to-maturity financial assets” or designated as at fair value through profit or loss (€227 billion), remeasurement adjustment on interest-rate risk hedged portfolios (€2 billion), property, plant and equipment, and investment property (€29 billion), accrued income and other assets (€104 billion), and financing and guarantee commitments given (€379 billion). Exposure to repo transactions, which is included in the counterparty risk exposures below (-€86 billion) and exposure not included in the prudential covered scope (-€94 billion) have been deducted from these amounts.

The evolution of exposures to credit risk by Basel asset class in 2009 is mainly due to the acquisition of BNP Paribas Fortis and BGL BNP Paribas, as described in Note 8c. The entities comprising these two sub-groups contributed a total of €411 billion to the Group’s credit risk exposures at June 30, 2009 (first-time consolidation).

The table below shows exposure to counterparty risk (measured as exposure at the time of default) by Basel asset class on derivatives contracts and securities lending/borrowing transactions, after the impact of any netting agreements.

EXPOSURE AT DEFAULT TO COUNTERPARTY RISK BY BASEL ASSET CLASS.

(in millions of euros)	December 31, 2009			December 31, 2008		
	IRBA	**Standardized Approach**	**Total**	**IRBA**	**Standardized Approach**	**Total**
Central governments and central banks	7,582	1	7,583	11,342	12	11,354
Corporates	46,414	3,869	50,283	56,043	1,489	57,532
Institutions (*)	41,042	1,039	42,081	37,022	966	37 988
Retail	-	14	14	-		
TOTAL EXPOSURE	**95,038**	**4,923**	**99,961**	**104,407**	**2,467**	**106,874**

(*) 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.

Exposure to counterparty risk declined in 2009 despite the acquisition of BNP Paribas Fortis and BGL BNP Paribas, as described in Note 8c. The entities comprising these two sub-groups contributed a total of €32 billion to the Group’s counterparty risk exposure at June 30, 2009 (first-time consolidation). The improvement in market conditions and more particularly the tightening of interest rate spreads explain the sharp decrease on BNP Paribas historical scope, which occurred prior to the merger with the Fortis Group entities acquired by BNP Paribas.

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 applies to 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 comprising the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans 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 principles set out below refer to practices within the BNP Paribas historical scope (i.e., not including BNP Paribas Fortis) and represent the Group's target practices.

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[35] 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 books[36]. Basel II defines loss given default as the loss that the Bank would suffer in the event of the counterparty's default in times of economic crisis.

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

[35] Defined as an external rating from AAA to BBB-.

[36] Within the Group, the "Corporate" book includes institutions, companies, specialized financing and sovereigns.

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 proved that the ratings assigned by the Group are consistent with "mid-cycle" ratings and that, the forecast default rate is conservative.

For benchmarking work on non retail exposures, internal ratings are compared with the external ratings of several agencies based on the mapping between internal and external rating scales. Some 10% to 15% of the Group's corporate clients have an external rating and the benchmarking studies reveal a conservative approach to internal ratings.

Backtesting of global recovery rates is based mainly on analyzing recovery flows on exposures in default. When an exposure has been written off, each amount recovered is discounted back to the default date and calculated as a percentage of the exposure. When an exposure has not yet been written off, the amount of provisions taken is used as a proxy for future recoveries. The recovery rate determined in this way is then compared with the initially forecasted rate. As for the rating, 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.

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 granting new loans or reviewing existing loans to measure profitability, determine collective impairment and for internal and external reporting purposes.

Prior to its acquisition by BNP Paribas, the Fortis group had approval from its supervisor, the *Commission Bancaire, Financière et des Assurances* (CBFA) in Belgium, to use an advanced IRB approach to calculate its capital requirements under Basel II, pillar 1. The ratings policies and systems of BNP Paribas Fortis and BGL BNP Paribas, on the one hand, and those of BNP Paribas, on the other hand, are due to converge within a consistent methodology used across the entire Group. Work done to date in this respect has shown that the concepts employed by the two banks are compatible and has enabled the Group to harmonize ratings for the main counterparties. However, this work has not yet been completed and a hybrid approach has therefore been used at December 31, 2009, based on the respective methods approved by the French and Belgian supervisors.

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 may use 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.

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)*. For BNP Paribas Fortis and BGL BNP Paribas activities where the convergence projects have not yet been completed, the information processes and systems used are those approved by the banking supervisory authorities of Belgium and Luxembourg.

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 sets out 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 validated 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 credit protected loans 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 €1,272 billion at December 31, 2009, compared with €942 billion at December 31, 2008. This portfolio, which is analyzed below in terms of diversification, comprises all exposures to credit risk shown in the table at the beginning of the chapter, excluding securitization positions and other non credit-obligation assets[37].

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.

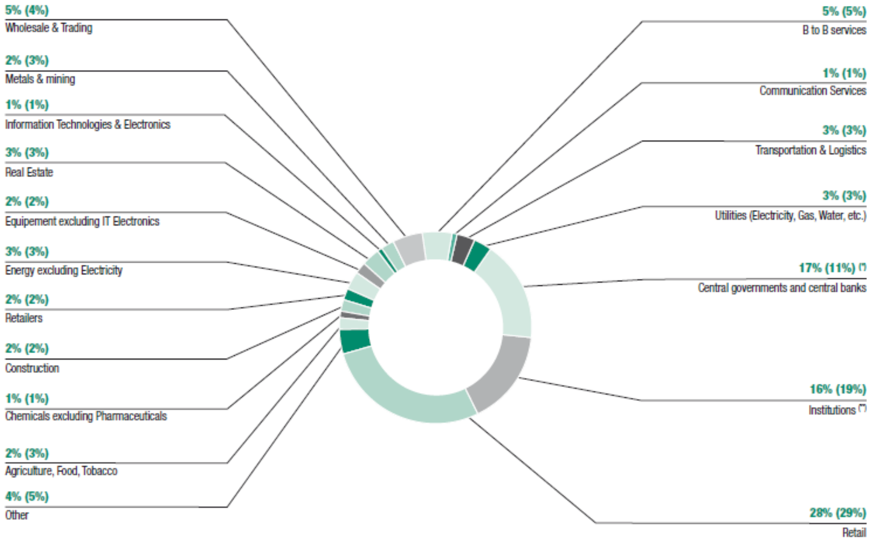
BNP Paribas remains well below the concentration limits set out in the European Directive on Large Exposures. At December 31, 2009, the top ten customer groups accounted for less than 4.7% of total exposure including the Fortis entities acquired by BNP Paribas (compared with 4% at December 31, 2008 excluding the Fortis scope).

Industry diversification

The breakdown of exposure by business sector is monitored carefully and supported by a forward-looking analysis for dynamic management of the Bank's exposure. This analysis is based on the in-depth knowledge of independent sector experts who express an opinion on trends in the sectors they follow and identify the factors underlying the risks faced by the main companies in the sector. This process is adjusted by sector according to its weighting in the Group's exposure, the technical knowledge required to understand the sector, its cyclicality and degree of globalization and the existence of any particular risk issues.

37 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



Total exposure: EUR 1,272 billion at 31 December 2009
EUR 942 billion at 31 December 2008

Prudential scope: exposure excluding counterparty risk, other non credit obligation assets and securitization positions.

(*) The percentages in brackets reflect the breakdown at December 31, 2008.

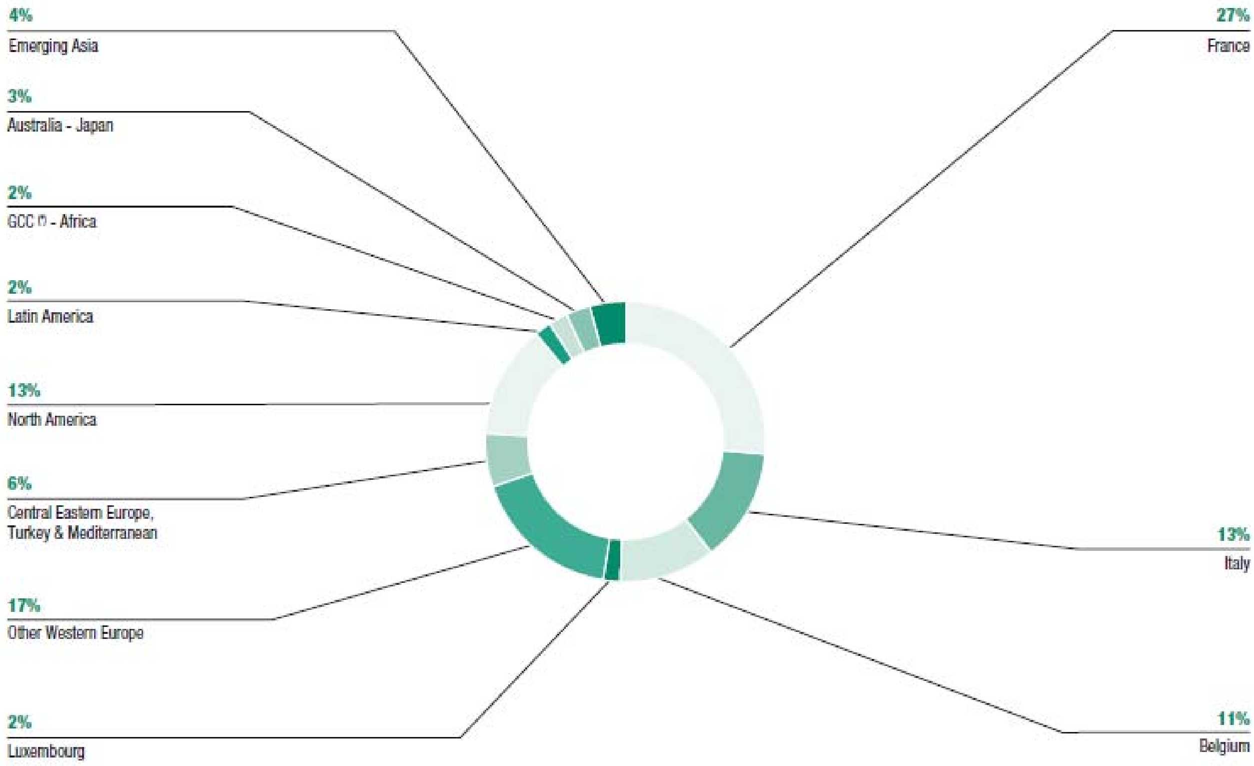
(**) The Institutions asset class comprises credit institutions and investment firms, including those recognized in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

Geographic diversification

Country risk is the sum of all exposures to obligors in the country concerned. It is not the same as sovereign risk, which is the sum of all exposures to the central government and its various offshoots. Country risk reflects the Bank's exposure to a given economic and political environment, which are taken into consideration when assessing counterparty quality.

GEOGRAPHICAL BREAKDOWN OF CREDIT RISK AT DECEMBER 31, 2009 BY COUNTERPARTY'S COUNTRY OF BUSINESS

This presentation isolates the share of the Group's exposure on its two new domestic markets, namely Belgium and Luxembourg, and consolidates Turkey with Central Eastern Europe and Mediterranean countries.



Total exposure: EUR 1,272 billion at 31 December 2009

Prudential scope: exposures excluding counterparty risk, other non-credit obligation assets and securitization positions.

(*) Gulf Cooperation Council.

FORMER GEOGRAPHICAL BREAKDOWN OF CREDIT RISK AT DECEMBER 31, 2009 BY COUNTERPARTY'S COUNTRY OF BUSINESS (PRO FORMA DECEMBER 31, 2008)

Total exposure: EUR 1,272 billion at 31 December 2009
EUR 942 billion at 31 December 2008

Prudential scope: exposure excluding counterparty risk, other non-credit obligation assets and securitization positions.

(*) The percentages in brackets reflect the breakdown at December 31, 2008.

Geographic diversification of exposure remains balanced. The acquisition of the Fortis Group entities has strengthened the Group's predominantly European dimension (72% at December 31, 2009 versus 68% at December 31, 2008).

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.

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. Convergence projects are currently in progress with a view towards harmonizing methods, processes and systems in the scope resulting from the acquisition of BNP Paribas Fortis and BGL BNP Paribas.

Corporate model

The IRBA for the Corporate book (*i.e.,* institutions, companies, specialized financing and sovereigns) is based on a consistent rating procedure in which GRM has the final say as regards the rating assigned to the counterparty and the recovery rate assigned to transactions. Credit conversion factors (CCF) are assigned according to counterparty and transaction type.

The generic process for assigning a rating to each segment of the Corporate book is as follows:

- for 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 an opinion which may differ from the results of the model, provided it can be justified.

The method of measuring risk parameters is based on a set of common principles, and particularly the "two pairs of eyes" principle which requires at least two people, 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 (asset classes: companies, central governments and central banks, institutions) for all the Group's business lines, measured using the internal ratings-based approach. This exposure represented €696 billion of the gross credit risk at December 31, 2009 compared with €491 billion at December 31, 2008.

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 high recovery rate in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

BREAKDOWN OF IRBA CORPORATE (*) EXPOSURES BY CREDIT RATING

(*) *The "Corporate" book shown in the chart above includes companies, central governments and central banks, and institutions.*

The breakdown of Corporate exposures in the IRBA scope remains globally steady in 2009, with the exception of exposures rated 1 and 2. The growth in exposures rated 1 is due to an increase in central government and central bank exposures coupled with the integration of the BNP Paribas Fortis and BGL BNP Paribas portfolios.

The relative decrease in exposures rated 2 compared with the Group's total portfolio is due mainly to integration of these portfolios.

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, or by the Fortis Group entities acquired by BNP Paribas through their branch network in Belgium and Luxembourg.

The Standard Ratings Policy for Retail Operations (SRPRO) provides a framework allowing Group core businesses and risk management departments to assess, prioritize and monitor credit risks consistently. This policy is used for transactions presenting a high degree of granularity, small unit volumes and a standard risk profile. Borrowers are assigned scores in accordance with the policy, which sets out:

- standard internal ratings-based principles, underlining the importance of a watertight process and its ability to adapt to changes in the credit environment;
- principles for defining homogeneous pools of credit risk exposures;
- principles relative to credit models, particularly the need to develop discriminating and understandable models, and to model or observe risk indicators downstream in order to calibrate exposures. Risk indicators must be quantified based on historical data covering a minimum period of five years, and in-depth, representative sampling. All models must be documented in detail.

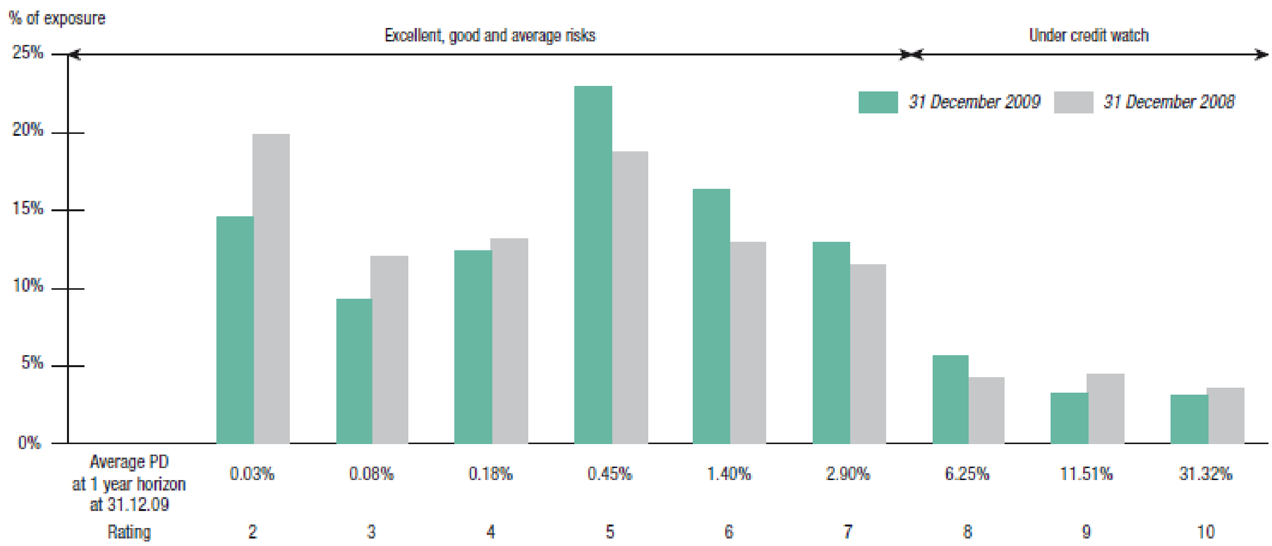
The majority of FRB's retail borrowers are assigned a behavioral score which serves as a basis to determine the probability of default and, for each transaction, the global recovery rate (GRR) and exposure at default (EAD). These parameters are calculated monthly on the basis of the latest available information. They are drilled down into different scores and made available to the commercial function, which has no involvement in determining risk parameters. These methods are used consistently for all retail banking customers.

For the portion of the 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 represented €177 billion of the gross credit risk at December 31, 2009 compared with €116 billion at December 31, 2008.

BREAKDOWN OF IRBA RETAIL EXPOSURES BY CREDIT RATING



Compared with December 31, 2008, the increase in the proportion of exposures rated 5 and 7 relative to those rated 2 and 3 is mainly due to the structure of the retail portfolio of the Fortis Group entities acquired by BNP Paribas.

Standardized approach

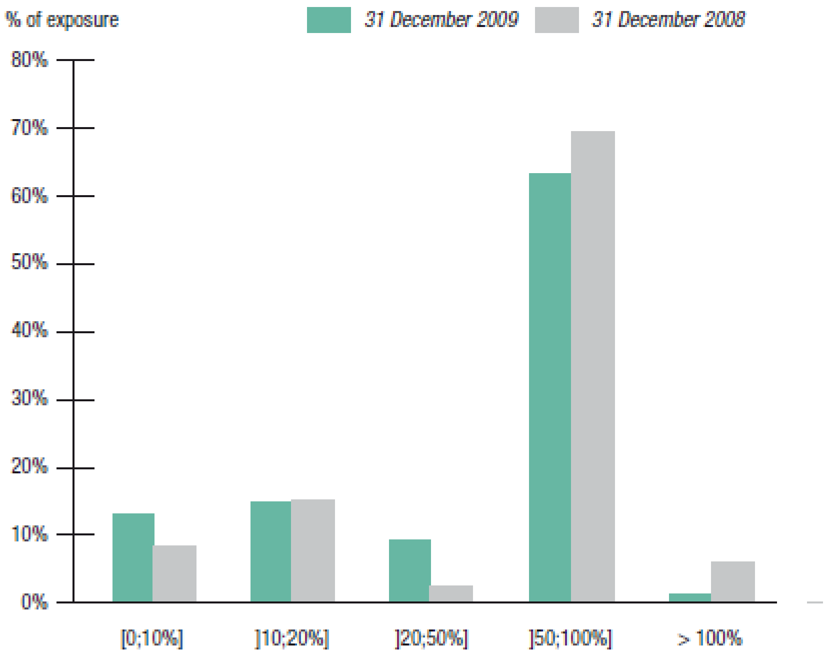
For exposures in the standardized approach, BNP Paribas uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings. These ratings are mapped into equivalent credit quality levels as required by the Basel II framework in accordance with the instructions issued by the French banking 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 30% of the BNP Paribas Group's total gross exposure. The main entities using the standardized approach at December 31, 2009 are BNL, BancWest, Cetelem excluding France, UCB, BPLG, TEB, UkrSibbank, the emerging country subsidiaries of both BNP Paribas and BNP Paribas Fortis, and Banque de la Poste.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (exposure classes: companies, central governments and central banks, institutions) for all the Group's business lines, measured using the standardized approach. This exposure represented €203 billion of the gross credit risk at December 31, 2009 compared with €176 billion at December 31, 2008.

BREAKDOWN OF CORPORATE (*) EXPOSURE BY WEIGHTING IN THE STANDARDIZED APPROACH



`(*) *The "Corporate" book shown in the chart above includes companies, central governments and central banks, and institutions.*

The consolidation of the Fortis Group entities acquired by BNP Paribas did not lead to any material shift in this portfolio.

Loans with past-due installments, whether impaired or not, and related collateral or other security

The following table presents, for the accounting scope, 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 provision on a portfolio basis.

(in millions of euros)	**December 31, 2009**								
	Maturities of unimpaired past-due loans					**Impaired assets and commitments covered by provisions**	**Total loans and commitments**	**Collateral received in respect of unimpaired past-due loans**	**Collateral received in respect of impaired assets**
	Total	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**				
Financial assets at fair value through profit or loss (excl. variable-income securities)	4				4		4		
Available-for-sale financial assets (excl. variable-income securities)	18	18				143	161		
Loans and receivables due from credit institutions	358	330	5	8	15	973	1,331	52	291
Loans and receivables due from customers	15,122	14,362	573	107	80	18,983	34,105	9,425	10,652
Past-due assets, net of individual impairment provisions	**15,502**	**14,710**	**578**	**115**	**99**	**20,099**	**35,601**	**9,477**	**10,943**
Financing commitments given						1,129	1,129		790
Guarantee commitments given						461	461		85
Off-balance sheet non-performing commitments, net of provisions						**1,590**	**1,590**	**-**	**875**
TOTAL	**15,502**	**14,710**	**578**	**115**	**99**	**21,689**	**37,191**	**9,477**	**11,818**

(in millions of euros)									December 31, 2008
	Maturities of unimpaired past-due loans					**Impaired assets and commitments covered by provisions**	**Total loans and commitments**	**Collateral received in respect of unimpaired past-due loans**	**Collateral received in respect of impaired assets**
	Total	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**				
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	18	1
Loans and receivables due from customers	9,518	8,796	547	94	81	8,407	17,925	5,550	3,945
Past-due assets, net of individual impairment provisions	**9,674**	**8,899**	**549**	**112**	**114**	**8,554**	**18,228**	**5,568**	**3,950**
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**	**5,568**	**4,027**

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. Potential future exposure to counterparty risk is captured using ValRisk, an internal model allowing the simulation of several thousand possible market trend scenarios and the revaluation of 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). Changes in exposure amounts are calculated up to the maturity of the corresponding transactions. To aggregate transactions on each counterparty, ValRisk takes into account the legal jurisdiction in which each counterparty operates, 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.

For counterparty risk exposures in the BNP Paribas Fortis and BGL BNP Paribas books that have not migrated to the BNP Paribas systems, the ValRisk is not calculated on the basis of an internal model.

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 following committees (in increasing order of authority): Regional Credit Committee, Global Credit Committee and General Management Credit Committee, 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 fair value loss on the existing exposure to a counterparty due to the potential positive value of the contract, the probability of default, migration of credit quality 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.

Securitization

The BNP Paribas Group is involved in securitization transactions as originator, sponsor and investor as defined by Basel II.

The securitization transactions described below are those defined in the CRD and described in Title V of the decree of February 20, 2007. They are transactions in which the credit risk inherent in a pool of exposures is divided into tranches. The main features of these securitization transactions are:

- there is a significant transfer of risk;
- payments made depend upon the performance of the underlying exposure; and

- subordination of the tranches as defined by the transaction determines the distribution of losses during the risk transfer period.

As required by the CRD, assets securitized as part of proprietary securitization transactions that meet Basel II eligibility criteria, particularly in terms of significant risk transfer, are excluded from the regulatory capital calculation. Only BNP Paribas' positions in the securitization vehicle, and any commitment subsequently granted to the securitization vehicle, are included in the capital requirement calculation using the external ratings-based approach.

Proprietary securitization exposures that do not meet the Basel II eligibility criteria remain in the portfolio to which they were initially assigned. The capital requirement is calculated as if such proprietary securitization exposures had not been securitized and is included in the section on credit risk.

Consequently, the securitization transactions discussed below only cover those originated by the Group deemed to be efficient under Basel II, those arranged by the Group in which it has retained positions, and those originated by other parties in which the Group has invested.

The Group's activities in each of these roles are described below:

(in millions of euros)	December 31, 2009		December 31, 2008	
BNP Paribas role	**Securitization exposures originated by BNP Paribas (1)**	**Securitization positions held or acquired (EAD) (2)**	**Securitization exposures originated by BNP Paribas (1)**	**Securitization positions held or acquired (EAD) (2)**
Originator	18,219	5,433	4,831	357
Sponsor	548	18,289	35	17,132
Investor	0	28,354	0	13,422
TOTAL	**18,767**	**52,076**	**4,866**	**30 911**

(1) Securitization exposures originated by the Group correspond to the underlying exposures recognized on the Group's balance sheet which have been securitized.
(2) Securitization positions correspond to tranches retained in securitization transactions originated or arranged by the Group, tranches acquired by the Group in securitization transactions arranged by other parties, and facilities granted to securitization transactions originated by other parties.

Proprietary securitization (originator under Basel 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 2009 by BNP Paribas subsidiaries, Personal Finance in France, BNL in Italy, UCI in Spain and BNP Paribas Fortis in Belgium. The total amount securitized was €16.7 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 may serve as collateral for refinancing operations.

In 2009, 35 transactions were carried out representing a total Group exposure of €55.4 billion, including €12.6 billion for Personal Finance, €0.6 billion for Equipment Solutions, €11.7 billion for BNL and €30.5 billion for BNP Paribas Fortis. Only five of these transactions, representing a total securitized exposure of €4.4 billion, have been excluded from the calculation of Basel II credit risk-weighted assets, as shown in the table above. Securitization positions retained in these transactions amount to €0.7 billion at December 31, 2009 compared with €0.4 billion at December 31, 2008.

When BNP Paribas acquired the Fortis Group entities, the riskiest portion of their structured asset portfolio was sold to a dedicated SPV. The SPV's securitized exposures amount to €12.1 billion. The Group retained a €4.1 billion securitization exposure in the SPV including €0.2 billion of the equity tranche, €0.5 billion of the senior tranche and €3.4 billion of the super senior tranche.

The exposures retained in securitization transactions originated by BNP Paribas and the Fortis Group entities acquired by BNP Paribas amount to an additional €0.6 billion.

Securitization as sponsor on behalf of clients

CIB Fixed Income carries out securitization programs on behalf of its customers. Under these programs, liquidity facilities and, where appropriate, guarantees are granted to special purpose entities. Special purpose entities over which the Group does not exercise control are not consolidated.

Short-term refinancing: at December 31, 2009, 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 €0.4 billion (€0.7 billion at December 31, 2008) and has granted liquidity facilities to these entities. In a climate of financial crisis and risk management, CIB Fixed Income has scaled back its international securitization business and the liquidity facilities granted to these six conduits decreased from €15.2 billion at December 31, 2008 to €11.1 billion at December 31, 2009).

Medium/long-term refinancing: in Europe and Northern America, the BNP Paribas Group's structuring ability remained intact and allowed it to continue providing securitization solutions to its clients, 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. Liquidity facilities are also granted to non-consolidated funds, arranged by the Group, for receiving securitized customers assets (these funds are not managed by the Bank). The total of these facilities amounts to €1.3 billion at December 31, 2009 compared with €1.9 billion at December 31, 2008.

Some of the Fortis Group entities acquired by BNP Paribas have also granted liquidity facilities to the Scaldis multiseller conduit, totaling €5.8 billion at December 31, 2009.

During 2009, 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 based on market conditions. Securitization positions retained amounted to €24 million at December 31, 2009.

Securitization as investor

The Group's business in securitization as investor is mainly carried out by Fortis, CIB, Investment Solutions and BancWest.

BNP Paribas Fortis' structured credit portfolio amounts to €18.5 billion. This portfolio carries a guarantee by the Belgian State on the second level of loss. Beyond a first tranche of final loss, against the notional value of €3.5 billion largely provisioned in the purchase accounting, the Belgian State guarantees on demand a second loss tranche of up to €1.5 billion.

CIB Fixed Income is responsible for monitoring and managing the portfolio of ABS (either held or covered by CDOs), which represented a total of €4.8 billion of ABS at December 31, 2009 compared with €5.9 billion at December 31, 2008. 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 €0.5 billion at December 31, 2009 compared with €1.3 billion at December 31, 2008.

CIB Loan and Portfolio Management (LPM) did not conduct any new transactions during 2009. At December 31, 2009, the portfolio managed by LPM had decreased to €79 million from €148 million at December 31, 2008 following the sale of some programs.

In 2009, Investment Solutions invested a total of €600 million in securitization programs, mainly during the first quarter. These investments were made in strict compliance with the Group's risk management rules and totaled €3.1 billion at December 31, 2009. Meanwhile, repayments and disposals reduced exposure from €3.1 billion at December 31, 2008 to €3 billion at December 31, 2009.

BancWest invests exclusively in securitization positions in listed securities as a core component of its refinancing and own funds investment policy. At December 31, 2009, its exposure amounted to €1.6 billion compared with €2.1 billion at December 31, 2008.

Securitization risk management

Securitization transactions arranged by BNP Paribas on behalf of clients are highly technical and specific in nature. They are therefore subject to a specific risk management system:

- independent analysis and monitoring by dedicated teams within the Risk Department;
- specific processes (with specific committees, approval procedures, credit and rating policies) to ensure a consistent, tailored approach.

Given the crisis in the securitization market since 2007 and the size of the portfolio, especially since the consolidation of BNP Paribas Fortis securitization exposures, this system has also been strengthened by:

- a crisis reporting procedure (at least quarterly through Capital Market Risk Committees, CCIRC and Corporate Communication via reports recommended by the Financial Stability Forum);
- creation of a dedicated ABS unit in the Risk Department to coordinate the independent review and monitoring of ABS related risks;
- centralization of ABS valuation issues in a specialized dedicated unit on behalf of all businesses; and
- a dedicated Debtors Committee to review trends in ABS-related provisions on a quarterly basis.

Market Risk

Market risk related to financial instruments

Definitions

Market risk is the risk of incurring a loss due to adverse changes in prices or market parameters, whether directly observable or not. Market risks arise mainly from trading book transactions carried out by the Fixed Income and Equity teams with Corporate Investment Banking. The parameters are as follows:

- interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- equity risk arises from changes in the market prices and volatilities of equities and changes in the prices of equity indices;
- commodities risk arises from changes in the market prices and volatilities of commodities and changes in the prices of commodities indices;
- credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer; and
- options give rise to an intrinsic volatility and correlation risk, whose parameters can be determined from observable prices of options traded in an active market.

Governance

The market risk management system aims to track and control market risks whilst ensuring that the control functions remain totally independent from the business lines.

The system is structured around several committees:

- the Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to capital markets. It is responsible for addressing, in a coherent manner, the issues related to market and counterparty risk. The CMRC sets the aggregate trading limits, outlines risk approval procedures, and reviews loss statements and hypothetical losses estimated on the basis of stress tests. It meets twice a year and is chaired by the Group CEO. Other meetings may also be chaired by one of the Bank's two COOs;

- the Product and Financial Control Committee (PFCC) meets quarterly to review valuation issues and make any requisite decisions, such as validating master procedures. It is chaired by the Bank's CFO and other members include the Chief Risk Officer (CRO), head of CIB and other representatives of Group Development and Finance and the Risk Department;

- at the business unit level, the Valuation Review Committee (VRC) meets monthly 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 Group Development and Finance. The Valuation Review Committee also acts as the referee in any disagreements between trading and control functions;

- created in 2009, the Valuation Methodology Committee (VMC) meets quarterly to monitor approvals and review models.

Limit setting and tracking

Responsibility for setting and tracking limits is delegated to three levels, which are, in order, the CMRC, the Head of the Business Line and the Head of Trading.

Limits may be changed either temporarily or permanently, authorized in accordance with the level of delegation and the prevailing procedures.

GRM's responsibility in terms of market risk management is to define, measure and analyze sensitivities and risk factors, and to measure and control ValRisk, which is the global indicator of potential losses. GRM ensures that all business activity complies with the limits approved by the various committees. In this respect, it also approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters (MAP review) in association with Group Product Control (GPC).

GRM reports to Executive Management and business lines Senior Management on its risk analysis work.

The Group uses an integrated system called Market Risk eXplorer (MRX) to follow the trading positions on a daily basis and manage ValRisk calculations. MRX not only tracks ValRisk, but also detailed positions and sensitivities to market parameters based on various simultaneous criteria (currency, product, counterparty, etc.). MRX is also configured to include trading limits, reserves and stress tests.

Control processes

Since 2007, the Group has enhanced its portfolio valuation controls by forming a Group Product Control team. This team works under a charter outlining its responsibilities (towards GRM, Group Development and Finance, the front-office, IT and Operations) in terms of financial instrument valuations, gains or losses on capital market activities, and control processes.

The team's main areas of involvement are:

- transaction accounting;

- Market parameters (MAP) review (monthly reviews of book valuations);

- model reviews; and
- reserve calculations.

The procedures for these controls are discussed below.

Transaction accounting controls

Operations (middle-office) is responsible for controlling the transaction accounting 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 where processes can be automated, while GRM checks the risk and market parameters requiring an in-depth analysis and an informed opinion. 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, which also set out the responsibilities of GRM and Group Product Control. 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.

Models review

The front-office quantitative analysts are mainly responsible for proposing new methodologies aiming to improve product valuation and risk calculation. The Research and IT teams then put them into practice.

GRM is responsible for controlling and analyzing these models. The main review processes are as follows:

- model approval, which consists of performing a formal review when changes are made to a model's methodology ("model event"). The approval process may be swift or it may be comprehensive, in which case the results of the review are documented in a Model Approval Report explaining the basis of and conditions for the approval;
- model testing, designed to test a model's quality and robustness. Other models may be used for calibration and comparison. The results of the testing are documented; and
- product/model mapping, a process that examines whether pricing models are suited to their products and being used properly within the system, including checking the necessary configurations.

Reserve calculations

GRM defines and calculates "reserves", which correspond to fair value adjustments and are accounted for as deductions from earnings. Reserves can be considered, depending on the case, either as the price for closing a position or as a premium for a risk that cannot be diversified or hedged.

Reserves mainly cover:

- liquidity risk and bid/offer spreads; and
- uncertainty and modeling risk.

The reserve mechanisms are documented in detail and GRM is responsible for implementing them. Reserves for uncertainty and modeling risk are compatible with the "prudent valuation" regulatory approach but may not always be strictly in line with accounting standards such as penalties for large positions. In this case, the reserves are eliminated from the financial statements.

The methodology for calculating reserves is regularly reviewed and improved as part of the MAP and models review processes.

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.

GRM works with Group Development and Finance, 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 checks the observability criteria of each transaction.

Risk reports and information for Executive Management

The Global Risk Analysis and Reporting team is responsible for generating 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;
- geographical dashboards such as "UK Risk Dashboard" reports; and
- the "Global risk dashboard" presented at bimonthly meetings between CIB and GRM managers to ensure coordinated efforts and make decisions in light of recent market developments and changes in counterparties' circumstances.

Measurement of market risk

Market risk is measured using three types of indicators (sensitivities, ValRisk and stress tests), which aim to capture all risks.

Analysis of sensitivities 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.

<u>Measurement of market risk under normal market conditions: ValRisk</u>

ValRisk is calculated using an internal model. It estimates the potential loss on a trading portfolio under normal market conditions over one trading day, based on changes in the market over the previous 260 days with a confidence level of 99%. The model has been approved by the banking supervisor and takes into account all usual risk factors (interest rates, credit spreads, exchange rates, equity prices, commodities prices and associated volatilities), as well as the correlation between these factors in order to include the effects of diversification. It also takes into account specific credit risk.

The algorithms, methodologies and sets of indicators are reviewed and improved regularly to take into account growing market complexity and product sophistication.

For the scope comprising the Fortis Group entities acquired by BNP Paribas, market risk is also measured using the global ValRisk indicator. The methodology has been approved by the Belgian banking supervisor and is similar to that used by the Group, apart from a few slight methodological differences.

Measurement of market risk under extreme market conditions

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 uses 15 stress test scenarios covering all market activities: fixed-income, currency, equity derivatives, commodities and treasury. These scenarios are presented to and reviewed by the CMRC on a monthly basis.

GRM may also outline specific scenarios to carefully manage some types of risks, most notably the more complex risks requiring a full revaluation rather than an estimate based on sensitivity indicators. The results of these stress tests may be presented to business line managers and stress test limits may be set.

Historical ValRisk (10 days, 99%) in 2009

The Value at Risk (ValRisk) set out below are calculated from an internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated value at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). They are based on a 10-day time horizon and a 99% confidence interval.

In 2009, total average ValRisk for the BNP Paribas scope excluding Fortis was €188 million (with a minimum of €107 million and a maximum of €441 million), after taking into account the €258 million netting effect between the different types of risks. These amounts break down as follows:

VALUE AT RISK (10 DAYS - 99%): BREAKDOWN BY RISK TYPE FOR THE BNP PARIBAS SCOPE EXCLUDING BNP PARIBAS FORTIS

Type of risk	Year to December 31, 2009			December 31, 2009	Year to Dec. 31, 2008	December 31, 2008
	Average	Minimum	Maximum		Average	
Interest rate risk	132	106	261	147	129	261
Credit risk	141	95	219	138	176	198
Foreign exchange risk [1]	44	14	84	35	42	69
Equity price risk	113	19	482	89	169	119
Commodity price risk	16	9	37	18	17	13
Netting Effect	*(258)*			*(235)*	*(255)*	*(357)*
TOTAL VALUE AT RISK	**188**	**107**	**441**	**192**	**278**	**303**

(1) The ValRisk for foreign exchange risk is outside the scope of Pillar I of Basel II.

In 2009, total average ValRisk for the BNP Paribas Fortis scope is €79 million (with a minimum of €21 million and a maximum of €163 million), after taking into account the €23 million netting effect between the different types of risk. These amounts break down as follows:

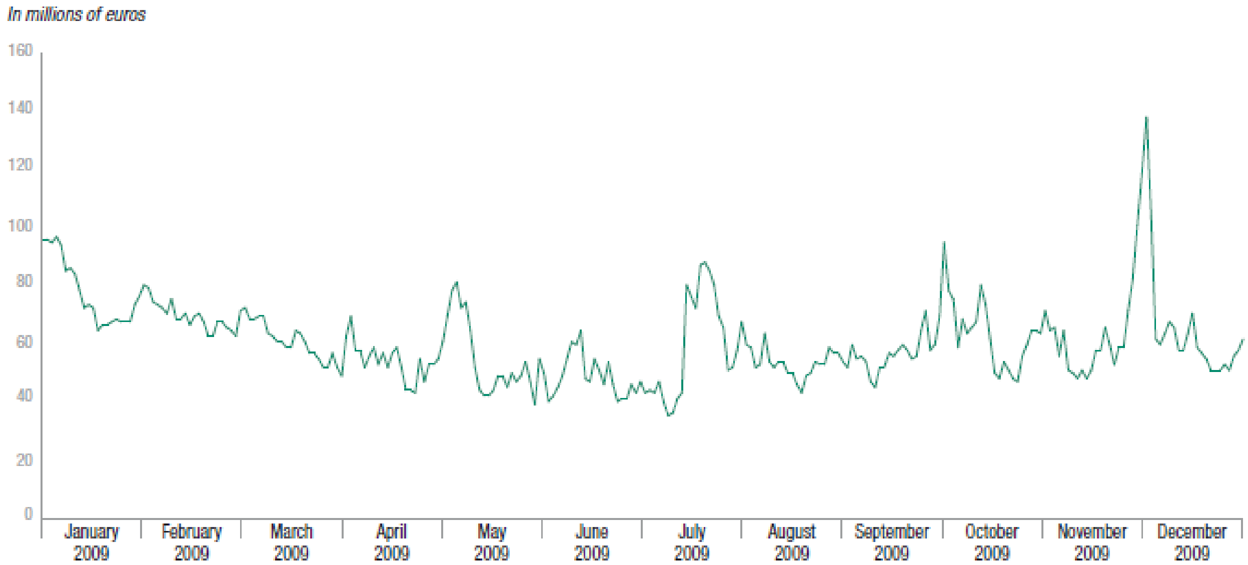
VALUE AT RISK (10 DAYS - 99%): BREAKDOWN BY RISK TYPE FOR THE BNP PARIBAS FORTIS SCOPE

Type of risk	Year to December 31, 2009			December 31, 2009
	Average	Minimum	Maximum	

Interest rate risk	54	17	89	17
Credit risk				
Foreign exchange risk	9	4	20	6
Equity price risk	31	8	59	13
Commodity price risk	8	3	17	3
Netting Effect	*(23)*			*(15)*
TOTAL VALUE AT RISK	**79**	**21**	**163**	**24**

Risk exposure in 2009

CHANGE IN VAR (1 DAY, 99%) IN MILLIONS OF EUROS FOR THE BNP PARIBAS SCOPE EXCLUDING FORTIS



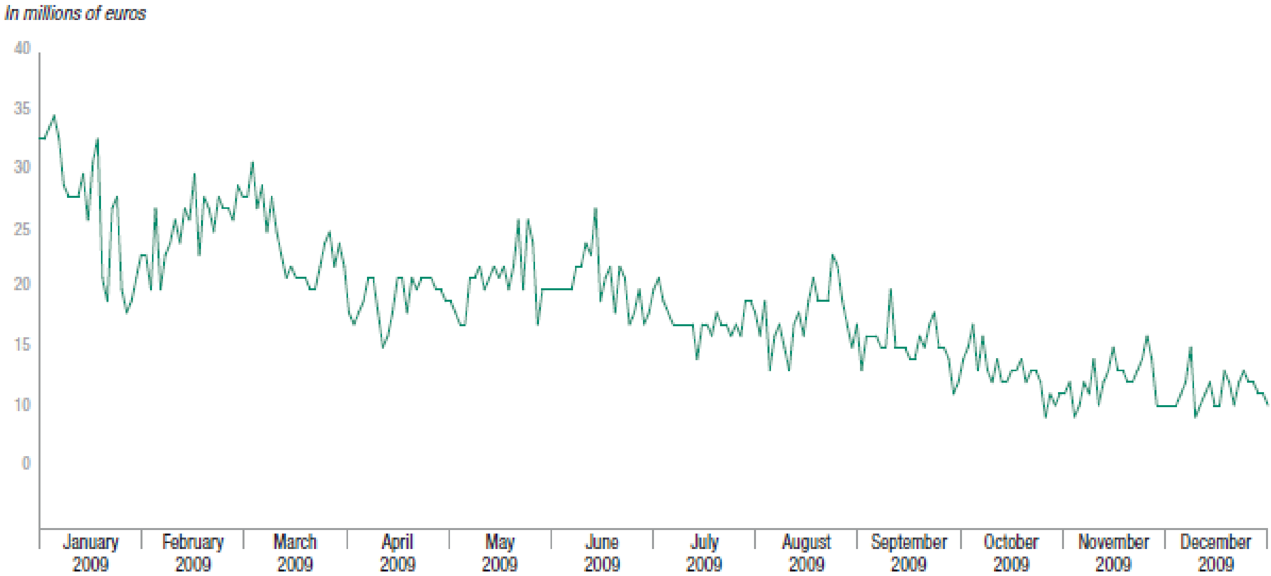
GRM continuously tests the accuracy of its internal model through a variety of techniques, including a regular comparison over a long-term horizon between actual daily losses on capital market transactions and one-day ValRisk.

A 99% confidence level means that, in theory, the Bank should not incur daily losses in excess of ValRisk more than two or three days a year.

2009 saw a reduction in volatilities thanks to the various economic and financial support measures taken to overcome the 2008 crisis. ValRisk therefore declined. However, it rose sharply for a few days in early December, reaching €139 million (one-day ValRisk) on December 2, 2009. This was due to a position in barrier options. After the sharp rise in the stock markets and indices in 2009, these options were close to maturity and their underlyings close to the barrier level, but the barriers were not ultimately triggered.

Daily losses did not exceed ValRisk in 2009 and have only exceeded ValRisk nine times in the past three years, in conditions of unprecedented shock and exceptionally high volatility in the financial markets.

CHANGE IN VAR (ONE-DAY, 99%) IN MILLIONS OF EUROS FOR THE BNP PARIBAS FORTIS SCOPE



ValRisk has fallen considerably due to lower volatility in the market in 2009 and a number of positions reaching maturity. In addition, some portfolios were sold to BNP Paribas.

Market risk related to banking activities

The market risk related to banking activities encompasses the risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand. Only the equity and foreign exchange risks give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

Interest rate and foreign exchange risks related to banking intermediation activities and investments mainly concern retail banking activities in domestic markets (France, Italy, Belgium and Luxembourg), the specialized financing and savings management subsidiaries, the CIB financing businesses and investments made by the Group. These risks are managed by the ALM-Treasury Department.

At Group level, ALM-Treasury reports directly to one of the Chief Operating Officers. Group ALM-Treasury has functional authority over the ALM and Treasury staff of each subsidiary. Strategic decisions are made by the Asset and Liability Committee (ALCO), which oversees ALM-Treasury's activities. These committees have been set up at Group, division and operating entity levels.

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.

Modeling equity risk

For the BNP Paribas historical scope, the Group uses an internal model derived from the one used to calculate daily ValRisk 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 February 20, 2007 issued by the Ministry of Economics, Finance and Industry. 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; and
- 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.

Pending convergence, the approach used temporarily for the BNP Paribas Fortis and BGL BNP Paribas historical scope is that approved by the CBFA.

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 *)*	**December 31, 2009**	**December 31, 2008**
Internal model method	**12,463**	**14,409**
Listed equities	4,727	4,793
Other equity exposures (**)	5,114	6,596
Private equity in diversified portfolios	2,622	3,020
Simple risk weight method	**1,273**	
Listed equities	278	
Other equity exposures	416	
Private equity in diversified portfolios	579	
Standardized approach	**1,777**	**350**
TOTAL	**15,513**	**14,759**

(*) Fair value (on and off-balance sheet).
(**) Other equity exposures at December 31, 2008 include €4,281 million of off-balance sheet exposure not included in this line in the published document on this date.

The increase in exposures at December 31, 2009 includes the consolidation of positions held by BNP Paribas Fortis and BGL BNP Paribas, measured using the simple risk weight approach or standardized approach. The market value of exposures measured using the internal model amounted to €12.5 billion at December 31, 2009, down €1.9 billion compared to December 31, 2008, due to the sale of a number of assets while the equity markets were rising sharply.

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, 2009 – Available-for-sale financial assets.

Foreign exchange risk (Pillar 1)

Calculation of risk-weighted assets

Foreign exchange 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.

Except for BNP Paribas Fortis Belgium's currency exposure, which is calculated using the BNP Paribas Fortis internal model approved by the CBFA, exposure to foreign exchange risk is now determined under the standardized approach, using the option provided by the banking supervisor to limit the scope to operational foreign exchange 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 converted into euros at the exchange rate prevailing on the reporting date and aggregated to give the Group's overall net open position in each currency. The net position in a given currency is long when assets exceed liabilities and short when liabilities exceed assets. For each Group entity, the net currency position is balanced in the relevant currency (*i.e.,* its reporting currency) such that the sum of long positions equals the sum of short positions.

The rules for calculating the capital requirement for foreign exchange risk are as follows:

- matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions;
- CFA and CFP francs are matched with the euro, and are not subject to a capital requirement;
- positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount; and
- other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

Foreign exchange risk and hedging of earnings generated in foreign currencies

The Group's exposure to operational foreign exchange risks stems from the net earnings in currencies other than the euro. The Group's policy is to systematically hedge the variability of its earnings due to currency movements. Earnings generated locally in a currency other than the operation's functional currency are hedged locally. Net earnings generated by foreign subsidiaries and branches and positions relating to portfolio impairment are managed centrally.

Foreign exchange risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies, financed by purchasing the currency in question.

Group policy is usually to borrow the investment currency in order to protect the investment against foreign exchange 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 domestic retail banking (France, Italy, Belgium and Luxembourg) and international retail banking, the specialized financing subsidiaries, and the savings management business lines in the Investment Solutions and CIB's Corporate Banking divisions are managed centrally by ALM-Treasury through the client intermediation book. Interest rate risk on the Bank's equity and investments is also managed by ALM-Treasury, in the equity intermediation and investments book.

Transactions initiated by each BNP Paribas business line are transferred to ALM-Treasury via internal contracts booked in the management accounts or via loans and borrowings. ALM-Treasury is responsible for managing the interest rate risk inherent in these transactions.

The main decisions concerning positions arising from banking intermediation activities are taken at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, Group Development and Finance and GRM.

Measurement of interest rate risk

Banking book interest rate gaps are measured, with embedded behavioral options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behavior. For retail banking products, behavioral models are based on historical data and econometric studies. The models deal with early repayments, current accounts in credit and debit and savings accounts. Theoretical maturities of equity capital are determined according to internal assumptions.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items, through an earnings sensitivity indicator. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioral options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes. Lastly, for products with underlying behavioral options, a specific option risk indicator is analyzed in order to fine-tune hedging strategies.

The choice of indicators and risk modeling, as well as the production of indicators, are controlled by independent Product Control teams and by dedicated Group Risk Management teams. The results of these controls are presented regularly to ad hoc committees and once a year to the Board of Directors.

These indicators are systematically presented to the ALM committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

Risk limits

For the customer banking intermediation books, overall interest rate risk for Retail Banking entities is subject to a primary limit, based on the sensitivity of revenues to changes in nominal and real interest rates and in the inflation rate over at least a three-year timeframe. The limit is based on annual revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the three-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The specialized financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralization of risks at ALM-Treasury level. The residual risk is controlled by technical interest rate gap limits that are monitored by the ALM committee of the relevant business line.

Sensitivity of 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, 2009) 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 and models used to generate 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 €117,000 at December 31, 2009, compared with €3,629,000 at December 31, 2008.

INTEREST RATE SENSITIVITY OF THE VALUE OF THE GROUP'S CUSTOMER BANKING AND EQUITY INTERMEDIATION BOOKS:

In thousands of euros						**December 31, 2009**
	less than 3 months	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**more than 5 years**	**Total**
EUR	235	(93)	(2,742)	1,265	3,776	2,441
USD	343	351	78	(239)	(3,527)	(2 994)
GBP	40	35	(50)	(13)	54	66
Other currencies	236	(148)	(271)	40	513	370
TOTAL	**854**	**145**	**(2,985)**	**1,053**	**816**	**(117)**

In thousands of euros						**December 31, 2008**
	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)**

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 2009, despite the impact of the crisis, fixed-rate customer loan origination continued to grow faster than fixed-rate deposits or was not especially correlated with market rates in most retail banking units, particularly France and Italy. Belgium, in contrast, saw strong inflows of customer deposits, recapturing the market share lost in 2008. In France, there was a shift in the savings product mix, with a decrease in term deposits and an increase in savings accounts (due to the greater availability of the Livret A tax-efficient passbook account) and non-intermediated savings.

The market environment in 2009 was marked by a sharp steepening of the euro and dollar yield curves following the decrease in short-term interest rates and a return to more normal swap spreads on shorter maturities. This was due both to massive central bank intervention designed to provide the market with liquidity and to uncertainty over the post-crisis outlook in terms of both growth and inflation.

The hedges put in place by the Bank in 2009 are based mainly on a fixed-rate borrowing strategy. They include derivatives and options typically accounted for as fair value hedges or cash flow hedges. Government securities are mostly recorded in the "Available for sale" category.

No hedging relationship was disqualified from hedge accounting in 2009.

Structural foreign exchange risk

Currency hedges are contracted by the ALM department in respect of the Group's investments in foreign currencies and its future foreign currency revenues. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

A hedging relationship is applied and documented for investments 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 foreign exchange risk on net foreign currency assets of consolidated branches and subsidiaries. Fair value hedges are used to hedge the foreign exchange risk on equity investments in non-consolidated companies. No hedging relationship was disqualified from hedge accounting in 2009.

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 foreign exchange risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity bands.

The table below concerns the scope of BNP Paribas SA 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, 2009				December 31, 2008		
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	115	244	332	691	892	1,027	1,543	3,462

In the year ended December 31, 2009, 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

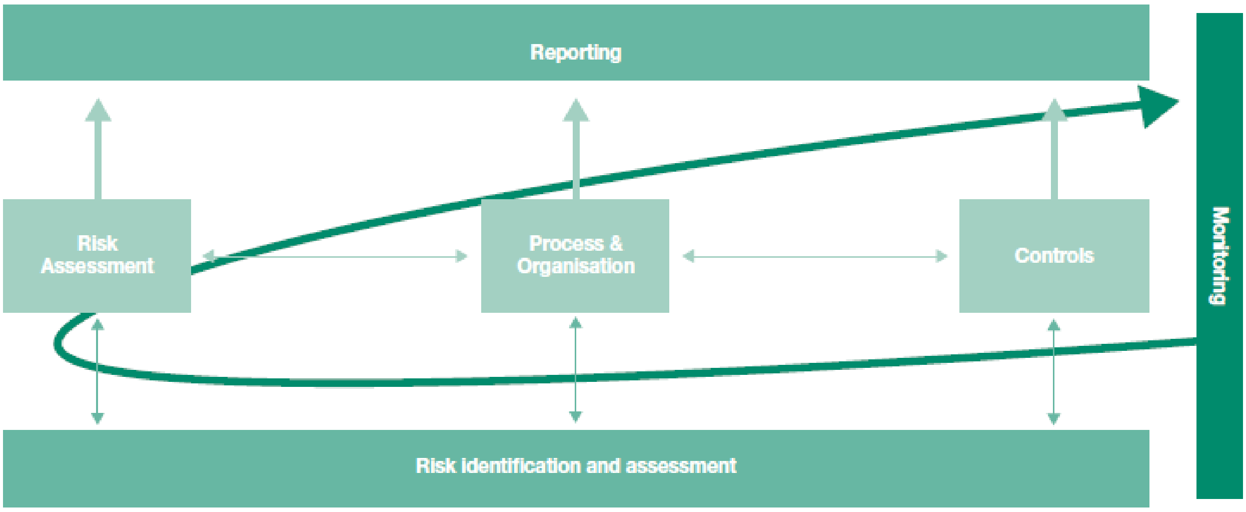
Operational risk management is governed by a strict regulatory framework:

- 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 Group's operational risk and permanent control systems:

- calculating capital requirements for the BNP Paribas scope excluding Fortis is based on a hybrid approach that combines an internal model covering 69% of the Group's revenues excluding Fortis at December 31, 2009 with the standardized approach for other entities in the consolidation scope. Under the Advanced Measurement Approach (AMA), loss distributions are modeled 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*) in 2008;

- widespread use of control plans: BNP Paribas has embarked on a process of formulating "control plans", which have three objectives: harmonizing practices, rationalizing the system and standardizing 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, operational entities and Group 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), coordinated centrally by an Oversight of Operational Permanent Control team which reports to Group Compliance. The teams have been substantially bolstered over the past few years and now comprise more than 600 dedicated full-time equivalents (ETP), including some who focus entirely on supervising 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 periodically with the Internal Control Coordination Committee. This committee is chaired by the Internal Control Coordinator and brings together key players in the internal control process. The Group's divisions, business lines and functions tailor this governance structure to their own organizations, with the participation of Executive Management. Other Group entities, particularly the major subsidiaries, are also required to set up a similar structure.

Scope and nature of risk reporting and measurement

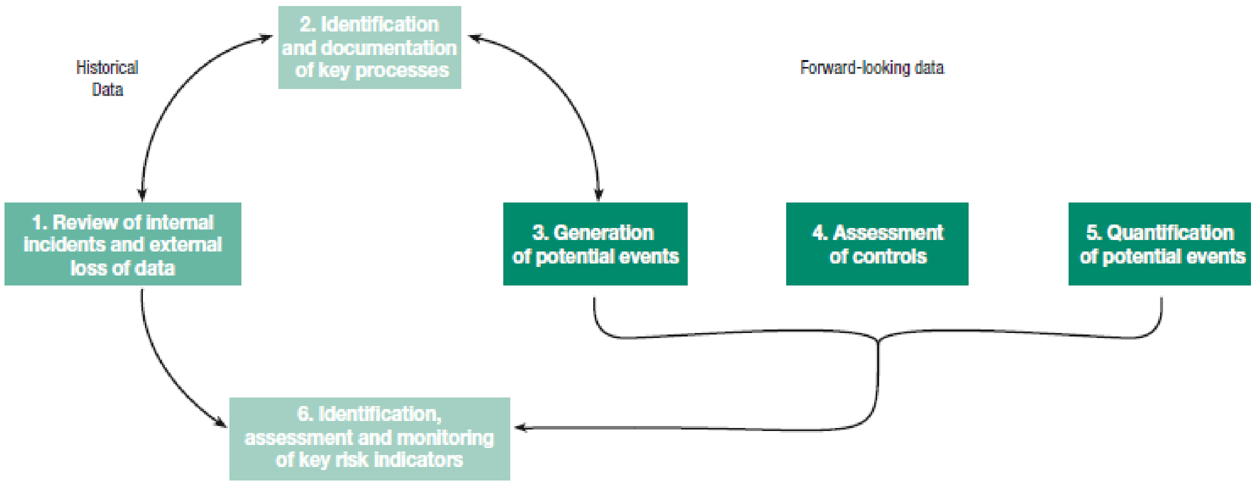
Group Executive Committees, core businesses and operational entities are tasked with ensuring that operational risk is effectively managed and controlled in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees approves the quality and consistency 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 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 (FORECAST) 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 BNP Paribas' key processes and the organization of its operational entities, business lines and countries.



Merger of BNP Paribas with the BNP Paribas Fortis and BGL BNP Paribas entities

The Fortis Group entities acquired by BNP Paribas have a very similar operational risk management system to that of BNP Paribas. BNP Paribas Fortis and BGL BNP Paribas, like BNP Paribas, are AMA approved by the CBFA and have established a system that analyses historical incidents and forward-looking data. In time, the BNP Paribas Group's system will be extended to encompass BNP Paribas Fortis and BGL BNP Paribas.

In practice, this permanent operational control system complies with Belgian regulations and is overseen by centralized Operational Risk & Management Control (ORMC) teams, which also have an officer in each of the business lines of BNP Paribas Fortis and BGL BNP Paribas. The Fortis system provides a good overview of the major issues, but takes less of a structured, systematic, formal approach than BNP Paribas and will therefore have to converge with that of the Group.

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 has had an overarching internal control system designed to anticipate, detect, measure and manage legal risks. The system is organized around:

- specific committees:

  - the Executive Legal Affairs Committee,
  - the Global Legal Committee, which coordinates the activities of the legal function throughout the Group in all countries that have their own legal staff, and ensures that the Group's legal policies are consistent and applied in a uniform manner,
  - the Legislation Tracking Committee, which 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 function 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 function for all matters which also fall under their responsibility, and (ii) overseeing the activities of the Group's legal staff and operating staff involved in legal areas. At the end of 2004, a procedures database detailing all internal procedures was set up on the Group intranet in English and French and is now also available in Italian;

- 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; and

- internal reporting tools, document templates and analytical models, which are upgraded on an ongoing basis by Group Legal Department and contribute to the identification, assessment and analysis of operational risk.

One of the major projects in 2009 was to integrate BNP Paribas Fortis Legal function into the Group's legal risk management system. The work consisted of identifying the main sources of vulnerability and proposing corrective measures to be implemented in 2010, including the appointment of a legal risk officer in accordance with the framework set out by the Group Legal Department.

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 function, responsible for overseeing the consistency of the Group's tax affairs. It also shares responsibility for monitoring global tax risks with Group Development and Finance. The Group Tax Department performs controls to ensure that tax risks remain at an acceptable level and are consistent with the Group's reputation and profitability objectives.

To ensure its mission, the Group Tax Department has established:

- a network of dedicated tax specialists in 15 countries completed by tax correspondents covering other countries where the Group operates;

- a qualitative data reporting system in order to manage tax risks and assess compliance with local tax laws;

- regular reporting to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

The Group Tax Department co-chairs the Tax Coordination Committee with Group Development and Finance. The Committee also includes the Compliance function and may involve the core businesses when appropriate. It is responsible for analyzing key tax issues for the Group and making appropriate decisions. Group Development and Finance 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 on, among other things:

- 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; and

- control procedures relating to the delivery of tax opinions and advice.

Information security

Information is a key commodity for banks and effective management of information security risk is vital in an era of near full-scale migration to electronic media, growing demand for swift online processing of ever more sophisticated transactions, and widespread use of the internet or multiple networks as the primary interface between a bank and its individual or institutional customers.

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.

The rules governing information security at BNP Paribas are set out in various types of reference documents. These include a general security policy; more specific policies for various issues related to information systems security; ISO 27001 requirements; practical guides to security requirements; and operational procedures.

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. Each business line takes the same approach to managing information security. The primary methodology used is ISO 27005, supported by the French methodology EBIOS, common objective indicators, control plans, 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.

BNP Paribas takes a continuous progress approach to information security. Apart from investing heavily in protecting its information systems assets and information resources, the level of security must be supervised and controlled continuously. This enables the Bank to adjust swiftly to new threats caused by cyber crime. One of the effects of this continuous progress approach is that investments are made at Group level to develop and improve the management of authorizations and controls over access to the most important applications used by the business lines.

The availability of information systems is vital to allow BNP Paribas to continue operating in a crisis or emergency. Although it is impossible to guarantee 100% availability, the Group maintains, improves and regularly verifies its information back-up capabilities and system robustness, in line with its values of operational excellence, in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.). Its action in this area is consistent with the Group's general business continuity plan.

BNP Paribas seeks to minimize information security risk and optimize resources by:

- setting up a procedural framework for each business line governing day-to-day data production and management of existing software 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 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; and
- monitoring incidents and developing intelligence of technological vulnerability and information systems attacks.

Insurance policies

Risks incurred by the BNP Paribas Group may be covered by major insurers with the dual aim of protecting its balance sheet and profit and loss account.

The Group's insurance policy is based on an in-depth identification of risks underpinned by detailed operating loss data. The risks identified are then mapped and their impact quantified.

The Group purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible.

In order to optimize costs and effectively manage its exposure, the Group self-insures some well-identified risks whose impact in terms of frequency and cost is known or can be adequately estimated.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned.

Detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality of coverage and risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis in light of new standards and regulations.

Compliance and reputation 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 anti-money laundering procedures, combating corruption and terrorist financing; and respecting financial embargos.

As required by French regulations, the Compliance function manages compliance risk for all of the Group's domestic and international businesses. The Compliance function reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control 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 function 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. Responsibility for monitoring and implementation has been delegated to the Group ALM Committee, which was created in 2009. The Internal Control, Risk Management and Compliance Committee reports quarterly to the Board of Directors on liquidity policy principles and the Bank's position.

Group ALM Committee 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 validation by Group ALM 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 Group ALM Committee.

GRM contributes to defining liquidity policy principles. It also provides second-line control by approving the models, risk indicators (including liquidity stress tests), limits and market parameters used. GRM is a member of Group ALM Committee and the business lines ALCOs.

Centralized 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, modeling customer behavior in the case of regulated savings accounts, etc.).

The Group's consolidated liquidity position by maturity (one month, three months, six 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 2009

Movements in the consolidated balance sheet

The Group had total assets of €2,058 billion at December 31, 2009. A total of €1,215 billion in assets were refinanced in cash, an increase of €320 billion on 2008, including €184 billion relating to loans to customers and €95 billion relating to securities portfolios.

This increase was refinanced primarily by customer deposits for €182 billion and debt for €79 billion.

Regulatory liquidity ratios

The average one-month regulatory liquidity ratio for BNP Paribas SA (French operations and branches) was 131% in 2009 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 87% at the end of December 2009 for the entire BNP Paribas Group, versus 84% at end-December 2008.

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 collateralized 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 2009, the Group continued its policy of diversifying its sources of financing in terms of structures, investors and collateralized 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 11%, and amounted for €14 billion.

The creation of a new €10 billion certificate of deposit program offers funds new opportunities for investing in BNP Paribas Group, thereby improving its liquidity. The amount outstanding at December 31, 2009 was €2 billion.

The Group has also expanded its sources of funds through the use of asset collateralization (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 collateralized refinancing unconditionally and irrevocably guaranteed by the French State.

The Group continued to substantially increase 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 further in 2009, as customer deposits rose faster than customer loans and receivables (+€191 billion and +€49 billion, respectively). The ratio reached 112% in December 2009 compared to 119% in December 2008.

Senior debt

Senior debt with an economic life of more than one year issued by BNP Paribas SA and its subsidiaries in 2009 totaled €45.7 billion, versus €48.7 billion in 2008.

New issues of collateralized debt securities included:

- BNP Paribas covered bonds: €6 billion;
- CRH (Caisse de Refinancement de l'Habitat): €0.7 billion;
- SFEF (Société de Financement de l'Economie Française): €11 billion;
- SCF (Société de Crédit Foncier): €1 billion.

Subordinated debt and hybrid securities

In 2009, the Group issued non-voting shares for a total of €5.1 billion, mainly to the Société de Prise de Participation de l'Etat (SPPE) as part of the French economic support plan. Half of the proceeds were used to redeem the super subordinated notes issued previously. These non-voting shares were redeemed at year-end with the proceeds of a €4.3 billion rights issue.

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 protection contracts.

Financial risks

Financial risks arise mainly in the Savings business, which accounts for over 95% of the insurance subsidiaries' liabilities.

There are three types of financial risk:

Interest rate risk

Policyholder yields on non-unit-linked life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a fixed floor rate. All of these policies give rise to an interest rate 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 future potential financial losses, estimated over the life of the policies, a provision for future adverse deviation *(provision pour aléas financiers)* is booked when total amount of technical interest plus the guaranteed yield payable to policyholders through technical reserves is not covered by 80% of the yield on the admissible assets. No provision for future adverse deviation was booked at December 31, 2009 or 2008 as the yields guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

Surrender risk

Savings contracts include a surrender clause allowing the insured to request reimbursement of all or part of their accumulated savings. The insurer is exposed to the risk of surrender rates being higher than the forecasts used for ALM purposes, which may force it to sell assets at a loss.

The surrender risk is limited, however, as:

- most policies provide for the temporary suspension of surrender rights in the event that the insurer's financial position were to be severely impaired such that the surrenders would deprive other policyholders of the ability to exercise their rights;

- policyholder behavior is monitored on an ongoing basis, in order to regularly align the duration of assets with that of the corresponding liabilities and reduce the risk of abrupt, large-scale asset sales. Changes in assets and liabilities are projected over periods of up to 40 years, in order to identify mismatches giving rise to a liquidity risk. These analyses are then used to determine the choice of maturities for new investments and the assets to be sold;

- 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 is reassessed every quarter and takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The capital guarantee reserve amounted to €19 million at December 31, 2009 (versus €27 million at December 31, 2008).

Insurance underwriting risks

The insurance underwriting risks arise mainly in the Protection Business Line, which accounts for some 5% of the insurance subsidiaries' liabilities.

They result mainly from the sale of loan protection insurance worldwide and other personal risk insurance (individual death and disability, extended warranty, annuity policies in France, etc.).

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 are monitored at quarterly intervals by BNP Paribas Assurance's Executive Committee, based on an analysis of loss ratios.

Loan protection insurance covers death, total or partial disability, loss of employment and financial loss risks for personal loans and home loans. The insurance book comprises a very large number of individual policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs.

Loss ratios for annuity contracts are based on mortality tables applicable under insurance regulations, adjusted in some cases by portfolio specific data which is certified by independent actuaries. Annuity risks are low.

Actual loss ratios are compared with forecast ratios on a regular basis by the actuarial department, and premium rates are adjusted when necessary.

The insurance subscription risks are covered by various technical reserves, including the unearned premiums reserve generally calculated on an accruals basis policy-by-policy, the outstanding claims reserve, determined by reference to reported claims, and the IBNR (claims incurred but not reported) reserve, determined on the basis of either observed settlements or the expected number of claims and the average cost per claim.

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions, payment institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The Prudential Control Authority (*Autorité de contrôle prudentiel* or *ACP*) supervises financial institutions and insurance firms and is in charge of ensuring the protection of consumers and the stability of the financial system. The ACP was created in January, 2010 as a result of the merger of the Banking Commission (*Commission bancaire*), the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) and the Insurance and Pensions Control Authority (*Autorité de contrôle des assurances et des mutuelles*) and assumed the functions previously exercised by these authorities. The ACP is chaired by the Governor of the *Banque de France*. With respect to the banking sector, the ACP makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions, as well as investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the ACP concerning the principal areas of their activity. The ACP may also request additional information that it deems necessary and may carry out on-site inspections. 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 ACP may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its winding up. The ACP also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. The decisions of the ACP may be appealed to the French Administrative Supreme Court (*Conseil d'Etat*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the ACP.

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times. Pursuant to a new regulation that will enter into force on June 30, 2010, French credit institutions will be entitled to opt for the "advanced" approach with respect to liquidity risk, upon request to the ACP and under certain conditions. Under the advanced approach, the credit institution will use its internal methodologies to determine the liquidity risk and ensure that it has sufficient liquidity at all times to honor its commitments.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer 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 ACP 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 ACP. 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 ACP may also inspect banks on an unannounced basis.

Reporting Requirements

Credit institutions must make periodic reports, collectively referred to as *états périodiques,* to the ACP. 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 ACP, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails.

French credit institutions are required to have a system for analyzing and measuring risks in order to assess their exposition to credit, market, global interest rate, intermediation, liquidity and operational risks. Such system must set forth criteria and thresholds allowing to identify as significant the incidents revealed by internal control procedures. Any fraud generating a gain or loss of a gross amount superior to 0.5% of the tier one capital is deemed significant provided that such amount is greater than €10,000.

With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the ACP regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Compensation Policy

French credit institutions and investment firms are required to ensure that their compensation policy is compatible with sound risk management principles. A significant fraction of the compensation of employees whose activities may have a significant impact on the bank's risk exposure must be performance-based, and a significant fraction of this performance-based compensation must be non-cash and deferred. The aggregate amount of variable compensation must not hinder the bank's capacity to strengthen its capital base if needed.

Money Laundering

French credit institutions are required to report to a special government agency (TRACFIN) placed under the authority of the Minister of the Economy all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that they suspect to be the result of offence punishable by a minimum sentence of at least one-year imprisonment or that could participate in the financing of terrorism. French credit institutions are also required to establish "know your customer" procedures allowing identification of the customer (as well as the beneficial owner) in any transaction and to have in place systems for assessing and managing money-laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

In particular, the BNP Paribas Group is required to comply with the French regulations that transpose European Union capital adequacy directives (Directive on the Capital Adequacy of Investment Firms and Credit Institutions and Financial Conglomerates Directive) into French law. In the various countries in which the Group operates, BNP Paribas also complies with specific regulatory ratios in line with procedures overseen by the relevant supervisory authorities. These ratios mainly address capital adequacy, risk concentration, liquidity and asset/liability mismatches.

Regulatory Background

Basel II Capital Framework

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the 1988 accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. They have been amended and applicable to French credit institutions since 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 modeling 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, 2009, 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); Chapter 5 is incorporated by reference herein.

Breakdown of Regulatory Capital

Regulatory capital is determined in accordance with Comité de la Réglementation Bancaire et Financière (the "*CRBF*") regulation 90-02, dated February 23, 1990. It includes three components – Tier 1 capital, Tier 2 capital and Tier 3 capital – determined as follows:

- core capital (Tier 1) corresponds to consolidated equity (excluding unrealized or deferred gains and losses), adjusted for certain items known as "prudential filters". The main adjustments consist of (i) deducting the planned dividend for the year, as well as goodwill and other intangibles, (ii) excluding consolidated subsidiaries that are not subject to banking regulations – mainly insurance companies – and (iii) applying limits to the eligibility of certain securities, such as undated super subordinated notes;

- supplementary capital (Tier 2) comprises some subordinated debt and any positive credit and counterparty risk valuation differences between provisions for incurred losses taken under the book method and expected losses on credit exposure measured using the internal ratings based approach;

- a discount is applied to subordinated debt with a maturity of less than five years, and dated subordinated debt included in Tier Two capital is capped at the equivalent of 50% of Tier 1 capital. Total Tier 2 capital is capped at the equivalent of 100% of Tier 1 capital;

- Tier 3 capital comprises subordinated debt with shorter maturities and can only be used to cover a certain proportion of market risks; and

- the following items are deducted for the purpose of calculating regulatory capital, half from Tier 1 capital and half from Tier 2 capital: (i) the carrying amount of investments in credit institutions and finance companies accounted for by the equity method; (ii) the regulatory capital of credit institutions and finance companies more than 10% owned by the Group; (iii) the portion of expected losses on credit exposure measured using the internal ratings based approach which is not covered by provisions and value adjustments.

Since January 1, 2008, the Group's capital adequacy ratio has been calculated in accordance with the decree issued by the French Ministry of the Economy, Finance and Industry on February 20, 2007 introducing the Basel II capital adequacy ratio, *i.e.,* regulatory capital expressed as a percentage of the sum of:

- risk-weighted assets calculated using the standardized approach or the internal ratings based approach (as defined above), depending on the relevant entity or Group business; and

- the regulatory capital requirement for market and operational risks, multiplied by 12.5. The capital requirement for operational risk is measured using the basic indicator, standardized or advanced measurement approach (as defined above), depending on the relevant Group entity.

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, 2009 and 2008.

(in millions of euros)	**December 31, 2009**	**December 31, 2008**
Shareholders' equity before appropriation of income	**69,501**	**53,228**
Share capital, retained earnings and similar	61,456	42,707
Super subordinated notes and similar securities (note 8.a)	8,045	10,521
Minorty interests before appropriation of income	**10,843**	**5,740**
Share capital, retained earnings and similar	8,604	3,492
Preferred Shares (note 8.a)	2,239	2,248
Regulatory deductions and other items	**(17,434)**	**(17,169)**
Intangible assets deductions	(13,316)	(12,854)
of which goodwills	(11,410)	(11,278)
Other regulatory items	(4,118)	(4,315)
of which dividend payment (1)	(1,772)	(1,252)
of which deductions from Tier 1 capital at 50%	(1,146)	(1,003)
TIER 1 CAPITAL	**62,910**	**41,799**
Total Tier 2 capital	**25,298**	**17,951**
of which positive difference between provisions and expected losses	1,314	1,620
Tier 2 regulatory deductions	**(1,146)**	**(1,003)**
Allocated Tier 3 capital	**1,352**	**752**
REGULATORY CAPITAL	**88,414**	**59,499**

(1) Dividend to be recommended at the Annual General Meeting of shareholders.

At December 31, 2009, the positive difference between provisions and expected losses over one year amounted to €1,314 million compared with €1,620 million at December 31, 2008.

Minimum Capital Adequacy Ratio

Under the European Union regulation transposed into French law by regulation 91-05, the Group's capital adequacy ratio must at all times be at least 8%, including a Tier One ratio of at least 4%. Under United States capital adequacy regulations, BNP Paribas is qualified as a Financial Holding Company and as such is required to have a capital adequacy ratio of at least 10%, including a Tier One ratio of at least 6%.

Ratios are monitored and managed centrally, on a consolidated basis, at Group level. Where a French or international entity is required to comply with banking regulations at its own level, its ratios are also monitored and managed directly by the entity.

Capital Management and Planning

Capital adequacy ratios are managed prospectively on a prudent basis that takes into account the Group's profitability and growth targets. The Group maintains a balance sheet structure that allows it to finance business growth on the best possible terms while preserving its very high quality credit rating. In line with the commitment to offering shareholders an optimum return on their investment, the Group places considerable emphasis on efficiently investing equity capital and attentively managing the balance between financial strength and shareholder return. In 2008 and 2009, the BNP Paribas Group's capital adequacy ratios complied with regulatory requirements and its own targets.

Regulatory capital levels are managed using information produced during the budget process, including forecast growth in earnings and risk-weighted assets, planned acquisitions, planned issues of hybrid capital instruments and exchange rate assumptions. Changes in ratios are reviewed by the Group's executive management at monthly intervals and whenever an event occurs or a decision is taken that will materially affect consolidated ratios.

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, 2009 was €523,509.

The following table sets forth the names of the members of the Board of Directors as of May 21, 2010, their current function at the Bank, their business address and their principal business activities[38] outside of the Bank as at December 31, 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:** ● *Investment Banking and Financial Markets Committee of the Fédération Bancaire Française* ● *Management Board of the Institut d'Études Politiques de Paris* ● *Supervisory Board of the Institut Aspen France* ● *European Financial Round Table* ● *Institut de l'Entreprise* **Member of:** ● *Académie des sciences morales et politiques* ● *the Executive committee of Mouvement des Entreprises de France* ● *Haut Conseil de l'Education* ● *Institut International d'Etudes*

[38] 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
			Bancaires ● *International Advisory Panel of the Monetary Authority of Singapore* ● *International Capital Markets Advisory Committee of the Federal Reserve Bank of New York* ● *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*
Patrick Auguste	Technical Service Manager, (elected by BNP Paribas executive employees)	20, avenue Georges-Pompidou, 92300 Levallois Perret, France	
Claude Bébéar	Honorary Chairman of AXA	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:** ● IMS - 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 at the Massachusetts Institute of Technology, Cambridge, Massachusetts (USA) – Director of the MIT International Science and Technology Initiative (MISTI) **Research associate and Member of Executive Committee of:** ● *the Executive Committee of the Center forEuropean Studies at Harvard*

Name	Function	Business Address	Principal Outside Activities
			University **Member of:** ● *American Academy of Arts and Sciences*
Jean-Laurent Bonnafé		3, rue d'Antin, 75002 Paris, France	**Principal function:** Chief Operating Officer of BNP Paribas **Director of:** Carrefour, *BNP Paribas Personal Finance, Banca Nazionale del Lavoro (Italy), BancWest Corporation, Bank of the West* **Chairman of:** *Management Committee and Executive Committee of BNP Paribas Fortis* **Chief Executive Officer of:** *BNP Paribas Fortis*
Jean-Marie Gianno	Sales Associate, (elected by BNP Paribas employees)	21, avenue Jean Médecin, 06000 Nice, France	**Member of:** ● *Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI)* ● *"Confrontation" (a European think tank)*
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
Alain Joly		75, quai d'Orsay 75007 Paris, France	**Principal function:** *Director of Air Liquide*
Denis Kessler		1, avenue du Général-de-Gaulle 92074 Paris La Défense Cedex, France	**Principal function:** Chairman and Chief Executive Officer of Scor SE **Chairman of:** ● *Reinsurance Advisory Board* ● *Global Reinsurance Forum* ● *Board of Directors of Siècle* **Director of:** ● Bolloré ● Fonds Stratégique d'Investissement ● Dassault Aviation ● *Invesco Ltd, United States* **Member of the Supervisory Board of:** ● *Yam Invest N.V., Netherlands* **Non-voting director of:** ● *Financière Acofi SA* ● *Gimar Finance & Cie SCA* **Member of:** ● *Commission Économique de la Nation* ● *Conseil Économique et Social* ● *Board of directors of Association de Genève* ● *Board of the French Foundation for Medical Research* ● *Comité des Entreprises d'Assurance*

Name	Function	Business Address	Principal Outside Activities
			● *Conseil de la Fondation pour la Recherché Médicale* ● *Strategic Board of the CEA European insurance and reinsurance federation*
Jean-François Lepetit		30, boulevard Diderot, 75572 Paris Cedex 12 France	**Principal function:** *Chairman of Conseil national de la comptabilité* **Member of:** ● *Collège de l'Autorité des Marchés Financiers* ● *Board of QFCRA (Qatar Financial Center Regulatory Authority, Doha))* ● *Conseil de Normalisation des Comptes Publics* **Director of:** ● Smart Trade Technologies S.A. ● Shan SA
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	**Principal function:** Vice-Chairman of the IFOP SA Management Board **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* ● *Institut Français des Administrateurs* **Permanent Representativeof:** ● 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:** *Investment Committee of the United Nations Staff Pension Fund*
Baudouin Prot	Director and 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* **Chairman of:** ● *Fédération Bancaire Française from September 2009 to August 2010* **Member of:** ● *Executive Board of the Fédération Bancaire Française*
Louis Schweitzer		8-10, avenue Emile Zola 92109 Boulogne	**Principal function:** Chairman of the Board of Directors of Renault

Name	Function	Business Address	Principal Outside Activities
		Billancourt, France	**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)* **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*
Michel Tilmant		Rue du Moulin 10 B – 1310 La Hulpe Belgium	**Principal function:** Managing Director of Strafin SPRL
Emiel Van Broekhoven		Zand 7 – 9 B – 2000 Antwerp Belgium	**Principal function:** Economist, Honorary Professor at the University of Antwerp
Daniela Weber-Rey		Mainzer Landstraße 46 D 60325 Frankfurt am Main Germany	**Principal function:** Partner at Clifford Chance, Frankfurt **Member of:** • *Expert Group on "Removing obstacles to cross-border investments" of the European Commission* • *Advisory group on corporate governance and company law of the European Commission* • *Ad Hoc Group of Corporate Governance Experts for the Financial Services Area of the European Commission* • *German Government Commission on the German Corporate Governance Code*

During the Annual General Meeting of May 12, 2010, Ms. Meglena Kuneva was elected as a director of BNP Paribas.

Among other functions, Ms. Kuneva served as European Commissioner responsible for consumer protection from the beginning of 2007 until February 2010. In accordance with Article 245 of the Treaty on the Functioning of the European Union, Ms. Kuneva, like any member of the European Commission, pledged to abide by certain obligations relating to her mandate, including the duties of honesty and discretion in accepting certain benefits or duties, both during her mandate as well as following the expiration of her mandate.

Under the Code of Conduct adopted by the European Commission, Commissioners must inform the Commission of their professional plans during the year following the expiration of their mandate so that the Commission may decide whether such plans are consistent with Article 245.

Accordingly, Ms. Kuneva asked the Commission to pronounce itself on the compatibility of her previous duties with those on the Board of Directors of BNP Paribas. Due to time constraints relating to the Commission's decision-making process, as well as the ones relating to the convening of the Annual General Meeting under French law, the Commission has not yet been able to issue a decision as of the date of this Information Statement.

Ms. Kuneva has therefore agreed with BNP Paribas that she will only accept the position of director if the Commission approves such position before the Board of Directors' next scheduled meeting (i.e., July 30, 2010) and, accordingly, will refuse to accept the position of director in the case that the Commission issues a negative decision or fails to decide by that date.

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, which are described below.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), 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 Denis Kessler (Chairman), Jean-Louis Beffa and François Grappotte.

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 Claude Bébéar (Chairman), Laurence Parisot and Daniela Weber-Rey.

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
Philippe Bordenave	Senior Executive Vice-President, Chief Financial Officer
Jean Clamon	Managing Director, Head of Compliance and Internal Control Coordinator
Jacques d'Estais	Head of Investment Solutions
Fabio Gallia	Head of BNL bc
Michel Konczaty	Chief Risk Officer
Frédéric Lavenir	Head of Group Human Resources
Alain Marbach	Global Head of Information, Technology and Processes
Alain Papiasse	Head of Corporate and Investment Banking
François Villeroy de Galhau	Head of French Retail Banking

INDEPENDENT STATUTORY AUDITORS

The Group's financial statements as of December 31, 2009 and for the year ended December 31, 2009 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, 2008 and for the year ended December 31, 2008 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars as joint independent statutory auditors (*Commissaires aux comptes*).