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,
US Medium-Term Note Program and Programme for the Issuance of Debt
Instruments

Dated as of May 29, 2008

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FORWARD-LOOKING STATEMENTS

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

EXCHANGE RATE AND CURRENCY INFORMATION

In this information statement, references to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. Most of the financial data presented in this information statement are presented in euros. References to "USD", "$", "U.S.$" and "U.S. dollars" are to United States dollars. References to "cents" are to United States cents. On May 27, 2008, the Noon Buying Rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York (the "Noon Buying Rate") was U.S.$1.5731 per one euro.

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

Month **U.S. dollar/Euro**	**Period End**	**Average rate***	**High**	**Low**
March 2008	1.58	1.55	1.58	1.52
February 2008	1.52	1.48	1.52	1.45
January 2008	1.48	1.47	1.49	1.46
December 2007	1.46	1.46	1.48	1.44
November 2007	1.47	1.47	1.49	1.44
October 2007	1.45	1.42	1.45	1.41
Year **U.S. dollar/Euro**				
2007	1.46	1.37	1.49	1.29
2006	1.32	1.26	1.33	1.19
2005	1.18	1.24	1.35	1.17
2004	1.35	1.24	1.36	1.18
2003	1.26	1.13	1.26	1.04

* 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, 2007, 2006 and 2005 have been prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union.

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

Due to rounding, the numbers presented throughout this information statement may not add up precisely, and percentages may not reflect precisely absolute figures. The Group's fiscal year ends on December 31, and references in this Prospectus to any specific fiscal year are to the twelve-month period ended December 31 of such year.

RISK FACTORS

Risks Related to the Bank and its Industry

Principal Categories of Risk.

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

Credit and Counterparty Risk.

Credit risk is the risk of incurring a financial loss on loans and receivables (existing or potential due to commitments given) as a result of changes in the creditworthiness of the Bank's debtors, which can lead to actual defaults. Creditworthiness is primarily measured based on the probability of default, combined with the chances of recovery of the loan or receivable in the event of default. Credit risk is measured at portfolio level based on groups of loans and/or receivables with similar credit risk characteristics, taking into account correlations between the values of the loans and receivables making up the relevant portfolio. Credit risk arises in relation to lending activities as well as market, investing and payment transactions that potentially expose the Bank to the risk of counterparty default. Counterparty risk refers to the bilateral credit risk with third parties with whom one or several market transactions were effected. Its amount varies over time according to market parameters affecting the potential future value of underlying transactions.

Market Risk.

Market risk arises from trading and non-trading activities and is defined as the risk of incurring a financial loss on instruments carried on the Bank's balance sheet as a result of adverse changes in market parameters. These parameters, such as foreign exchange rates, interest rates, share and commodity prices, listed derivatives prices, and prices of other marketable assets such as property or cars, may be observed on the market. Others can be directly determined based on observable parameters, including credit spreads, implied volatility or implied correlation. Others still may not be observable on the market but rather through statistical analysis or empirical measurements.

Absence of liquidity is also an important component of market risk. In instances of little or no liquidity, goods or instruments may not be tradable at their theoretical value. This may arise, for example, due to limited market demand, legal restrictions, or a one-way market.

Market risk primarily arises in trading portfolios, but may also exist in other asset portfolios held in connection with the banking business, such as:

- shareholdings;
- properties during the sale process; or
- cars on lease whose price level is indirectly affected by changes in the market value of the assets concerned.

Operational Risk.

Operational risk corresponds to the risk of incurring a financial loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. The management of operational risk is underpinned by a causal analysis. The internal processes concerned may involve issues including human resources and systems. External events include but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or a change in value do not fall within the scope of operational risk. In general, therefore, operational risk encompasses legal risks, tax risks, information system risks, the potential financial consequences of reputational risk and compliance risks. However, due to its importance and link with reputational risk, the Bank treats compliance risk separately from operational risk.

Compliance and Reputational Risks.

Compliance risk is the risk of legal, administrative or disciplinary sanctions, or financial loss that a bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities (including instructions given by an executive body, particularly in application of guidelines issued by a supervisory body). By definition, this risk is a sub-category of operational risk. However, certain impacts related to compliance risk can represent more than a mere financial loss and may harm the Bank's reputation. It is for this reason that the Bank treats compliance risk separately.

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

Asset-Liability Management Risk.

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

Liquidity and Refinancing Risk.

Liquidity and refinancing risk is the risk of the Bank being unable to honor its payment obligations or collateral needs, whether expected or unexpected, at any given time and location and in any currency.

Insurance Underwriting Risk.

BNP Paribas' insurance activities – which primarily relate to personal insurance – are subject to insurance underwriting risk. This type of risk relates to financial loss resulting from an unexpected increase in insurance claims. Depending on the type of insurance business (life insurance, personal risks, or annuities), this risk may be statistical, macro-economic, or behavioural, or may be tied to public health issues or natural disasters. It does not constitute the principal component of risks linked to life insurance, an area in which asset-liability risk is predominant.

Business Risk

Business risk corresponds to the risk of generating negative operational revenues (beyond the impact of other risks, such as market risk or operational risk) resulting from the Bank's inability to cover its expenses with its revenues. This state of affairs can result from changes in the business environment or a lack of flexibility in cost structures, which would prevent appropriate adjustments in expenses.

Strategic Risk

Strategic risk is the risk of a decrease in stock prices due to strategic choices made by the Bank.

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

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

There are numerous examples of the specific risks that the Bank faces with respect to potential adverse future market or economic conditions. Financial markets in France, in Europe and elsewhere may decline or experience increased volatility, which could lead to a decline in capital markets transactions, cash inflows and commissions from asset management. Adverse economic conditions could reduce credit demand by corporate borrowers or increase the rate of defaults by borrowers. These developments would adversely affect the Bank's net banking income, and, if it were unable to reduce expenses commensurately, its profitability. Revenues and profitability could also be depressed by market losses in the Bank's securities portfolio or proprietary positions resulting from adverse market or economic developments.

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

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

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

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

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

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

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

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

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

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

Primary and secondary debt market conditions and deteriorating economic conditions could have a material adverse impact on the Bank's earnings and financial condition.

Significant disruptions in the primary and secondary debt markets, and the worsening of overall economic conditions could, at any time, negatively affect the activities, earnings and financial condition of financial institutions worldwide, including the Bank. The primary effects of these conditions could be, among others, the following:

- Crises in the debt markets are characterized by reduced liquidity and increased credit risk premiums for certain market participants. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future. Since the Bank is highly dependent on the availability of credit to finance its operations, disruptions in the debt markets could have an adverse impact on its earnings and financial condition;

- The secondary debt markets could also experience significant disruptions resulting from reduced investor demand for loans and debt-backed securities (known as "collateralized debt obligations" or "CDOs") and increased investor yield requirements for those loans and securities. Falling property prices in the United States and a significant increase in the number of subprime mortgages originated in 2005 and 2006 could accelerate the increases in mortgage delinquencies and defaults in the United States. These conditions could also affect other markets as financial institutions sell assets to meet liquidity requirements. These conditions may affect banking activities in a number of ways, including reducing the availability of securitization markets to finance new loans, reducing performance-based fees in asset management businesses and halting LBO market activity.

The reduction in the availability of credit could impact the overall level of economic activity, despite efforts by central banks and economic policy makers to implement measures designed to stimulate the economy. The economic outlook may in turn have a significant negative effect on stock market index values and, consequently, on the value of financial instruments held by the Bank in its trading portfolio, as well as the outlook for earning commissions from equity brokerage and capital markets activities and commissions from asset management activities.

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

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

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

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

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

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

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

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

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

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

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

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework (see "Capital Adequacy of the BNP Paribas Group—Recent Changes to the BIS Capital Standards");
- changes in the financial reporting environment; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership;
- any unfavorable changes in the political, military or diplomatic situation leading to social unrest or legal uncertainty, potentially affecting demand for the Group's products and services.

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 fails to identify or anticipate. Some of the Bank's qualitative tools and metrics for managing risk are based on its use of observed historical market behavior. The Bank applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures, e.g. if the Bank does not anticipate or correctly evaluate certain factors in its statistical models. This would limit the Bank's ability to manage its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

The Bank's hedging strategies may not prevent losses.

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

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

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

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

Competition is intense in all of the Bank's primary business areas in France and the other countries in which it conducts large portions of its business, including other European countries and the United States. If the Bank is unable to respond to the competitive environment in France or in its other major markets by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the French economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors. In addition, new lower-cost competitors may enter the market, which may not be subject to the same capital or regulatory requirements or may have other inherent regulatory advantages and, therefore, may be able to offer their products and services on more favorable terms.

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group (i) as of December 31, 2007, December 31, 2006, December 31, 2005 and January 1, 2005 and for the years ended December 31, 2007, December 31, 2006, December 31, 2005 and December 31, 2004, and (ii) as of and for the year ended December 31, 2003.

The selected financial data for the Group as of December 31, 2007, December 31, 2006 and December 31, 2005 and for the years ended December 31, 2007, December 31, 2006 and December 31, 2005 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2007 and for the year ended December 31, 2007 and as of December 31, 2006 and for the year ended December 31, 2006 included herein.

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

The selected financial data for the Group as of and for the year ended December 31, 2003 and the financial statements from which they are derived have been prepared in accordance with French GAAP.

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

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

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

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

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

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

(1) Includes insurance activities.

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

BNP Paribas Group Consolidated Balance Sheet (French GAAP)	**At December 31, 2003**
	(in millions of euros)
Assets	
Interbank and money market items	274,908
Customer items	221,973
Securities and insurance company investments	169,786
Long term investments	8,403
Tangible and intangible assets	9,008
Accrued income and other assets	93,420
Goodwill	5,578
Total Assets	783,076
Liabilities and Shareholders' Equity	
Interbank and money market items	191,254
Customer items	210,621
Bonds and negotiable debt instruments	83,101
Other accounts (1)	250,691
Subordinated debt	13,226
Reserve for general banking risks	843
Minority interests in consolidated subsidiaries	5,019
Shareholders' equity (group share)	28,321
Total Liabilities and Shareholders' Equity	783,076

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

BNP Paribas Group Capital Ratios (IFRS)	**At December 31,**			
	2007	**2006**	**2005**	**2004**
Total ratio	10.0%	10.5%	11.0%	10.3%
Tier 1 ratio	7.3%	7.4%	7.6%	8.1%
Risk-weighted assets (in € billions)	540	463	378	324

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, 2008.

The following table sets forth the consolidated capitalization of the Group as of March 31, 2008 and December 31, 2007.

(in millions of euros)	**As of March 31, 2008 (unaudited)**	**As of December 31, 2007**
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	54,027	52,064
Other debt securities	36,870	36,649
Subordinated debt	15,453	16,003
Total Medium- and Long-Term Debt	**106,350**	**104,716**
Shareholders' Equity and Equivalents		
Issued capital [(2)]	1,812	1,811
Additional paid-in capital	11,678	11,661
Preferred shares and equivalent instruments[(3)]	6,733	6,743
Retained earnings[(4)]	30,983	27,296
Unrealized or deferred gains and losses attributable to shareholders	851	3,272
Undated participating subordinated notes[(5)]	274	274
Undated subordinated FRNs[(6)]	843	889
Total Shareholders' Equity and Equivalents	**53,174**	**51,946**
Minority interests[(7)]	5,380	5,189
Total Capitalization	**164,904**	**161,851**

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, 2008: CAD = 1.571205; GBP = 0.786091; CHF = 1.617120; HKD = 12.192621; JPY = 162.564628; USD = 1.5644.

2) The number of shares outstanding has increased since December 31, 2007. BNP Paribas' share capital was modified on January 28, 2008: it stands at €1,811,390,890 divided into 905,695,445 common shares with a par value of €2 per share, all fully paid.

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

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

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

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

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

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

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

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

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

In June 2007, BNP Paribas SA issued $1,100 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.195% per annum for a period of thirty years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to 3-month USD Libor plus a margin equal to 1.29% per annum.

In October 2007, BNP Paribas SA issued GBP200 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.436% per annum for a period of ten years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to 3-month GBP Libor plus a margin equal to 1.85% per annum.

4) After estimated distribution and deduction at cost of 25,211,909 BNP Paribas shares held by BNP Paribas as at December 31, 2006 and 8,972,652 BNP Paribas shares held by BNP Paribas as at December 31, 2007.

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

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

7) In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of BNP Paribas, issued $500 million of noncumulative preferred securities, which do not dilute earnings per ordinary share. They pay a contractual dividend of 7.738% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to LIBOR. The securities were redeemed in December 2007.

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

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

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

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

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

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

The following discussion and analysis relates to the results of operations and financial condition of the Group for the year ended and as of December 31, 2007 as compared to the year ended and as of December 31, 2006, and for the year ended and as of December 31, 2006 as compared to the year ended December 31, 2005. It should be read in conjunction with "Selected Financial Data" and the audited consolidated financial statements of the Group as of and for the years ended December 31, 2007 and 2006 and as of and for the years ended December 31, 2006 and 2005.

Economic Conditions

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

	2005	2006	2007
French GDP[1]	1.2%	2.1%	1.9%
Euro zone GDP[2]	1.5%	2.8%	2.6%
U.S. GDP[3]	3.2%	3.3%	2.2%
Short-term interest rates (3-month Euribor)[4]	2.49%	3.73%	4.68%
Long-term interest rates (France)[5]	3.29%	3.99%	4.42%
S&P 500*	3.8%	13.6%	3.53%
FTSE 100*	15.9%	10.7%	3.80%
CAC 40*	22.3%	17.5%	1.31%

1 Source: INSEE. Figure for 2007 based on a preliminary estimate.
2 Source: Eurostat
3 Source: U.S. Bureau of Economic Analysis
4 Source: Banque de France
5 Source: Banque de France
* Percent change from January 1 through the end of the period.

During 2005, the global economy grew at a slow, albeit sustained pace, in the face of rising oil prices and tightening monetary policy, in particular in the United States. The U.S. dollar continued to depreciate against the euro and thus to weigh on the results of European companies doing business in the United States (including the Group, as summarized below). Overall growth proved to be much weaker in Europe than in the United States, continuing the trend of prior years. In 2006, global economic growth remained vigorous, including in the United States where growth remained strong despite a slow-down at year-end. Oil prices peaked in the middle of 2006, and then significantly decreased in the second half of the year. 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.

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 the year was lower than in previous years as a result of these factors, particularly in the U.S. 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 2007, see "Risk Management—Impact of Subprime Crisis in Second Half of 2007."

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

During 2005, European financial markets recorded healthy gains, while U.S. markets remained mostly flat. In 2006, the main stock market indices ended the year at five-year highs, notwithstanding tensions due to higher oil prices. This trend continued in the first half of 2007, with the main stock market indices reaching record highs in October 2007, followed by a sustained drop in response to the credit crisis, with an overall result for the year being generally small gains.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. After an initial three-year period in which the euro generally depreciated against the U.S. dollar, in 2003 and 2004 the euro generally appreciated against the U.S. dollar thus weakening European exports in real terms and decreasing the value of dollar-denominated earnings of French companies, including the Group's U.S. operations. In 2005, this trend reversed itself, with the U.S. dollar gradually appreciating against the euro, thereby increasing the value of the Group's dollar-denominated earnings. This trend was reversed in 2006, as the dollar maintained a moderate downward trend against the euro, and continued and accelerated through most of 2007. 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, 2007 included herein, for further segment information.

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

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

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

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

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

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

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

Results of operations by division

French Retail Banking

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

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

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

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

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

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

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

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

BNL banca commerciale (BNL bc)

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

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

** Full year pro forma.*

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

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

Provisions remained stable at €318 million.

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

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

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

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

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

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

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

Cetelem

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

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

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

BancWest

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

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

Equipment Solutions & UCB

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

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

Emerging Markets

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

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

Asset Management & Services

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**5,329**	**4,409**	**+20.9%**
Operating expenses and depreciation	(3,369)	(2,804)	+20.1%
Gross operating income	**1,960**	**1,605**	**+22.1%**

Provisions	(7)	(4)	+75.0%
Operating income	**1,953**	**1,601**	**+22.0%**
Share of earnings of associates	17	34	-50.0%
Other non-operating items	10	(4)	nm
Pre-tax net income	**1,980**	**1,631**	**+21.4%**
Cost/income ratio	63.2%	63.6%	-0.4 pt
Allocated equity (in billions of euros)	5.4	4.6	+17.9%
Pre-Tax ROE	36%	35%	+1 pt

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

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

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

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

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

Wealth & Asset Management (WAM)

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

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

Insurance

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**1,437**	**1,276**	**+12.6%**
Operating expenses and depreciation	(664)	(599)	+10.9%
Gross operating income	**773**	**677**	**+14.2%**
Provisions	(3)	(1)	nm
Operating income	**770**	**676**	**+13.9%**
Share of earnings of associates	15	25	-40.0%
Other non-operating items	4	(3)	nm
Pre-tax net income	**789**	**698**	**+13.0%**
Cost/income ratio	46.2%	46.9%	-0.7 pt
Allocated equity (in billions of euros)	3.1	2.7	+14.2%
Pre-Tax ROE	26%	26%	+0 pt

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

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

Securities Services

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

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

Corporate and Investment Banking (CIB)

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

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

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

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

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

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

Advisory and Capital Markets

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

Pre-Tax ROE	45%	55%	-10 pts

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

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

Financing Businesses

(in millions of euros)	**2007**	**2006**	***Change (2007/2006)***
Net banking income	**2,668**	**2,694**	**-1.0%**
Operating expenses and depreciation	(1,197)	(1,146)	+4.5%
Gross operating income	**1,471**	**1,548**	**-5.0%**
Provisions	37	280	-86.8%
Operating income	**1,508**	**1,828**	**-17.5%**
Non operating items	51	(12)	nm
Pre-tax net income	**1,559**	**1,816**	**-14.2%**
Cost/income ratio	44.9%	42.5%	+2.4 pts
Allocated equity (in billions of euros)	7.4	6.3	+18.8%
Pre-Tax ROE	21%	29%	-8 pts

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

Other Activities (including BNP Paribas Capital)

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

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

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	2007	2006	*Change (2007/2006)*
Net interest income..	9,708	9,124	+6.4%
Net commission income	6,382	6,104	+4.6%
Net gain on financial instruments at fair value through profit or loss	7,843	7,573	+3.6%
Net gain on available-for-sale financial assets	2,507	1,367	+83.4%
Net income from other activities..................................	4,657	3,775	+23.4%
Net banking income..	**31,037**	**27,943**	+11.1%

General. The 11.1% increase in net banking income of the Group in 2007 as compared with 2006 was due, in order of importance, to a 83.4% increase in net gains on available-for-sale financial assets, a 23.4% increase in net income from other activities, a 6.4% increase in net interest income, a 4.6% increase in net commission income and a 3.6% increase in net gain on financial instruments at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

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

These increases were partially offset by:

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

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

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

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

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

Total loans and receivables due from customers, net of impairment provisions, amounted to €445.1 billion at December 31, 2007, an increase of 13.2% compared to €393.1 billion at December 31, 2006. The increase was due primarily to a 13.1% increase in loans to customers, to €403.3 billion at December 31, 2007. This increase was itself due largely to a 10.6% increase in outstanding mortgage loans in French Retail Banking, a 8.7% increase in outstanding mortgage loans in BNL banca commerciale, and a 11.7% increase in corporate loans in French Retail Banking to €45.9 million at December 31, 2007. Demand accounts and finance leases also increased by 6.6% from €26,271 million to €29,794 million and by 6.2% from €22,758 million to €24,266 million, respectively.

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

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

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

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

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

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

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

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

Net gain on financial instruments at fair value through profit or loss. This line item includes all profit and loss items (other than interest income and expense, which are recorded under "Net interest income", as discussed above) relating to financial instruments managed in the trading book and, as of January 1, 2005, to financial instruments designated as fair value through profit or loss by the Group under the fair value option of IAS 39 (for a discussion of the fair value option, see Section 1.c of the audited consolidated financial statements for the year ended December 31, 2007 included herein). This in turn includes both capital gains/losses on sales and marking to market gains and losses, along with dividends from variable-income securities. Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

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

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

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

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

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

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

Operating Expense and Depreciation

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

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

Gross Operating Income

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

Cost of Risk

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

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

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

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

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

For a more detailed discussion of net additions to provisions by division, see "—Results of operations by division". For more information about the Group's overall exposure to problem loans and the Bank's asset quality and loan loss reserves as of December 31, 2007, see "Risk Management."

Net Income Attributable to the Group

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

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

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

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

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

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

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

Financial Condition

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

Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities (excluding shareholders' equity)

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

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

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

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

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

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

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

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

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

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

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

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

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

Minority Interests

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

Shareholders' Equity

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

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

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

Off-Balance Sheet Items

Financing Commitments

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

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

Guarantee Commitments

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

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

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

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

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

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

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

Results of operations by division

French Retail Banking

(in millions of euros)	**2006***	**2005***	***Change (2006/2005)***
Net banking income	**5,850**	**5,451**	***+7.3%***
Of which net interest income	3,380	*3,189*	*+6.0%*
Of which fees and commissions	2,470	2,262	*+9.2%*
Operating expenses and depreciation	-3,811	-3,699	*+3.0%*
Gross operating income	**2,039**	**1,752**	***+16.4%***
Provisions	**-153**	-194	*-21.1%*
Operating income	**1,886**	**1,558**	***+21.1%***
Non operating items	1	0	*n.s.*
Pre-tax income	**1,887**	**1,558**	***+21.1%***
Income Attributable to AMS	-117	-88	*+33.0%*
Pre-tax income of French Retail Banking	**1,770**	**1,470**	***+20.4%***
Cost/income ratio	**65.1%**	67.9%	*-2.8 pts*
Allocated equity (in billions of euros)	**5.5**	5.1	*+7.3%*
Pre-Tax ROE	32%	29%	*+3 pts*

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

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

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

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

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

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

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

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

International Retail Banking and Financial Services

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

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

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

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

BancWest

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

BancWest maintained its solid performance in 2006, posting growth of 4.9% for loans and 8.7% for deposits at constant scope and exchange rates. Despite the continued decline in the net interest margin rate (a decrease of 38 basis points between the fourth quarter of 2005 and the fourth quarter of 2006) due to the combined negative effect of a rise in short term interest rates, an inverted yield curve in fourth quarter of 2006 and intense competition, net banking income increased by 1.9% at constant scope and exchange rates. With the successful merger of Commercial Federal Corporation, BancWest's net banking income increased by 16.7% to €2,191 million.

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

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

Cetelem

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

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

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

Arval, BNP Paribas Lease Group, UCB

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**1,384**	**1,310**	***+5.6%***
Operating expenses and depreciation	-868	-830	*+4.6%*
Gross operating income	**516**	**480**	***+7.5%***
Provisions	-44	-58	*-24.1%*
Operating income	**472**	**422**	***+11.8%***
Share of earnings of associated companies	-5	4	*n.s.*
Other non operating items	4	7	*-42.9%*
Pre-tax income	**471**	**433**	***+8.8%***
Cost/income ratio	62.7%	63.4%	*-0.7 pts*
Allocated equity (in billions of euros)	1.8	1.6	*+11.6%*
Pre-Tax ROE	26%	26%	*+0 pts*

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

Emerging Markets

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

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

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

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

Asset Management & Services

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

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

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

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

Wealth & Asset Management (WAM)

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

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

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

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

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

Insurance

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**1,277**	**1,017**	***+25.6%***
Operating expenses and depreciation	-599	-481	*+24.5%*
Gross operating income	**678**	**536**	***+26.5%***
Provisions	-1	-8	*n.s.*
Operating income	**677**	**528**	***+28.2%***
Non operating items	3	52	*n.s.*
Pre-tax income	**680**	**580**	***+17.2%***
Cost/income ratio	46.9%	47.3%	*-0.4 pts*
Allocated equity (in billions of euros)	2.6	2.3	*+12.7%*
Pre-Tax ROE	26%	25%	*+1 pts*

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

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

Securities Services

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

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

Corporate and Investment Banking (CIB)

(in millions of euros)	**2006**	**2005**	***Change (2006/2005)***
Net banking income	**7,859**	**6,422**	***+22.4%***
Operating expenses and depreciation	-4,397	-3,711	*+18.5%*
Gross operating income	**3,462**	**2,711**	***+27.7%***
Provisions	253	130	*n.s.*
Operating income	**3,715**	**2,841**	***+30.8%***
Non operating items	42	49	*-14.3%*
Pre-tax income	**3,757**	**2,890**	***+30.0%***
Cost/income ratio	55.9%	57.8%	*-1.9 pts*
Allocated equity (in billions of euros)	9.4	9.1	*+3.9%*
Pre-Tax ROE	40%	32%	*+8 pts*

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

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

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

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

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

Advisory and Capital Markets

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

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

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

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

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

Financing Businesses

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

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

BNL

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

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

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

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

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

BNP Paribas Capital

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

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

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

Results of operations by nature of income and expense

Net banking income

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

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

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

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

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

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

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

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

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

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

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

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

These increases were partially offset by:

- an increase in net interest expense on the trading book to €743 million in 2006 from €262 million recorded in 2005. The increase in net interest expense on the trading book was due to an increase in net interest expense on repurchase agreements, from €627 million in 2005 to €1,288 million in 2006, which resulted from an increase in repurchase agreements outstanding of 27.5% for assets and 30.3% for liabilities, as well as an increase in net expense on debt securities within liabilities designated at fair value through profit and loss from €1,565 million in 2005 to €2,109 million. This increase in expense was due to a 28.8% increase in the amount of debt securities outstanding. These increases in expense items were partially offset by an increase in net interest income from fixed-income securities within the trading book, from €1,994 million in 2005 to €2,686 million in 2006, which was in turn due primarily to an increase in the outstanding amount of fixed-income securities.

- a 0.9% decrease in net interest income from available-for-sale financial assets, from €3,213 million in 2005 to €3,184 million in 2006. This decrease corresponds to a moderate 4.4% increase in available-for-sale financial assets, to

€96.7 billion at December 31, 2006. This moderate increase in available-for-sale financial assets was itself due largely to an increase of government bonds outstanding (+5.1%) partially offset by a decrease of negotiable certificates of deposit (-18.1%);

- a 4.1% increase in net interest expenses paid on interbank items, from €1,841 million in 2005 to €1,917 million in 2006, itself due primarily to an increase in expense paid on repurchase agreements, resulting from a higher increase in the outstanding amounts of such items on the assets side than on the liabilities side;

- a 4.0% decrease in net interest income on held-to-maturity financial assets, from €781 million in 2005 to €750 million in 2006, due primarily to a 1.9% reduction in the outstanding amount of such held-to-maturity financial assets.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". Trends in such assets between December 31, 2005 and December 31, 2006 are summarized below.

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

Total loans and receivables due from credit institutions, net of provisions, increased 67%, from €45.0 billion at December 31, 2005 to €75.2 billion at December 31, 2006. Contributing to the increase was a 60.2% increase in loans, to €52.4 billion at December 31, 2006, a 95.3% increase in demand accounts, to €15.2 billion at December 31, 2006, and a 63.4% increase in repurchase agreements, to €7.6 billion at December 31, 2006.

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

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

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

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

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

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

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

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

Net gains on financial instruments at fair value through profit or loss increased by 45.3%, from €5,212 million in 2005 to €7,573 million in 2006. This increase was primarily due to a decrease in the loss on derivative instruments related to trends in equity derivatives, from €5,962 million in 2005 to €3,935 million in 2006. The gain on variable-income securities remained high at €10,164 million, although slightly down from €10,398 million in 2005, as the strength in global capital markets sustained asset values. There was a €136 million loss in the loan portfolio as opposed to a €42 million gain in 2005, and the gains from the remeasurement of interest-rate risk hedged portfolios and currency positions increased from €59 million to €185 million and €516 million to €703 million in 2006, respectively.

Net gain on available-for-sale financial assets. Under IFRS, this line item includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Changes in fair value (excluding accrued interest) of the assets included within the available-for-sale category are initially recorded under

"Unrealised or deferred gains or losses" in shareholders' equity. Upon the sale of such assets or upon recognition of an impairment loss, these previously unrealized gains or losses are credited or charged to the income statement, as the case may be, under the "Net gain/loss on available-for-sale financial assets" line item.

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

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

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

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

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

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

Operating Expense and Depreciation

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

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

Gross Operating Income

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

Cost of Risk

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

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

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

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

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

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

Net Income Attributable to the Group

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

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

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

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

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

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

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

Financial Condition

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

Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities (excluding shareholders' equity)

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

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

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

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

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

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

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

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

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

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

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

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

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

Minority Interests

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

Shareholders' Equity

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

This increase reflects net attributable income of €7.3 billion in 2006 and an increase in capital and reserves of €5.9 billion, the latter resulting from the capital increase via a rights offering effected in March to finance in part the acquisition of

BNL. These increases were offset in part by the negative impact of movements in own equity instruments (€1.8 billion), resulting from share buybacks (the Group held approximately 25 million of its own shares at December 31, 2006 compared to approximately 5 million at December 31, 2005) and the portion of BNL acquisition costs (€2.1 billion) related to the buyout of minority shareholders that was not allocated to goodwill, in accordance with IAS 32.

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

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

Off-Balance Sheet Items

Financing Commitments

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

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

Guarantee Commitments

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

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

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

RECENT DEVELOPMENTS

First Quarter 2008 Results (Unaudited)

On May 14, 2008, BNP Paribas issued a press release announcing its results for the first quarter of 2008. Commenting on these results, Baudouin Prot, Chief Executive Officer of BNP Paribasm said, "During a first quarter marked by an exceptionally fierce financial crisis, BNP Paribas was one of the few leading players in Corporate and Investment Banking to be profitable. The Group posted profits of close to 2 billion euros which are testament to the talent and commitment of the BNP Paribas' teams. This performance confirms the Group's ability to weather the storm and to continue to pursue its development strategy. More than ever, the sales and marketing drive of the business units, the customer acquisition momentum and the extreme vigilance in risk management are of utmost importance for the Group to continue to outperform its peer group."

Consolidated profit and loss account

In millions of euros	1Q08	1Q07	1Q08 / 1Q07	4Q07	1Q08 / 4Q07
Revenues	7,395	8,213	-10.0%	6,920	+6.9%
Operating Expenses and Dep.	-4,605	-4,586	+0.4%	-4,687	-1.7%
Gross Operating Income	2,790	3,627	-23.1%	2,233	+24.9%
Provisions	-546	-260	+110.0%	-745	-26.7%
Operating Income	2,244	3,367	-33.4%	1,488	+50.8%
Associated Companies	85	127	-33.1%	73	+16.4%
Other Non Operating Items	345	1	n.s.	18	n.s.
Non Operating Items	430	128	n.s.	91	n.s.
Pre-Tax Income	2,674	3,495	-23.5%	1,579	+69.3%
Tax Expense	-570	-854	-33.3%	-430	+32.6%
Minority Interests	-123	-134	-8.2%	-143	-14.0%
Net Income, Group Share	1,981	2,507	-21.0%	1,006	+96.9%
Cost/Income	62.3%	55.8%	+6.5 pt	67.7%	-5.4 pt

Net profit (group share) of close to two billion euros

Despite the continued crisis in the financial markets, particularly fierce in March, BNP Paribas Group posted a net profit of €1,981 million in the first quarter 2008, down only 21.0% from the record level in the first quarter 2007, achieved in an exceptionally favorable market environment.

This result again reflects the robustness of the Group's growth drive as well as the prudence of its risk policy. The direct impact of the crisis was less this quarter than in the fourth quarter 2007 and remains limited compared to the peer group.

The Group's revenues totalled €7,395 million, down only 10% from the record level in the first quarter 2007. Fair value adjustments associated with the financial crisis totalled €-360 million, a lower amount than the €-589 million posted in the fourth quarter 2007. These fair value adjustments break down as €-514 million for the CIB division, €-29 million for the AMS division and a €183 million gain on own debt issued by the Group, credited under the "Corporate Center". The operating divisions' revenues held up well at €6,812 million, down 10.6% compared to the first quarter 2007 and up 0.5% compared to the fourth quarter 2007.

Given the market environment, the Group curbed the growth of its operating expenses, in particular in those business units hardest hit by the crisis. The Group's operating expenses grew 0.4% compared to the first quarter 2007 and were down 1.7% compared to the fourth quarter 2007. They include €146 million in restructuring costs, posted under the "Corporate

Center", associated with BNL's integration, including €127 million for a new staff departure program agreed with the unions in the first quarter 2008. As for the operating divisions, operating expenses shrunk 2.8% compared to the first quarter 2007, in particular thanks to adjustments in CIB's accrual for variable compensation. The cost/income ratio was 64%.

Gross operating income totalled €2,790 million, down 23.1% compared to the first quarter 2007 but up 24.9% compared to the fourth quarter 2007. It grew in aggregate 9.2% for retail banking divisions compared to the first quarter 2007.

The cost of risk was €546 million compared to €260 million, a particularly low level, in the first quarter 2007 and €745 million in the fourth quarter 2007. The direct impact of the financial crisis on the cost of risk this quarter was €57 million for BancWest and €129 million for CIB, or a total of €186 million for the Group compared to €309 million in the fourth quarter 2007. The cost of risk also rose in the Personal Finance business unit, rising from €155 million in the first quarter 2007 to €230 million in the first quarter 2008, given the strong growth in volumes and a further deterioration of risks in Spain.

After tax and deducting minority interests, the net income group share came to €1,981 million, down only 21.0% from the record level in the first quarter 2007, and reflecting annualised return on equity of 18.0%.

A positive contribution of all the divisions

In millions of euros	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
GROUP					
Revenues	8,213	8,214	7,690	6,920	7,395
Operating Expenses and Dep.	-4,586	-4,848	-4,643	-4,687	-4,605
Gross Operating Income	3,627	3,366	3,047	2,233	2,790
Provisions	-260	-258	-462	-745	-546
Operating Income	3,367	3,108	2,585	1,488	2,244
Associated Companies	127	90	68	73	85
Other Non Operating Items	1	59	74	18	345
Pre-Tax Income	3,495	3,257	2,727	1,579	2,674
Tax Expense	-854	-874	-589	-430	-570
Minority Interests	-134	-101	-111	-143	-123
Net Income, Group Share	2,507	2,282	2,027	1,006	1,981

Despite an environment characterized by a worsened financial crisis, especially in March, all the Group's divisions continued their business development and posted a positive contribution to the Group's results. This performance again places BNP Paribas among the leading banks that are holding up best in the face of the financial crisis.

French Retail Banking (FRB)

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
FRENCH RETAIL BANKING (including 100% of Private Banking in France)					
Revenues	**1,503**	**1,490**	**1,467**	**1,434**	**1,521**
Incl. Net Interest Income	*805*	*810*	*812*	*779*	*827*
Incl. Commissions	*698*	*680*	*655*	*655*	*694*
Operating Expenses and Dep.	-954	-973	-1,011	-1,012	-975
Gross Operating Income	**549**	**517**	**456**	**422**	**546**
Provisions	-31	-32	-36	-59	-29
Operating Income	**518**	**485**	**420**	**363**	**517**
Non Operating Items	0	1	-1	0	0
Pre-Tax Income	**518**	**486**	**419**	**363**	**517**
Income Attributable to AMS	-41	-35	-30	-32	-35
Pre-Tax Income of French Retail Bkg	**477**	**451**	**389**	**331**	**482**
FRENCH RETAIL BANKING (including 100% of Private Banking in France) Excluding PEL/CEL Effects					
Revenues	**1,476**	**1,470**	**1,443**	**1,425**	**1,520**
Incl. Net Interest Income	*778*	*790*	*788*	*770*	*826*
Incl. Commissions	*698*	*680*	*655*	*655*	*694*
Operating Expenses and Dep.	-954	-973	-1,011	-1,012	-975
Gross Operating Income	**522**	**497**	**432**	**413**	**545**
Provisions	-31	-32	-36	-59	-29
Operating Income	**491**	**465**	**396**	**354**	**516**
Non Operating Items	0	1	-1	0	0
Pre-Tax Income	**491**	**466**	**395**	**354**	**516**
Income Attributable to AMS	-41	-35	-30	-32	-35
Pre-Tax Income of French Retail Bkg	**450**	**431**	**365**	**322**	**481**
FRENCH RETAIL BANKING (including 2/3 of Private Banking in France)					
Revenues	**1,436**	**1,425**	**1,406**	**1,373**	**1,456**
Operating Expenses and Dep.	-927	-943	-981	-983	-945
Gross Operating Income	**509**	**482**	**425**	**390**	**511**
Provisions	-32	-31	-36	-59	-29
Operating Income	**477**	**451**	**389**	**331**	**482**
Non Operating Items	0	0	0	0	0
Pre-Tax Income	**477**	**451**	**389**	**331**	**482**

French Retail Banking has continued to demonstrate a strong sales and marketing drive. The growth in the number of accounts has remained sustained, in particular in the youth segment, with a net total of 60,000 individual cheque and deposit accounts opened this quarter. Outstandings continued to grow at a fast pace, reflecting the trend towards reintermediation, both with respect to loans (10.9%) and deposits (12.7%) compared to the first quarter 2007.

This robust growth enabled the division to post revenues up 3.0% compared to the very high level in the first quarter 2007 despite the 13.1% decline in financial fees related to lower value of managed assets and a more limited number of transactions and sales of financial products as a result of the unfavourable equity markets in the first quarter of the year. This decline was more than offset by a 6.2% rise in net interest income linked to the growth in loan and deposit outstandings and a 8.3% increase in banking fees obtained thanks to an increase in cash management volumes and to the success of the range of protection and death and disability insurance solutions.

The division's operating expenses rose 2.2% during the quarter, producing a positive 0.8 point jaws effect (excluding the PEL/CEL effects, including 100% of French Private Banking). The division's cost/income ratio was 64.1%, an improvement of 0.5 point compared to the first quarter 2007. The cost of risk was again down slightly, at €29 million, or 12 basis points of risk weighted assets (Basel I), compared to €31 million in the first quarter 2007. This particularly low level reflects the structurally low risk in the mortgage market in France (essentially fixed rate and guaranteed either by a mortgage on the property or by Crédit Logement, a specialized mortgage agency) but also the good quality of risk management on the corporate loan portfolio.

After allocating one-third of French Private Banking's net income to the AMS division, FRB's pre-tax income, excluding PEL/CEL effects, was €481 million, up 6.9% compared to the first quarter 2007.

BNL banca commerciale (BNL bc)

In millions of euros	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
BNL banca commerciale (Including 100% of Private Banking in Italy)					
Revenues	**640**	**643**	**668**	**690**	**680**
Operating Expenses and Dep.	-412	-426	-428	-478	-417
Gross Operating Income	**228**	**217**	**240**	**212**	**263**
Provisions	-81	-50	-92	-95	-84
Operating Income	**147**	**167**	**148**	**117**	**179**
Non Operating Items	0	-1	0	0	0
Pre-Tax Income	**147**	**166**	**148**	**117**	**179**
Income Attributable to AMS	-2	-1	-2	-1	-2
Pre-Tax Income of BNL bc	**145**	**165**	**146**	**116**	**177**
BNL banca commerciale (Including 2/3 of Private Banking in Italy)					
Revenues	**633**	**638**	**662**	**683**	**674**
Operating Expenses and Dep.	-407	-422	-424	-472	-413
Gross Operating Income	**226**	**216**	**238**	**211**	**261**
Provisions	-81	-50	-92	-95	-84
Operating Income	**145**	**166**	**146**	**116**	**177**
Non Operating Items	0	-1	0	0	0
Pre-Tax Income	**145**	**165**	**146**	**116**	**177**

BNL's successful integration is still under way and 80% of the synergies contained in the original plan were implemented by March 31, 2008 of which 100% of the cost synergies.

The synergy target announced as part of the business plan in 2006, €480 million, is being revised upward to €550 million for 2009. The additional €70 million in synergies breakdown into €21 million in revenue synergies, achieved primarily in the other divisions thanks to the success of the cross selling strategy, and €49 million in cost synergies: a new agreement between management and the unions signed in the first quarter 2008 provides for an increase in the number of planned staff departures from 2,200 to 2,755. This plan will help rebalance the Italian network in favour of younger employees, more front office and fewer support staff.

In the first quarter 2008, BNL bc posted revenues (including 100% of Italian Private Banking) up 6.3% compared to the first quarter 2007 thanks to a sustained growth in outstanding loans, which were up 12.6% during the period. After 2007, which marked an end to the customer attrition in the BNL bc network, the beginning of the 2008 saw a return to a substantial rise in the number of customers with a net increase of 9,300 individual checking and deposit accounts during the quarter.

The rise in operating expenses was limited to 1.2%, thereby producing a jaws effect of over 5 points and 3.1 point improvement in the cost/income ratio, at 61.3%. This objective was reached while continuing the renovation of the branches in accordance with the plan.

The cost of risk was stable at €84 million compared to €81 million in the first quarter 2007. Compared to risk weighted assets, it came to 63 basis points compared to 66 basis points in the first quarter 2007.

Thanks to these very good operating performances, the BNL bc division again posted robust growth in its pre-tax income, at €177 million after allocating one-third of Italian Private Banking's net income to the AMS division: +22.1% compared to the first quarter 2007, thereby confirming the growing importance of the Italian market in the Group's business and profitability drive.

International Retail Services (IRS)

In millions of euros	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
INTERNATIONAL RETAIL SERVICES					
Revenues	**1,918**	**1,993**	**2,010**	**2,022**	**2,108**
Operating Expenses and Dep.	-1,098	-1,150	-1,127	-1,250	-1,202
Gross Operating Income	**820**	**843**	**883**	**772**	**906**
Provisions	-202	-240	-304	-482	-383
Operating Income	**618**	**603**	**579**	**290**	**523**
Associated Companies	19	23	20	21	21
Other Non Operating Items	1	8	69	16	115
Pre-Tax Income	**638**	**634**	**668**	**327**	**659**

In the first quarter 2008, the IRFS division changed its name to International Retail Services, reflecting the priority focus on international development in all the division's business units, be it in Branch Banking, which accounts for 43% of the division's revenues, in Personal Finance (43% of the division's revenues) or in Equipment Solutions (14% of the division's revenues).

The first quarter 2008 was marked by sustained business growth in all business units. The division's revenues grew 9.9% compared to the first quarter 2007, to €2,108 million. At constant scope and exchange rates, this growth reached 12.4% as the division was negatively affected by the dollar's sharp fall against the euro during the period (-12% year-on-year).

To support the business growth, operating expenses continued to rise at a robust pace but lesser than that of revenues: 9.5% (11.7% at constant scope and exchange rates). Gross operating income rose 10.5% compared to the first quarter 2007 (13.3% at constant scope and exchange rates).

Including the further €57 million provision at BancWest, as a direct result of the crisis, the IRS division's cost of risk totalled €383 million compared to €202 million, an exceptionally low level, in the first quarter 2007 and €482 million in the fourth quarter 2007.

After an €111 million capital gain realized on the sale of TEB Sigorta, TEB's insurance subsidiary, the division's pre-tax income came to €659 million, up 3.3% compared to the first quarter 2007.

Bancwest

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
BANCWEST					
Revenues	**510**	**491**	**500**	**490**	**509**
Operating Expenses and Dep.	-268	-261	-260	-263	-261
Gross Operating Income	**242**	**230**	**240**	**227**	**248**
Provisions	-23	-22	-73	-217	-101
Operating Income	**219**	**208**	**167**	**10**	**147**
Non Operating Items	0	6	4	5	4
Pre-Tax Income	**219**	**214**	**171**	**15**	**151**

BancWest's revenues posted 13.6% growth at a constant exchange rate compared to the first quarter 2007 (8.6% excluding €22 million in exceptional proceeds as a result of the listing of Visa Inc.). This revenue growth reflects a robust sales and marketing drive, both in terms of loans and fee income. Net interest margin was 3.07% compared to 3.21% in the first quarter 2007 and 3.02% in the fourth quarter 2007 in a context of increasing competition in deposits.

Operating expenses grew 11.1% and gross operating income 16.4% at a constant exchange rate. The cost/income ratio improved by 1.2 points to 51.3%.

In the context of a U.S. real estate crisis, BancWest's cost of risk rose moderately, reflecting the Group's cautious risk policy observed through the cycle. The cost of risk was €101 million this quarter compared to €217 million in the fourth quarter 2007, and an exceptionally low €23 million in the first quarter 2007. This cost of risk incorporates an additional €35 million impairment charge on the investment portfolio (compared to €131 million in the fourth quarter 2007) and a €22 million provision on a portfolio basis (IFRS) related to the real estate exposure in the loan portfolio (compared to €40 million in the fourth quarter 2007). Excluding these direct impacts of the crisis, BancWest's cost of risk amounted to €44 million, thanks to the good quality of its portfolio. The allowance for loan losses was raised to 132 basis points of outstandings compared to 105 basis points in the first quarter 2007 while net charge-offs reported for the first quarter 2008 accounted for 38 basis points (on an annualized basis) of outstandings.

BancWest's pre-tax income totalled €151 million, down 31.1% compared to the first quarter 2007 (21.8% at constant exchange rate).

Emerging Retail Banking

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
EMERGING RETAIL BANKING					
Revenues	**311**	**346**	**348**	**366**	**403**
Operating Expenses and Dep.	-205	-221	-219	-252	-262
Gross Operating Income	**106**	**125**	**129**	**114**	**141**
Provisions	-11	-16	-22	-32	-36
Operating Income	**95**	**109**	**107**	**82**	**105**
Associated Companies	5	1	6	4	3
Other Non Operating Items	0	1	58	11	111
Pre-Tax Income	**100**	**111**	**171**	**97**	**219**

BNP Paribas' Emerging Retail Banking has continued its very robust growth drive, in particular around the Mediterranean and in Far Eastern Europe. The branch opening programme is continuing at a sustained pace with 31 branches opened in the first quarter, primarily in Turkey and Egypt. The number of customers in Emerging Retail Banking reached 4.4 million on March 31, 2008, up 51% from March 31, 2007. This 1.5 million increase in the customer base is the result of the organic growth strategy (1.2 million new customer relationships in the existing networks) amplified by external growth (0.3 million new customers came with the acquisition of Sahara Bank in Libya).

The business unit's revenues grew rapidly: 29.6% compared to the first quarter 2007, 10.1% compared to the fourth quarter 2007, at 403 million euros. This fast growth was driven by Turkey (TEB's revenues up 55.4%), Ukraine (UkrSibbank's revenues up 32.8%) and the North Africa (revenues up 39.8%, including the integration of Sahara Bank).

To sustain the fast-paced growth, operating expenses rose 27.8% compared to the first quarter 2007. The business unit's cost/income improved 0.9 point compared to the first quarter 2007, to 65%.

The cost of risk, at €36 million, rose €25 million compared to the very low baseline of the first quarter 2007 and 4 million compared to the fourth quarter 2007.

Given the €111 million in non operating capital gain realised on the sale of TEB's insurance subsidiary, TEB Sigorta, the Emerging Retail Banking division's pre-tax income totalled €219 million. Excluding this one-off gain and at constant scope and exchange rates, pre-tax income grew 9.1%.

Personal Finance

In millions of euros	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
PERSONAL FINANCE					
Revenues	**813**	**857**	**867**	**874**	**912**
Operating Expenses and Dep.	-454	-492	-475	-528	-503
Gross Operating Income	**359**	**365**	**392**	**346**	**409**
Provisions	-155	-183	-192	-200	-230
Operating Income	**204**	**182**	**200**	**146**	**179**
Associated Companies	15	25	17	19	21
Other Non Operating Items	0	0	1	-1	0
Pre-Tax Income	**219**	**207**	**218**	**164**	**200**

Personal Finance, which now groups together Cetelem's consumer finance businesses and UCB's mortgage finance businesses, posted robust growth in its outstandings (consolidated outstandings up 15.2% and managed outstandings up 17.1%). This growth is reflected by a 12.2% increase in revenues to €912 million, driven in particular by growth in emerging countries whose revenues rose 36% compared to the first quarter 2007.

Operating expenses totalled €503 million, up 10.8% compared to the first quarter 2007, but down 4.7% compared to the fourth quarter 2007 thanks to the positive effects of the restructuring efforts undertaken in 2006 and 2007, as well as a further reduction in spending to adjust to the slowing down of the economy. Personal Finance's cost/income ratio improved 0.6 point compared to the first quarter 2007, at 55.2%.

This focus on cost control enabled Personal Finance to post €409 million in gross operating income, up 13.9% compared to the first quarter 2007.

The cost of risk rose sharply from €155 million in the first quarter 2007 to €230 million in the first quarter 2008, or an increase of €75 million, which is explained primarily by the deterioration of risk in Spain (+38 million euros) and by the robust rise in outstandings. The quality of the portfolio in France remains good and even shows an improvement trend.

Personal Finance's pre-tax income was €200 million, down 8.7% compared to the first quarter 2007 and up 22% compared to the fourth quarter 2007.

Equipment Solutions

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
EQUIPMENT SOLUTIONS					
Revenues	**284**	**299**	**295**	**292**	**284**
Operating Expenses and Dep.	-171	-176	-173	-207	-176
Gross Operating Income	**113**	**123**	**122**	**85**	**108**
Provisions	-13	-19	-17	-33	-16
Operating Income	**100**	**104**	**105**	**52**	**92**
Associated Companies	-1	-3	-3	-2	-3
Other Non Operating Items	1	1	6	1	0
Pre-Tax Income	**100**	**102**	**108**	**51**	**89**

Equipment Solutions showed a good sales and marketing drive, in particular in equipment leasing and in vehicle financing (7.3% growth in the number of financed vehicles). The business unit also continued to pursue its global expansion with, in particular, a new partnership in April 2008 with SREI in leasing in India.

This growth was offset in the first quarter by the impact on revenues of the drop in the value of vehicles due to the evolution in the second-hand car market. Revenues, at €284 million, were stable compared to the first quarter 2007.

Given a limited rise in operating expenses (€5 million compared to the first quarter 2007) and in the cost of risk (€3 million compared to the first quarter 2007), the business unit's pre-tax income was €89 million, down 11% compared to the first quarter 2007.

Asset Management and Services (AMS)

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
ASSET MANAGEMENT AND SERVICES					
Revenues	**1,253**	**1,357**	**1,331**	**1,323**	**1,263**
Operating Expenses and Dep.	-780	-814	-873	-902	-845
Gross Operating Income	**473**	**543**	**458**	**421**	**418**
Provisions	-2	0	-1	-4	4
Operating Income	**471**	**543**	**457**	**417**	**422**
Associated Companies	7	11	5	-6	8
Other Non Operating Items	0	5	4	1	0
Pre-Tax Income	**478**	**559**	**466**	**412**	**430**
WEALTH AND ASSET MANAGEMENT					
Revenues	**643**	**704**	**694**	**678**	**600**
Operating Expenses and Dep.	-429	-442	-469	-488	-440
Gross Operating Income	**214**	**262**	**225**	**190**	**160**
Provisions	-1	0	-1	-2	2
Operating Income	**213**	**262**	**224**	**188**	**162**
Associated Companies	5	0	-2	-2	0
Other Non Operating Items	0	5	1	0	0
Pre-Tax Income	**218**	**267**	**223**	**186**	**162**
INSURANCE					
Revenues	**353**	**355**	**358**	**370**	**353**
Operating Expenses and Dep.	-159	-161	-168	-176	-173
Gross Operating Income	**194**	**194**	**190**	**194**	**180**
Provisions	-1	0	0	-2	2
Operating Income	**193**	**194**	**190**	**192**	**182**
Associated Companies	2	11	7	-5	8
Other Non Operating Items	0	0	3	1	0
Pre-Tax Income	**195**	**205**	**200**	**188**	**190**
SECURITIES SERVICES					
Revenues	**257**	**298**	**279**	**275**	**310**
Operating Expenses and Dep.	-192	-211	-236	-238	-232
Gross Operating Income	**65**	**87**	**43**	**37**	**78**
Provisions	0	0	0	0	0
Operating Income	**65**	**87**	**43**	**37**	**78**
Non Operating Items	0	0	0	1	0
Pre-Tax Income	**65**	**87**	**43**	**38**	**78**

In the first quarter 2008, the AMS division maintained a robust sales and marketing drive in an unfavorable market context.

In particular, the division continued its strategy of international expansion through a number of initiatives. Asset Management strengthened its operations in Saudi Arabia and expanded its open architecture offering in the UK. Personal

Investors, with 1.6 million customers, continued its expansion, in particular in India thanks to Geojit which is contributing close to 400,000 customers. The Insurance business unit was reinforced in the UK in the death and disability insurance business. The Securities Services business unit continued to win a number of mandates and enjoyed very buoyant flow business.

The division's net asset inflows totalled 5.7 billion euros thanks in particular to a robust contribution from Private Banking (€3.4 billion) and Personal Investors (€1.2 billion of which €165 million in India). For its part, Asset Management posted net asset outflows of €1.1 billion, which break down into a €3.0 billion in asset inflows in money market funds offset by €4.1 billion in asset outflows in the other funds, in particular those invested in equities. Gross asset inflows in life insurance in France were down only 6% in a market that was down 10% (Source: FFSA (French insurance companies federation)).

With equity markets sliding in the first quarter of the year, resulting in a negative performance effect of €31 billion, and the fall in the dollar resulting in a negative exchange effect of €11 billion, assets under management as at March 31, 2008 came to €548 billion, down 6.3% compared to their level on December 31, 2007.

In this context, the division's revenues totalled €1,263 million, up 0.8% compared to the high level in the first quarter 2007. Wealth & Asset Management posted a 6.7% fall in its revenues, at €600 million, after taking into account a negative €29 million fair value adjustment to seed money in an alternative management fund. The Insurance business unit's revenues were stable at €353 million. The Securities Services business unit saw robust growth in its revenues at €310 million, up more than 20% compared to the first quarter 2007 thanks to a record number of transactions in a hectic equity market.

Operating expenses were up 8.3% compared to the first quarter 2007, but down 6.3% compared to the fourth quarter 2007, thereby showing the initial impact of the efforts undertaken since the autumn of 2007 to address the deteriorating environment. The cost/income ratio was 66.9%, up 4.6 points compared to the first quarter 2007 and improving 1.3 point compared to the fourth quarter 2007.

Pre-tax income, at €430 million, was down 10.0% compared to the first quarter 2007 and up 4.4% compared to the fourth quarter 2007.

Corporate and Investment Banking (CIB)

In millions of euros	1Q07	2Q07	3Q07	4Q07	1Q08
CORPORATE AND INVESTMENT BANKING					
Revenues	**2,377**	**2,452**	**1,968**	**1,374**	**1,311**
Operating Expenses and Dep.	-1,271	-1,365	-1,185	-964	-952
Gross Operating Income	**1,106**	**1,087**	**783**	**410**	**359**
Provisions	56	59	-29	-114	-54
Operating Income	**1,162**	**1,146**	**754**	**296**	**305**
Associated Companies	6	3	0	-1	1
Other Non Operating Items	4	68	6	11	12
Pre-Tax Income	**1,172**	**1,217**	**760**	**306**	**318**
ADVISORY AND CAPITAL MARKETS					
Revenues	**1,664**	**1,750**	**1,445**	**708**	**708**
Incl. Equity and Advisory	*815*	*825*	*572*	*560*	*316*
Incl. Fixed Income	*849*	*926*	*873*	*148*	*392*
Operating Expenses and Dep.	-981	-1,064	-893	-650	-662
Gross Operating Income	**683**	**686**	**552**	**58**	**46**
Provisions	0	0	-12	-53	-94
Operating Income	**683**	**686**	**540**	**5**	**-48**
Associated Companies	6	3	0	-1	1
Other Non Operating Items	4	19	6	9	12
Pre-Tax Income	**693**	**708**	**546**	**13**	**-35**
FINANCING BUSINESSES					
Revenues	**713**	**702**	**523**	**666**	**603**
Operating Expenses and Dep.	-290	-301	-292	-314	-290
Gross Operating Income	**423**	**401**	**231**	**352**	**313**
Provisions	56	59	-17	-61	40
Operating Income	**479**	**460**	**214**	**291**	**353**
Non Operating Items	0	49	0	2	0
Pre-Tax Income	**479**	**509**	**214**	**293**	**353**

In the first quarter 2008, the CIB division again demonstrated its ability to withstand the financial crisis, which was particularly fierce in March.

The division's revenues totalled €1.3 billion, down 45% compared to the first quarter 2007 and virtually stable (a 4.6% decrease) compared to the fourth quarter 2007. Revenues were impacted by €514 million in negative fair value adjustments, a figure lower than that in the fourth quarter 2007 (negative €589 million) despite the worsening of the crisis. These fair value adjustments relate to the LBO underwriting portfolio (€-86 million), securitisation (€-103 million), credit adjustments on monoline insurers (€-182 million) and credit adjustments on the other counterparties (€-143 million). These adjustments were not offset by any exceptional gain as the gain on own debt was posted under the "Corporate Center" as mentioned above.

In addition to the direct impact of the crisis, the revenues from the capital market businesses suffered from an exceptionally unfavourable environment. In the equity derivatives businesses, revenues were adversely affected by the unexpected fall in certain dividends, the erratic variations in volatility and very strong correlation between market indices and between underlying components. In the Fixed Income businesses, revenues were adversely impacted by widening of the spread between cash and derivatives instruments and a general rise in implicit default expectations, including with respect to well rated issuers, in a context of forced selling by a number of market participants.

The financing business units held up better. While some businesses did have very limited business, like LBOs, others such as corporate acquisition finance and energy, commodities, transportation and project finance enjoyed robust business. The energy, commodities, export and project financing business unit saw its revenues grow 11.6% at constant exchange rates.

These revenues are evidence of the quality and diversity of the CIB division's business units and franchises. Client revenues rose a further 17% in the first quarter 2008 compared to the first quarter 2007, with a growing contribution from Asia and the emerging countries which accounted for 35% of the division's client revenues this quarter. In all of its business units, the CIB division benefited from the Group's solid financial base, which enabled it to meet customer needs on a selective basis, with structure and pricing terms adapted to the new environment. BNP Paribas' AA+ rating (by Standard & Poor's) makes it one of the world's most solid derivatives counterparts. Beyond the short-term turbulences resulting from the market volatility, BNP Paribas' CIB division has strengthened its competitive position with its customers.

The division's operating expenses, including variable compensation, proved flexible and were down 25.1% compared to the first quarter 2007 and 1.2% compared to the fourth quarter 2007. The cost/income ratio, indeed up close to 20 points compared to an exceptionally low level in the first quarter 2007, did not however exceed 73% despite the crisis.

The cost of risk remained moderate at €54 million, including €94 million in provisions linked to market counterparties and €35 million in provisions linked to the U.S. real estate sector.

The CIB division's pre-tax income in the first quarter was €318 million, compared to €1,172 million in the first quarter 2007 and €306 million in the fourth quarter 2007. This result places BNP Paribas amongst the rare major players making profits this quarter in Corporate and Investment Banking.

Corporate Center

In millions of euros	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
CORPORATE CENTER (INCLUDING BNP PARIBAS CAPITAL AND KLEPIERRE)					
Revenues	**596**	**349**	**313**	**145**	**583**
incl. BNP Paribas Capital	*413*	*199*	*267*	*104*	*135*
Operating Expenses and Dep.	-103	-154	-53	-116	-248
Incl. BNL restructuring costs	*-23*	*-61*	*50*	*-37*	*-146*
Gross Operating Income	**493**	**195**	**260**	**29**	**335**
Provisions	1	4	0	9	0
Operating Income	**494**	**199**	**260**	**38**	**335**
Associated Companies	95	53	43	59	55
Other Non Operating Items	-4	-21	-5	-10	218
Pre-Tax Income	**585**	**231**	**298**	**87**	**608**

The revenues from the "Corporate Center" at €583 million were slightly down compared to the first quarter 2007 (-2.2%).

BNP Paribas Capital's revenues were €135 million compared to €413 million in the first quarter 2007 which saw a particularly high level of capital gains notably from the disposal of Vivarte. Conversely, in the first quarter of 2008, Corporate Center revenues included the capital gain from the sale of the Group's stake in Cassa di Risparmio di Firenze (Carifi), for €235 million, and a €183 million gain on the re-evaluation of own debt.

The strong increase in the operating expenses compared to the first quarter 2007 (from €103 to €248 million) came from the one-off restructuring costs for a new staff departure programme at BNL (€127 million) which allowed the Bank to revise upwards the synergy target (see above BNL banca commerciale).

Finally, non operating items include a capital gain of €187 million realized on the disposal of office buildings in Paris.

The Corporate Center's net pre-tax income totalled €608 million, a 3.9% increase compared to the first quarter of 2007.

Results of operating divisions with Basel II normative equity as released on April 2, 2008

In millions of euros	FRB	BNL bc	IRS	AMS	CIB	Core Businesses	Other Activities	Group
Revenues	1,456	674	2,108	1,263	1,311	6,812	583	7,395
Change/1Q07	+1.4%	+6.5%	+9.9%	+0.8%	-44.8%	-10.6%	-2.2%	-10.0%
%Change/4Q07	+6.0%	-1.3%	+4.3%	-4.5%	-4.6%	+0.5%	n.s.	+6.9%
Operating Expenses and Dep.	-945	-413	-1,202	-845	-952	-4,357	-248	-4,605
Change/1Q07	+1.9%	+1.5%	+9.5%	+8.3%	-25.1%	-2.8%	+140.8%	+0.4%
%Change/4Q07	-3.9%	-12.5%	-3.8%	-6.3%	-1.2%	-4.7%	+113.8%	-1.7%
Gross Operating Income	511	261	906	418	359	2,455	335	2,790
Change/1Q07	+0.4%	+15.5%	+10.5%	-11.6%	-67.5%	-21.7%	-32.0%	-23.1%
%Change/4Q07	+31.0%	+23.7%	+17.4%	-0.7%	-12.4%	+11.4%	n.s.	+24.9%
Provisions	-29	-84	-383	4	-54	-546	0	-546
Change/1Q07	-9.4%	+3.7%	+89.6%	n.s.	n.s.	+109.2%	n.s.	+110.0%
%Change/4Q07	-50.8%	-11.6%	-20.5%	n.s.	-52.6%	-27.6%	n.s.	-26.7%
Operating Income	482	177	523	422	305	1,909	335	2,244
Change/1Q07	+1.0%	+22.1%	-15.4%	-10.4%	-73.8%	-33.6%	-32.2%	-33.4%
%Change/4Q07	+45.6%	+52.6%	+80.3%	+1.2%	+3.0%	+31.7%	n.s.	+50.8%
Associated Companies	0	0	21	8	1	30	55	85
Other Non Operating Items	0	0	115	0	12	127	218	345
Pre-Tax Income	482	177	659	430	318	2,066	608	2,674
Change/1Q07	+1.0%	+22.1%	+3.3%	-10.0%	-72.9%	-29.0%	+3.9%	-23.5%
%Change/4Q07	+45.6%	+52.6%	+101.5%	+4.4%	+3.9%	+38.5%	n.s.	+69.3%

In millions of euros	FRB	BNL bc	IRS	AMS	CIB	Core Businesses	Other Activities	Group
Revenues	1,456	674	2,108	1,263	1,311	6,812	583	7,395
1Q07	1,436	633	1,918	1,253	2,377	7,617	596	8,213
4Q07	1,373	683	2,022	1,323	1,374	6,775	145	6,920
Operating Expenses and Dep.	-945	-413	-1,202	-845	-952	-4,357	-248	-4,605
1Q07	-927	-407	-1,098	-780	-1,271	-4,483	-103	-4,586
4Q07	-983	-472	-1,250	-902	-964	-4,571	-116	-4,687
Gross Operating Income	511	261	906	418	359	2,455	335	2,790
1Q07	509	226	820	473	1,106	3,134	493	3,627
4Q07	390	211	772	421	410	2,204	29	2,233
Provisions	-29	-84	-383	4	-54	-546	0	-546
1Q07	-32	-81	-202	-2	56	-261	1	-260
4Q07	-59	-95	-482	-4	-114	-754	9	-745
Operating Income	482	177	523	422	305	1,909	335	2,244
1Q07	477	145	618	471	1,162	2,873	494	3,367
4Q07	331	116	290	417	296	1,450	38	1,488
Associated Companies	0	0	21	8	1	30	55	85
1Q07	0	0	19	7	6	32	95	127
4Q07	0	0	21	-6	-1	14	59	73
Other Non Operating Items	0	0	115	0	12	127	218	345
1Q07	0	0	1	0	4	5	-4	1
4Q07	0	0	16	1	11	28	-10	18
Pre-Tax Income	482	177	659	430	318	2,066	608	2,674
1Q07	477	145	638	478	1,172	2,910	585	3,495
4Q07	331	116	327	412	306	1,492	87	1,579
Tax Expense								-570
Minority Interests								-123
Net Income, Group Share								1981

A Sound Financial Structure

Both by its access to liquidity and its level of capital, the BNP Paribas Group has maintained a solid financial structure, which enables it to continue to finance sustained organic growth despite the crisis.

Since the beginning of the year, thanks to its excellent creditworthiness, the Group was able to issue 16 billion euros in debt, essentially medium- and long-term senior debt, on pricing terms substantially better than its main peers.

In keeping with the objective to grow volumes on the order of 10% a year, Basel II risk weighted assets (after applying the floor: 90% of Basel I risk weighted assets) increased 2.9% compared to the level on December 31, 2007 in a context of reintermediation and strengthened competitive position in all the Group's business units.

The Group is financing this growth thanks to its ability to generate substantial profits. The first quarter's net income group share, close to €2 billion, corresponds to quarterly net earnings per share of €2.15.

The Group's Tier 1 ratio was 7.6%, stable compared to the ratio estimated under Basel II on January 1, 2008.

Strategic Partnership in Asset Management in the Kingdom of Saudi Arabia

BNP Paribas Investment Partners ("BNPP IP") and The Saudi Investment Bank ("SAIB") signed on March 19, 2008 a strategic partnership in asset management in the Kingdom of Saudi Arabia. Under the terms of the agreement, BNPP IP, through the holding company BNP PAM Group, will buy a 25% stake in SAIB Asset Management Company ("SAIB AMC"), the newly formed subsidiary of SAIB. The transaction is subject to regulatory approvals, and is expected to be completed within a few months as of March 19, 2008. The Joint Venture will then be renamed SAIB BNP Paribas Asset Management.

SAIB has successfully developed a significant presence in asset management in the Kingdom, putting forward its particularly strong expertise in Saudi and GCC equities and in Islamic funds. With 2, 2 billion USD of assets under management, SAIB Asset Management Company provides a wide range of investment management products to a variety of corporate and retail investors.

Banking and Insurance Partnership in Algeria

On March 25, 2008, BNP Paribas Assurance announced that its subsidiary Cardif and the Caisse Nationale d'Epargne et de Prévoyance (CNEP-Banque), the main retail bank in Algeria, agreed on a partnership covering a number of individual insurance, life insurance, savings and related products. Initially, Cardif's lenders' insurance products relating to real estate credits will be made available in the CNEP-Banque network. In time, the partnership will become a joint venture in order to ensure the relationship's longevity.

With a population of 34 million, Algeria represents the number one market in the Maghreb region. The small share of insurance as a percentage of Algerian GDB (0.55%), combined with sustained economic growth (+6% in 2006), give Algeria its strong development potential. Cardif has been developing a lenders' insurance business in Algeria since 2006.

Acquisition of IMS Group

BNP Paribas Investment Partners ("BNPP IP"), a leading European asset manager, and major London-based multi-manager IMS Group ("IMS"), announced on April 2, 2008 that BNPP IP had acquired IMS. This move will reinforce BNPP IP's expertise in the fast-growing multi-manager sector and expand its activities in the UK, the second largest market in the world for such products and services. IMS Group will join the FundQuest brand, BNP Paribas' multi-management flagship.

IMS has €6.5billion (£5.1billion) assets under management and advisory. Since its establishment in 1999 by Richard Timberlake and Peter O'Connor, IMS has gained strong market positions in both manager of managers and fund of funds mandates. With the acquisition of IMS, FundQuest's assets under management will total €47billion (£37billion). FundQuest manages and provides investment advice on portfolios as well as assistance and open architecture services. The combined businesses of FundQuest and IMS will comprise over 210 employees, including 48 investment professionals operating on a global basis through three investment centres (Boston, London and Paris).

Start of SREI Infrastructure Finance Limited's Operations

The Joint Venture ("JV") between SREI Infrastructure Finance Limited ("SREI") and BNP Paribas Lease Group which was announced last year, started operations on April 3, 2008. SREI, one of the leading equipment finance companies in India, specialized in the infrastructure sector, had entered with BNP Paribas Lease Group, a 100% BNP Paribas subsidiary focused on equipment financing – related services, into an agreement wherein the asset finance division of SREI is brought in a newly formed JV. The operation has been made through a reserved capital increase for BNP Paribas Lease Group towards its acquisition of a 50% stake in the JV whilst SREI remains holder of the remaining 50% of the equity capital.

BNP Paribas Lease Group brings to the JV its specialized equipment finance skills, its international experience combined with the global strength of BNP Paribas The JV will also benefit from the significant brand value that SREI has already created in the Indian infrastructure equipment sector.

SREI is already the largest player in the financing of infrastructure equipment in India and the partnership with BNP Paribas Lease Group is aimed at increasing further the leadership of the business in its core market whilst expanding the product line further into financing of agriculture, information technology and medical and other equipment. Furthermore, this partnership is also expected to result in a reduction in the cost of funding the operations.

The JV has received all necessary legal and statutory clearances.

BNPP Increases its Protection Business in the United Kingdom with Two Acquisitions

On April 8, 2008, BNP Paribas Assurance announced that it had reinforced its presence in the protections and warranties business in the United Kingdom through new distribution channels and new products. BNP Paribas Assurance announced the acquisition by its British subsidiary of two companies specialized in protection and guarantees, respectively, in order to accelerate its development in the United Kingdom.

Direct Life & Pension Services Limited is a specialist distributor of term life, critical illness and other protection insurance products. The company operates under the trading styles of Direct Life, in the direct to consumer market, and Lifequote, in the financial intermediary market. It employs approximately 200 people.

Warranty Direct Limited is a leader in automobile warranties on the United Kingdom's segment B to C. It partners with automobile dealers and also distributes its contracts via the internet. It employs approximately 40 people.

BNP Paribas Expands Brazilian Footprint With Banco BGN Acquisition

On July 19, 2007, Cetelem announced the acquisition of the entire share capital of Banco BGN. Part of the industrial group Queiroz Galvao, Banco BGN is a leader in consigned credit (repayments debited directly from salaries) in Brazil, with a portfolio worth BRL 1.5 billion (€585 million), more than 600,000 active customers and approximately 1,000 employees.

The deal represents a major investment for BNP Paribas, which sees Brazil as a strategic growth driver. The Bank has been present in the country for more than 50 years and operates in most businesses. Brazil now represents the fourth largest revenue stream for Cetelem after France, Italy and Spain, and the acquisition should significantly strengthen Cetelem's operations in the country.

Cetelem has been an active player in Brazil since 1999, pioneering co-branded cards. It has established partnerships with more than 70 distributors including Fnac, Armarinhos Fernando, Fast Shop, Colombo, Telhanorte, Submarino, Kalunga and Carrefour. Cetelem now has over 1.8 million customers in all segments of the market. Banco BGN will complement the existing partner relationships that Cetelem has established in the consigned credit business, thanks to its network of 107 branches and more than 1,000 banking correspondents throughout the country.

The transaction, which will involve an exchange of shares, was still pending approval by the relevant authorities at May 22, 2008.

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

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

Business Overview

The BNP Paribas Group (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has approximately 162,000 employees, 126,000 of whom are based in Europe. The Group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It has operations in 85 countries and has a strong presence in all the key global financial centers. It is present throughout Europe in all its business lines, with France and Italy constituting its two domestic retail banking markets. BNP Paribas has a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

At December 31, 2007, the Group had consolidated assets of €1,694.5 billion (compared to €1,440.3 billion at December 31, 2006), consolidated loans and receivables due from customers of €445.1 billion (compared to €393.1 billion at December 31, 2006), consolidated items due to customers of €346.7 billion (compared to €298.7 billion at December 31, 2006) and shareholders' equity (Group share including income for 2007) of €53.8 billion (compared to €49.5 billion at December 31, 2006). Pre-tax net income for the year ended December 31, 2007 was €11.1 billion (compared to €10.6 billion for the year ended December 31, 2006). Net income, Group share, for the year ended December 31, 2007 was €7.8 billion (compared to €7.3 billion for the year ended December 31, 2006).

The Group currently has long-term senior debt ratings of "Aa1" with stable outlook from Moody's, "AA+" with stable outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings.

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

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2007.

French Retail Banking

French Retail Banking has a client base made up of more than six million individual and private banking clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive range of products and services, ranging from current account services to the most complex financial advisory services in the areas of corporate financing and asset management.

BNL banca commerciale (BNL bc)

BNL banca commerciale (BNL bc) plays an important role in the rapidly restructuring, consolidating and evolving Italian banking system. BNL banca commerciale has a large and diversified client base consisting of:

- approximately 2.5 million individuals and 13,000 private banking clients;
- more than 112,000 small businesses;
- more than 36,000 mid-sized businesses;
- 16,000 local, municipal and territorial authorities and non-profit organizations.

International Retail Services

The International Retail Services division has approximately 71,000 employees in 61 countries. It consists of three business lines and has well-known brands and in many cases market-leading positions.
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The first business line is retail banking, where IRS manages an international network of banks. Retail banking business is conducted in the United States via BancWest Corporation, the holding company for Bank of the West (5th-largest bank in the US, present in 19 states) and First Hawaiian Bank (the leading bank in the state of Hawaii). The Bank also has a retail banking network in emerging markets made up of 1,993 branches in 34 countries. The business combines brisk organic growth and targeted acquisitions. In addition to strong positions across the entire Mediterranean basin and the Persian Gulf, a priority development zone, business is being developed in the far east of Europe. The division has also operated in Africa for many years, in particular through BICI (Banque Internationale pour le Commerce et l'Industrie), which was one of the earliest banking networks in French-speaking Africa.

The second business line is household and consumer finance. A major development here in 2007 was marked by the launch of BNP Paribas Personal Finance, combining all companies specializing in consumer finance (Cetelem) and mortgage financing (UCB and BNP Paribas Invest Immo), together with the new debt consolidation business (BNP Paribas MRC). BNP Paribas Personal Finance is the European leader in its market, with 25,000 employees in 30 countries.

The third business line is the Equipment Solutions business resulting from the combination in 2007 of the corporate investment financing and business equipment management activities. The business consists mainly of Arval, involved in the long-term management of cars and light trucks, and BNP Paribas Lease Group (BPLG), specialized in equipment leasing. Each of these companies is number two in Europe in its market.

Thanks to this unique skill profile, the division serves 53 million clients around the world (including 28 million direct). Representing the main thrust of BNP Paribas' international development strategy in retail banking, all IRS businesses have a strong corporate culture and an ability to adapt to their changing environments.

Asset Management and Services

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

AMS includes three main areas:

- Wealth and Asset Management, comprising asset management (BNP Paribas Investment Partners), online brokerage and personal investment services (BNP Paribas Personal Investors), private banking (BNP Paribas Private Banking) and real estate services (BNP Paribas Immobilier);

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

Through these six businesses, which employ a total staff of 23,500 in approximately 60 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals.

Corporate & Investment Banking

With 15,000 employees and operations in more than 50 countries, accounting for 28% of the group's revenues and 35% of its pre-tax net income in 2007, BNP Paribas Corporate and Investment Banking (CIB) is one of the Group's growth drivers. BNP Paribas CIB operates in advisory and capital markets (Corporate Finance, Equities and Fixed Income) as well as in financing businesses (Specialized and Structured Finance).

BNP Paribas CIB excels in three particular sectors:

- derivatives—it is a leading global player in interest rates, credit, forex, commodity and equity derivatives;
- capital markets—it is among the Top 10 European houses for both Equity Capital Markets and Debt Capital Markets (bond issues, securitisation, syndicated loans, etc.); and
- specialized finance—it is a world leader in acquisition, export, project, infrastructure and commodity finance.

Strategy

Strategy by Division

The Group is focused on pursuing its growth during 2008. For each of its core businesses, the Group has set the objectives summarized below.

French Retail Banking

French Retail Banking (FRB) is targeting 4% average annual growth in net banking income. With respect to individual customers, FRB plans to continue to develop multi-channel banking, which is expected to further enhance service quality and customer satisfaction as well as expand market share. By 2010, over 10% of sales are expected to be made via the internet.

FRB also intends to remain at the forefront of private banking in France. It seeks to leverage its unique organization to generate annual double-digit growth in assets under management.

In corporate banking services, FRB will continue to capitalize on the advantages of its Business Center organization. It will aim to become the principal bank for a growing number of its customers, by continuing to expand cross-selling with the Corporate and Investment Banking division, particularly in M&A, where it has been the leading player in the French market for the past three years. BNP Paribas will also look to expand its corporate client base by focusing on high-growth companies.

In terms of operating efficiency, the French banking network is targeting a positive scissors effect of one point per annum.

BNL banca commerciale (BNL bc)

The objective for BNL bc is to complete the integration process in 2008 and unlock the remaining synergies forecast in the 2007-2009 plan. The momentum for change is set to continue, with multi-channel solutions to be rolled out to individual customers from the bank's French operating platform – an unrivalled offering in the Italian market. All existing branches will be renovated and 100 new branches will be opened. BNL bc's objective is to become Italy's leading bank for corporate customers, by leveraging CIB's product expertise and the Group's far-reaching international network, particularly around the Mediterranean basin. BNL bc is targeting 6% average annual growth in net banking income and a positive scissors effect of 5 points per annum, buoyed by best in-house practices as well as economies of scale (particularly in IT) resulting from its being part of a major international group.

International Retail Services

International Retail Services (IRS) is targeting 10% average annual growth in net banking income. Its strategy is rooted in further integration between retail banking networks and specialized financing businesses. IRS seeks to add 20 million new customers to its books by 2010, including approximately six million in retail banking networks. At the end of 2007, IRS had 8.4 million retail banking customers, 20.9 million direct Personal Finance customers, and 22.9 million customers managed by Personal Finance.

IRS will also strive to grow net banking income per customer by intensifying cross-selling at all levels of the business:

- within each entity, by leveraging BNP Paribas' commercial expertise in recently acquired networks and expanding Personal Finance's product offering;
- within other IRS entities, by making the products developed by specialized companies such as auto loans available to the networks, and by offering banking services to clients of specialized companies;
- within the Group's other core businesses, by expanding credit protection insurance and private banking services, using CIB's expertise to develop international trade finance and capital market products, and creating an integrated leasing solution between Equipment Solutions and the FRB/BNL bc networks.

This growth drive will go hand-in-hand with improved operating efficiency thanks to process reengineering at each entity and shared platforms, with an objective to generate a positive scissors effect of one point per annum.

Asset Management and Services

Asset Management and Services (AMS) is well positioned to benefit from the positive structural dynamics of the savings market, with developing countries facing a growing elderly population and increased appetite for savings, and emerging markets characterized by an expanding middle class and a rise in the number of high net worth individuals.

AMS seeks to continue to deliver sustained growth on the strength of its unique organizational structure. The business combines an extensive range of products covering all asset classes supported by a multi-management approach, with multiple internal and external distribution channels that allow it to access a global customer base. Its international expansion is expected to gather pace in Europe, with the business capturing a larger slice of onshore and offshore markets and reinforcing its presence in emerging countries. These currently represent 5% of the division's net banking income, a percentage expected to rise to 10% by 2010. Overall, AMS is targeting 10% average annual growth in assets under management and a 10% increase in gross operating income per annum.

Corporate & Investment Banking

Despite significant uncertainties in the market going forward, Corporate and Investment Banking (CIB) hopes to keep weathering the crisis well in relative terms in 2008, due to:

- BNP Paribas' limited reliance on proprietary trading revenues;

- the limited size of the businesses directly hit by the subprime crisis: structured credit derivatives, securitization and LBO origination businesses represented less than 10% of CIB's net banking income in 2007;

- a diversified geographical positioning and business mix which allows CIB to benefit from positive structural dynamics in derivatives and specialist financing markets;

- the Group's financial strength, which provides a clear competitive advantage in the current phase of the business cycle.

CIB expects to look to deepen its footprint in Europe, and especially in Italy. It expects to capitalize on strong positions in Asia and emerging countries (27% of client business in 2007) by boosting its presence in India, China, Russia and the Gulf region.

CIB also expects to step up business with financial institutions, building on BNP Paribas' expertise, strong ratings and worldwide leadership.

Activities of the Group

History

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

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

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

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

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

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

French Retail Banking

French Retail Banking has a client base made up of more than six million individual and private banking clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive range of products and services, ranging from current account services to the most complex financial advisory services in the areas of corporate financing and asset management.

The network operated by the French Retail Banking Division has been reinforced with a view to enhancing local coverage and client service. As at December 31, 2007, it consisted of 2,200 branches, of which 900 had been updated with the new "Welcome & Services" concept, and close to 4,900 ATMs. As such, the network is more compatible with a multi-channel organizational structure. The division focuses on regions with high economic potential, and enjoys a 15% market share in the greater Paris region (source: BNP Paribas FRB market research, market share based on number of branches). It also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of €82,000 have their main bank account with BNP Paribas (source: Ipsos) – and a leading position in the corporate market.

The French Retail Banking Division employs close to 32,000 people working in the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor, BNP Paribas Développement, a provider of growth capital, and Protection 24, a telesurveillance firm.

In order to effectively address client expectations, French Retail Banking has reorganized its sales structure on the basis of network segmentation. The division is now made up of branches serving individuals and small businesses, Private Banking Centers, and Business Centers, all supported by a Client Relations Center (CRC) and back offices in charge of customer service operations.

In parallel, the division has continued actively to expand the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out starting in 2002. The goal of this system is to offer clients the highest standard of service and to step up the role of in-branch client advisers. The Client Relations Center’s three platforms in Paris, Orleans and Lille deal with calls made to the branches and process client e-mails. To extend this service, a dedicated line was set up in 2006 for Private Banking clients. A client relationship center for entrepreneurs and small business clients was opened in the Paris region in 2006, before being set up nationwide.

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

French Retail Banking also has the largest network of Private Banking Centers, with 222 centers across France that ensure extensive local coverage.

The new business approach adopted for corporate clients led to the emergence at the end of 2005 of a structure that is unique in the French banking landscape. This new organization is based on 24 Business Centers located throughout the whole of France, as well as a professional assistance service – Service Assistance Enterprise (SAE) – and Cash Customer Services (CCS).

Finally, the division is reengineering its back offices into Production and Sales Support Branches (PSSBs). Specialized by type of transaction, they span the whole of France and have fully integrated information. At the end of 2007, there were 82 PSSBs, combined into 12 Production and Sales Support Groups.

BNL banca commerciale (BNL bc)

BNL banca commerciale (BNL bc) plays an important role in the Italian banking system in a context marked by rapid restructuring marked by an acceleration in the consolidation process between Italian banks, particularly the larger ones, and by the introduction of a regulatory framework which is much more geared towards competition and consumer protection. BNL banca commerciale has a large and diversified client base consisting of:

- approximately 2.5 million individuals and 13,000 private banking clients;

- more than 112,000 small businesses;
- more than 36,000 mid-sized businesses;
- 16,000 local, municipal and territorial authorities and non-profit organizations.

BNL bc has a comprehensive and segmented offering of banking, financial and insurance products and services, which range from the traditional to the most innovative, and are structured to respond to the needs of each client category.

In retail and private banking, BNL bc has particularly strong positioning in the lending business (especially automotive loans with market share of over 6%) and is gaining ground in the deposits segments (market share of more than 3.5%).

Relationships with companies and territorial authorities are also a strong point, with BNL bc holding market share of around 4.5% and 6% respectively in these segments, along with a well-established reputation in cross-border transactions, project financing and structured finance, as well as factoring, which is offered through a specialized subsidiary Ifitalia (rated number 3 in Italy by portfolio).

With a view to developing this client base as much as possible, BNL bc has reorganised its distribution model so as to increase direct contact with clients, reinforce the central role and flexibility of the sales network and improve communication of commercial policy regarding both innovative and standard products. Within a multi-channel framework the network has been divided into five regions ("direzioni territoriali") with the retail banking and business banking activities being run as separate structures, as follows:

- 125 retail banking groups with more than 700 branches;
- 23 private banking centers;
- 21 business centers with 51 branches dealing with SMEs, large businesses, territorial authorities and public sector organizations.

In addition, five trade centers have now been opened. These units offer companies a range of products, services and solutions for cross-border activities and complete BNP Paribas' international network which consists of 85 centers spread over 55 countries. BNL has also strengthened the network that assists Italian companies abroad as well as multinational companies with direct investments in Italy, by opening six Italian representative offices in different countries.

The multi-channel offering is rounded out by around 1,300 ATMs and 20,000 customer service points, as well as telephone and online banking services for both private clients and businesses.

The reorganization also involved the adoption of a new structure that brings the back office closer to the distribution network through the creation of specialized local units in five regions. The aim of the new model is essentially to increase satisfaction of both internal and external clients through higher quality and more effective service and better management of operating risk.

International Retail Services

The International Retail Services (IRS) division has approximately 71,000 employees in 61 countries. It consists of three business lines and has well-known brands and in many cases market-leading positions.

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The first business line is retail banking, where IRS manages an international network of banks. Retail banking business is conducted in the United States via BancWest Corporation, the holding company for Bank of the West (5th-largest bank in the US, present in 19 states) and First Hawaiian Bank (the leading bank in the state of Hawaii). The Bank also has a retail banking network in emerging markets made up of 1,993 branches in 34 countries. The business combines brisk organic growth and targeted acquisitions. In addition to strong positions across the entire Mediterranean basin and the Persian Gulf, a priority development zone, business is being developed in the far east of Europe. The division has also operated in Africa for many years, in particular through BICI (Banque Internationale pour le Commerce et l'Industrie), which was one of the earliest banking networks in French-speaking Africa.

The second business line is household and consumer finance. A major development here in 2007 was marked by the launch of BNP Paribas Personal Finance, combining all companies specializing in consumer finance (Cetelem) and mortgage financing (UCB and BNP Paribas Invest Immo), together with the new debt consolidation business (BNP Paribas MRC). BNP Paribas Personal Finance is the European leader in its market, with 25,000 employees in 30 countries.

The third business line is the Equipment Solutions business resulting from the combination in 2007 of the corporate investment financing and business equipment management activities. The business consists mainly of Arval, involved in the long-term management of cars and light trucks, and BNP Paribas Lease Group (BPLG), specialized in equipment leasing. Each of these companies is number two in Europe in its market.

Thanks to this unique skill profile, the division serves 53 million clients around the world (including 28 million direct). Representing the main thrust of BNP Paribas' international development strategy in retail banking, all IRS businesses have a strong corporate culture and the ability to adapt to their changing environments.

Personal Finance

- Creation of the leading European specialist in personal finance; an ambitious industrial and strategic project giving rise to a global player and European market leader in personal finance

In May 2007 Cetelem, UCB and their subsidiaries announced to the press their plan to create BNP Paribas Personal Finance. The merger of these companies was confirmed in early January 2008 following the approval of the works councils. Combining domestic and international positions in consumer finance (Cetelem), mortgage financing (UCB and BNP Paribas Invest Immo) and debt consolidation (BNP Paribas MRC), the merger has created the European market leader in personal finance solutions, with more than 25,000 employees, operations spanning 30 countries and 4 continents, and a €100 billion loan portfolio at the end of 2007. Prior to the merger, UCB and its subsidiaries offered a range of specialised mortgage services designed to finance property acquisitions undertaken for either personal or investment purposes, as well as innovative debt consolidation solutions. Cetelem was the leading consumer finance lender in France and continental Europe, with operations in 26 countries across four continents.

The European mortgage and consumer finance markets are currently registering double-digit growth and rapidly evolving. BNP Paribas Personal Finance seeks to meet all the financing needs of individual clients by offering all loan products through all channels (i.e. direct, online, brokers, agents, partners, distributors, etc.) and by exploiting the increasing similarities that exist between these two types of lending. In this sector, the Bank seeks to become an international player with a €160 billion loan portfolio by 2010 and to be the only non-UK/US entity in the global top five.

The Bank seeks to capitalize on the strength of the BNP Paribas name in this new business and on the reputation of Cetelem for commercial activity. The UCB brand will be used where necessary, notably for the business-to-business activity.

The "Crédito" character is set to become the brand and communication symbol of BNP Paribas Personal Finance, which places responsible lending at the heart of its development strategy. It is a widely-recognized image that has already been deployed globally.

Equipment Solutions

Equipment Solutions offers its end users and business providers the opportunity to outsource the credit, market or technical risks associated with corporate assets. These companies use a multi-channel approach (direct sales, sales via referrals or via partnerships) to offer their corporate and business clients a range of solutions specific to each asset market, from financing to fleet outsourcing.

Equipment Solutions consists of three international business lines (IBLs) which are managed separately based on the assets and leasing solutions offered. More specifically:

- the car and light vehicle IBL managed by Arval, dedicated to long-term lease management services;
- the IT, telecom and copying equipment IBL run jointly by BNP Paribas Lease Group, specialized in equipment financing, and Arius, specializing in the leasing and management of IT equipment; and
- the construction, agricultural and transport equipment IBL, which is run by specialists at BNP Paribas Lease Group and Artegy, engaged in the long-term management of heavy industrial vehicles.

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

Equipment Solutions' European activities gained momentum in 2007, with 74% of Arval's operations and 54.1% of BNP Paribas Lease Group's operations being conducted outside France.

At the end of 2007 Arval had a total fleet of 547,000 vehicles under lease, an 8% increase from the previous year, and it ranked no. 1 in France and no. 2 in Europe (source: SNLVLD).

BNP Paribas Lease Group has originated 266,418 finance contracts totalling €21.7 billion, making it no. 1 in Europe in equipment leasing (source: Leaseurope 2006). In France, BNP Paribas Lease Group is no. 1 in the equipment leasing market, with an 18.6% market share (source: ASF, 2007). In Italy, the link-up with Locafit, a subsidiary of BNL, has created a major player in the market: no. 2 in equipment leasing by value of outstandings (source: Leaseurope 2006).

Furthermore, the division's short-term wholesale finance business fared particularly well in 2007, registering 19.8% growth overall.

BancWest

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

Bank of the West offers a wide range of retail banking products and services to individuals, small businesses and corporate clients in 19 states in western and mid-western America. It also has strong national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church Lending, and Small Business Administration.

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

In total, with close to 12,000 employees, 742 branches and total assets of USD 74 billion at December 31, 2007, BancWest currently serves some 4 million households and companies. It is now the 6th-largest bank in the western United States by deposits.

Emerging Markets

The Retail Banking in the Emerging Markets business is now present in 34 countries, covering the Mediterranean basin (with more than 670 branches), the Near and Middle East (55 branches), Africa (90 branches), the far east of Europe (1,000 branches), Asia (60 branches in China and 59 in Vietnam via 2 partnerships with local banks) and the French overseas departments and territories (55 branches). In total, the business operates a network of 1,993 branches with more than four million individual, corporate and business clients and 23,700 employees.

The business has developed rapidly since 2004, with a five-fold increase in branches and a four-fold increase in clients. It has also set up operations in 10 new countries since the end of 2004, both through acquisitions (Turkey and China in 2005, Ukraine in 2006, Vietnam and Libya in 2007) and organic growth (Saudi Arabia, Kuwait, Mauritania, Israel and Russia). This growth has been accompanied by restructuring measures, involving the creation of regional platforms and a new commercial strategy focusing on private individual clients and SMEs. These networks with their fast-growing client bases constitute a unique distribution platform for all of the Group’s businesses: partnerships with Personal Finance in Turkey, Ukraine, Algeria, Morocco and China; distribution of CIB’s structured products across all networks and integration within CIB's network of Trade Centers; creation of a joint venture with the Private Banking business.

Asset Management and Services (AMS)

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

AMS leverages expertise in three main areas:

- Wealth and Asset Management, comprising asset management (BNP Paribas Investment Partners), online brokerage and personal investment services (BNP Paribas Personal Investors), private banking (BNP Paribas Private Banking) and real estate services (BNP Paribas Immobilier);
- Insurance (BNP Paribas Assurance);
- Securities Services for corporate clients, fund managers and financial institutions across the globe (BNP Paribas Securities Services).

Through these six businesses, which employ a total staff of 23,500 in some 60 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals.

In 2007 each AMS business was a leader in its market both in France and at a European level.

Investment Partners

BNP Paribas Investment Partners combines all the asset management businesses of BNP Paribas.

A single platform providing simplified and immediate access to a vast range of specialized partners, BNP Paribas Investment Partners is one of the major actors in asset management in Europe. At December 31, 2007, total assets under management stood at €344 billion of which almost half was held on behalf of institutional clients.

With 2000 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, marked by targeted acquisitions and the creation of joint ventures. This solid growth reflects a clear multi-specialization strategy and a partnership approach which has enabled BNP Paribas Investment Partners consistently to enrich its product and service offering with the support of companies who are experts in their fields.

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 emerging markets thanks to its teams in Brazil, South Korea, China, India, Morocco and Turkey. With 250 client relationship managers in 30 countries, BNP Paribas Investment Partners has a local presence that brings it closer to its clients.

Personal Investors

BNP Paribas Personal Investors offers independent financial advice and a wide range of investment services across multiple distribution channels to high net worth individuals. This business line brings together three major players in the private investment field:

- Cortal Consors is the leading broker in Europe, providing personalised investment advice and online trading services in five European countries – Germany, France, Spain, Belgium and Luxembourg. Cortal Consors offers clients its investment advisory experience through several channels – online, telephone or face to face. It offers a broad range of independent products and services including short-term investment solutions, mutual funds and life insurance products, backed by leading-edge online brokerage technologies.

- B*capital, a brokerage firm, specializes in personalised advice on securities and derivatives as well as discretionary management for high net worth clients. It offers its clients direct access to all markets, financial analysis, personalised portfolio advisory and portfolio management services.

- Geojit is one of the leading retail brokers in India. It offers brokerage services for equities, derivatives and commodities as well as financial savings products, mainly to private individuals. Geojit also operates in the United Arab Emirates where it targets a non-resident Indian clientele. BNP Paribas is its main shareholder.

At December 31, 2007, BNP Paribas Personal Investors had 1.56 million clients and €32.2 billion worth of managed assets, with 37% in equities, 43% in savings products or mutual funds and 20% in cash. BNP Paribas Personal Investors employs 4,147 people.

BNP Paribas Personal Investors seeks to be a leading broker in personal investment and online trading services in Europe and in international markets that offer strong savings potential, such as emerging markets.

Private Banking

Private Banking offers high value-added products and services designed to respond to the expectations of a sophisticated, wealthy clientele.

The Private Banking offering includes:

- Wealth management services: estate planning and advisory services on investment structures.

- Financial services: advisory services on asset allocation, investment products, securities, discretionary portfolio management.

- Expert advisory services in specific fields: art, real estate and rural properties in particular.

The Private Banking model is based on the notion of global advisory services and servicing along the whole wealth cycle. To provide its clients with products and services that best fit their individual needs, BNP Paribas Private Banking has adopted an open architecture approach in terms of service offering. It hence creates wealth solutions sourced from the Group's other businesses (Asset Management, Securities Services, Insurance, Corporate Finance, Fixed Income, Equity Derivatives, etc), as well as external providers.

BNP Paribas Banque Privée employs over 4,300 professionals and is present in over 30 countries, primarily in the major private wealth management centers in Europe and Asia.

BNP Paribas Private Banking is no.1 in France with €63 billion in client assets and a reinforced network of 222 Private Banking Centers nationwide, plus a wealth management department specializing in clients with more than €5 million in assets. It ranks as number 5 in Western Europe (source: 2008 Euromoney rankings), where it is rapidly developing its presence in domestic markets, and is one of the top three Private Banks in Asia (source: Asiamoney 2007 rankings).

At year-end 2007, BNP Paribas Private Banking held over €157 billion of assets on behalf of its clients.

Real Estate Services

With 3,500 employees, BNP Paribas Immobilier is continental Europe's leading provider of corporate real estate services and one of France's major players in residential property.

It offers a range of services that is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.

European network

In commercial property, BNP Paribas Immobilier is active in eight European countries: France, the United Kingdom, Germany, Spain, Belgium, Luxembourg, Italy and Ireland, and also has offices in New York and Kiev.

In residential real estate, BNP Paribas Immobilier's main business is in France.

Four complementary real estate businesses

Transactions, Advisory Services, Valuations

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

- no. 1 in France, Germany and Luxembourg ;
- among the top 10 in the United Kingdom.

In residential property, the Espaces Immobiliers BNP Paribas network is one of the major selling groups for new and previously-occupied residential units.

Property Management

BNP Paribas Real Estate Property Management manages 21.5 million square meters of commercial property in Europe, including more than 10.5 million square meters in France where it is the market leader .

In residential properties, it manages more than 33,000 housing units, including more than 5,500 units in serviced residences.

Property Development

Meunier is France’s 3rd-largest real estate developer:

- no. 1 in commercial properties through Meunier Immobilier d’Entreprise;
- among the top 10 in residential properties through Meunier Habitat.

Real Estate Investment Management

BNP Paribas Real Estate Investment Management and BNL Fondi Immobiliari manage €7 billion of assets in France, where the Group is one of the leading SCPI property fund managers, and in Italy.

Insurance

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

It operates in 42 countries including 25 in Europe, seven in Asia, six in Latin America, two in North America and two in Africa.

- The savings business includes the sale of life insurance policies to individuals in 13 countries. In France, it offers companies Group pension products, end-of-career bonuses and early retirement benefits.
- In the protection business, it offers a broad range of products in 33 countries, including creditor insurance,

bill protection, credit card protection, extended warranty, gap insurance and individual protection. In France, BNP Paribas Assurance markets both standard and personalised Group policies to both large companies and SMEs.

- The property and casualty insurance business in France is provided through Natio Assurance, a company that it owns together with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance, and legal protection coverage.

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

Securities Services

BNP Paribas Securities Services is the leading European provider of securities services to companies, asset managers and financial institutions worldwide. BNP Paribas Securities Services provides innovative solutions to satisfy the specific needs of its clients at every stage of the investment cycle:

- Financial intermediaries (banks, broker-dealers) are offered customised services for settlement/delivery and global custody for all asset classes as well as outsourcing solutions for middle and back office activities;

- Institutional investors (fund managers, hedge funds, insurance companies, pension funds, sovereign funds and alternative funds) have access to an array of custodial and fund administration services, including fund distribution support, transfer agency services, depobank and trustee service, fund accounting, middle-office outsourcing and risk and performance measurement;

- Issuers are provided with a wide range of services, including administrative services, securitisation and stock-option and employee-shareholder plan management.

As at December 31, 2007, assets under custody totalled €3,801 billion and assets under administration €834 billion. The number of transactions settled in 2007 reached 45 million.

BNP Paribas Securities Services is ranked no. 1 among European custodians, among the top five worldwide, and no. 1 in terms of the percentage of cross-border assets (source: globalcustody.net).

Close to two-thirds of BNP Paribas Securities Services' revenues are generated outside France. The business is present in all the main European financial centers – including Belgium, Greece, Guernsey, Ireland, the Isle of Man, Italy, Jersey, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom, as well as in Australia, New Zealand, Turkey (via TEB), Japan, the Cayman Islands, the United States and Singapore.

Corporate & Investment Banking (CIB)

With 15,000 employees and operations in more than 50 countries, accounting for 28% of the group's revenues and 35% of its pre-tax net income in 2007, BNP Paribas Corporate and Investment Banking (CIB) is one of the Group's growth drivers. BNP Paribas CIB operates in advisory and capital markets (Corporate Finance, Equities and Fixed Income) as well as in financing businesses (Specialized and Structured Finance).

BNP Paribas CIB excels in three particular sectors:

- derivatives—it is a leading global player in interest rates, credit, forex, commodity and equity derivatives;

- capital markets—it is among the top 10 European houses for both Equity Capital Markets and Debt Capital Markets (bond issues, securitisation, syndicated loans, etc.) (source: Dealogic); and

- specialized finance—it is a world leader in acquisition, export, project, infrastructure and commodity finance.

Clients—corporates, financial institutions and investors—are at the heart of BNP Paribas CIB's organization. CIB's coverage executives are focused on delivering the best mix of services in support of their clients' strategies, calling on CIB's specialists in derivatives, capital markets and specialized finance around the globe to deliver world class bespoke and innovative solutions.

In 2007, BNP Paribas CIB delivered strong results and was successful in weathering the liquidity squeeze of the second half of the year through a diversified and client-centric business model which showed resilience and sustainability as compared to many of its competitors. CIB gained increasing industry recognition in 2007 with a flurry of awards for its capital markets and financing businesses, as well as for its Corporate Finance division in France and in Asia. CIB's focus on emerging markets and Asia paid off with the growth of its market share and significant deals across the business lines in these regions of the world. In 2008, CIB will pursue this international growth strategy and continue to build on strong fundamentals: a robust business model with a good geographic, product and client mix, strong franchises in capital markets and specialized finance; cutting edge professionals focused on delivering performance and innovation.

Global Client Service

BNP Paribas Corporate Finance and Investment has made client relations the cornerstone of its strategy, with the primary aims of:

- developing long-term relationships with its clients;
- meeting all their needs by making available the Bank's entire product range and offering:
    - a single client interface;
    - coordinated access to the product specialists in all of the Group's business lines;
    - the ability to advise on and structure global, innovative solutions adapted to the client's specific requirements.

To achieve these aims some 1,000 staff – relationship managers and credit analysts – have been tasked with serving:

- 6,300 corporate clients:
    - major corporations;
    - medium-sized businesses with high development potential.
- 800 financial institutions:
    - general and specialized banks (public or private);
    - insurance companies, mutual health insurers, personal risk protection providers;
    - pension funds;
    - fund managers;
    - central banks and global organizations;
    - 65 investment funds focused primarily on the private equity sector; and

- sovereign wealth funds.

These resources are deployed in all of the regions of the world where BNP Paribas operates, particularly:

- France, Italy and western European countries, which today represent BNP Paribas' core domestic market;
- central and eastern Europe, identified by the Bank as a high potential development zone;
- the developed markets of North America, Japan and Australia; and
- markets targeted for their high growth and business potential, particularly continental Asia, the Middle East – where the Bank has a deep footprint in most countries – and Latin America.

BNP Paribas Corporate and Investment Banking is also committed to reinforcing its resources in five high-growth countries/zones in order to better serve its clients: China, India, Russia, Latin America and the Middle East.

Advisory and Capital Markets

Corporate Finance

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

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

Corporate Finance employs some 400 professionals located throughout its worldwide network. Focused first and foremost on Europe, it is also present in North and South America and enjoys strong visibility in Asia (with more than 100 professionals) and in emerging countries.

Ranked no. 1 in France (source: Thomson Financial), BNP Paribas is among the leading banks in Europe advising on mergers and acquisitions (ranked 10th in Europe according to Thomson based on transaction volumes announced in 2007). The Dealogic Equityware/Thomson ranking placed the Bank among the 15 leading institutions for primary equity business in Europe.

Equities and Derivatives

BNP Paribas CIB's Equities & Derivatives business line encompasses research, structuring, trading and sales of equities, equity derivatives, indices and funds. With some one thousand front office staff based across five core platforms, the business line is active on both the primary and secondary markets.

Equities & Derivatives solutions address the various needs of financial institutions, hedge funds as well as corporate and retail clients in over 60 countries worldwide. With a strong background in structured products, a product line which continues to grow, BNP Paribas, over the last few years, has also developed a comprehensive range of flow product solutions addressing financing, indexing, leveraging, hedging and market access needs.

BNP Paribas has developed a global leadership in the equity derivatives industry by holding some of the largest trading positions and market shares worldwide as well as always differentiating itself through a capacity to innovate. Thanks to in-house quantitative skills for advanced product design and the significant resources dedicated to new product strategies, Equities & Derivatives has developed a solid reputation for innovation, with the ability to deliver the most appropriate tailor-made solutions to fit the specific needs of clients in all market climates.

Equities & Derivatives experienced significant growth during 2007, once again confirming BNP Paribas' global leadership in this industry.

The equity derivatives business received more industry awards than ever before:

- “Structured Products House of the Year” from Risk magazine;
- “Derivatives House of the Year, Asia-ex Japan” from AsiaRisk magazine;
- “Deal of the Year, Asia” from AsiaRisk magazine;
- “Structured Products House of the Year” from Euromoney magazine;
- “Equity Derivatives House of the Year” from Structured Products magazine;
- “Structurer of the Year, North America” from Structured Products magazine;
- “Equity Derivatives House of the Year” from Futures and Options World magazine;
- “Equity Derivatives House of the Year, Americas” from Global Finance magazine.

Fixed Income

Fixed Income’s product expertise and distribution capabilities have positioned BNP Paribas among the top 3 Fixed Income players in Europe and Asia-Pacific, with strong franchises in Japan, the Americas and a number of emerging markets.

Taking advantage of both the size of its balance sheet and its strength and quality, as witnessed by the AA+ long term credit rating given by S&P in July 2007, the Bank has built a comprehensive fixed income offering with a client-driven approach that is backed up by strong legal, IT and operations expertise.

Fixed Income’s client-focused approach to research, sales, trading, origination and distribution allows it to develop sophisticated solutions for a global client franchise in the fields of interest rates, credit and foreign exchange.

BNP Paribas is a recognised leader in the global interest rates and credit derivatives markets, and has a growing franchise in global forex, especially in options.

The Group’s broad range of fixed income products is delivered through an accomplished sales and marketing platform. Fixed Income’s broad range of research products and services underpins its client-focused approach, with research analysts available for one-on-one client support, and an extensive array of research notes and reports that are available through a variety of channels, including the Global Markets web portal. The Bank’s research methods are underpinned by pioneering quantitative techniques delivered by a group of world-class experts.

In line with BNP Paribas’ group-wide strategy, Fixed Income has continued to invest in its credit, interest rates, foreign exchange and hybrid derivatives platforms, in key emerging markets such as Russia, Central and Eastern Europe and the Middle East, and in fast-growing client segments such as hedge funds and pension funds.

This global network allows Fixed Income to provide clients with a complete range of tailor-made services on a global scale across a broad range of markets and currencies. With headquarters in London, five other trading floors in Hong Kong, New York, Paris, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, BNP Paribas Fixed Income employs more than 1,700 professionals globally.

BNP Paribas Fixed Income gained increasing industry recognition in 2007 for its excellence across asset classes. The division has not only consolidated and improved its rankings across the full range of activities and regions, but also broke new ground in several areas, as demonstrated by a number of prestigious prices awarded by the leading industry publications:

- for the first time, BNP Paribas won Risk magazine's "Structured Products House of the Year" award for its excellence in structured rates, credit, inflation and equity;

- for the second consecutive year, BNP Paribas won Euromoney magazine's "Best Structured Products House" award in recognition of its excellence across all asset classes (2006 and 2007);

- BNP Paribas won three awards from Structured Products magazine in Europe, including "Interest Rates House of the Year" (for the second consecutive year) and for the first time "Credit House of the Year" (2007);

- BNP Paribas broke new ground in Asia-Pacific in 2007, winning AsiaRisk's "Derivatives House of the Year" award for the first time and the "Credit Derivatives House of the Year" award for the second time in 3 years.

Financing Businesses

The Specialized Financing teams offer:

- financing of all forms of commodities trading;

- structured financing of commodities, energy, metals and minerals on the basis of cash flows as well as export pre-financing;

- capital goods export financing;

- infrastructure financing;

- marine and aircraft financing and structured leasing;

- financing of import-export trading.

<u>Structured Finance</u>

At the crossroads of lending and capital markets, Structured Finance designs tailor-made financings for clients on a worldwide level.

Structured Finance (SF) professionals bring their expertise to corporates, financial institutions, private equity sponsors and local government authorities. Whether for an acquisition, a structured or a plain vanilla financing, Structured Finance provides custom-made solutions with the latest financial architecture and the best placement on the appropriate debt markets. Structured Finance manages the full spectrum from origination and structuring to underwriting and distribution on the loan syndication markets.

CIB Structured Finance operates around the world through three main platforms – Paris/London, New York and Hong Kong, with teams present in 18 locations, bringing to the local level the talents and specific skills of our experts to develop long-term client and investor relationships.

Awards & rankings:

- no. 1 "Bookrunner" and "Mandated Lead Arranger" for Media & Telecoms in the EMEA region in the first half of 2007 by volume of deals – Dealogic;

- no. 1 "Bookrunner" and "Mandated Lead Arranger" for Leveraged Media & Telecoms in the EMEA region in the first half of 2007 by volume of deals – Dealogic;

- no. 2 “Bookrunner” and “Mandated Lead Arranger” in the EMEA region in the first half of 2007 by volume of deals for syndicated loans – Thomson IFR;

- no. 1 “Bookrunner” in Italy by volume and by number of deals for full year 2006 – Dealogic;

- no. 4 “Bookrunner” for European Leveraged Loans – Thomson IFR (1 January 2007 – 3 November 2007);

- no. 3 Eurozone “High-Yield Issuers” – Thomson IFR (1 January 2007 – 3 November 2007).

Energy and Commodities

In the energy and commodities sector, the emergence of new market players and a wave of major business linkups have brought about a shift in client needs towards hybrid, structured loans. In both industrialised and emerging countries, BNP Paribas actively partnered with its clients to move in this new direction. Against a backdrop of intense competition and sharply contrasting commodity price movements – a fall in the first half of the year was followed by a surge to record levels – BNP Paribas was able to strengthen its leading global position in this sector.

The financing of commodity flows was on a par with the record levels of 2006, with a strong rise in inventory financing and an expanding client base.

Structured financing of energy and commodities, which now encompasses all structured products in this sector (including project financing and pre-export financing), gained ground in the United States, Russia and far eastern Europe, thanks in particular to acquisition financing. Specific measures were undertaken in 2007 to offer all bank clients active in the commodities sector a broader, more sophisticated range of dedicated products covering derivatives, capital markets and merger and acquisition advisory services.

2007 was a banner year for asset financing with a sharp rise in net income from aircraft and marine financing. The marine financing teams successfully launched operations in China and India and strengthened their position thanks to container ship financing transactions. Despite heightened competition, the aircraft financing teams substantially expanded their Latin American activity and boosted transaction volumes with operational lessors.

From an already strong business base, the highly experienced export financing teams confirmed their global leadership. This front-ranking position is particularly evident on the Asian export market (China, Korea and Japan).

The infrastructure teams turned in a strong performance, making major advances in Europe and taking advantage of the opportunities offered by acquisition transactions.

Lastly, Global Trade Services continued to expand its operations on both the United States and European markets, benefiting from the creation in 2006 of a single team covering the entire structured trade offering for the financing of import-export trading.

Global Trade Services’ project financing and marine financing business expanded significantly in Italy on the back of the BNL acquisition.

Cash Management

Within Corporate and Investment Banking, the Cash Management business provides international companies with an extensive array of global cash management and liquidity solutions. These services developed in close cooperation with the French Retail Banking’s Cash Management Department are based on state of the art technologies and on a wide geographical coverage encompassing Europe, Asia and the Americas. In 2007, The Bank’s services offering continued to evolve to remain at the forefront of the latest market developments such as Payment Factory services and the launch in January 2008 of the Single Euro Payment Area (SEPA).

The quality of this international offering is demonstrated by Euromoney magazine’s rankings of October 2007:

- no. 3 for cross-border cash pooling;
- no. 3 for global liquidity capabilities;
- no. 5 in Europe for international cash management services;
- no. 8 overall.

In 2007, supported by a dedicated sales force organized around a central team as well as experienced professionals in some 30 countries, the Cash Management business continued to improve its market penetration. Clients from a variety of geographic areas have called upon BNP Paribas, enabling it to strengthen client relationships and generate multi-year recurring revenues.

BNP Paribas Principal Investments

BNP Paribas Capital

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

This portfolio had an estimated value of €3.9 billion at December 31, 2007 and is split into four segments:

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

In 2007, the main disposals concerned the interests in Bouygues Telecom, Vivarte and Elis. The Group continued investing in private equity funds and making joint investments alongside these funds.

Listed Investment and Sovereign Loan Management

The Listed Investment Management team is in charge of BNP Paribas' portfolio of minority stakes in listed companies. The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to derive the greatest possible value from its assets over the medium term.

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 real estate investment company listed on Euronext Paris, Klépierre develops, owns and manages shopping centers in 10 European countries, mainly France, Spain and Italy. Klépierre is continental Europe's 2nd-largest listed property group specialized in shopping centers, with a market capitalization of €4.8 billion. Its property assets totalled €11.3 billion at year-end 2007, of which 86% consisted of shopping centers, 4% of business premises – through its 84.1% holding in Klémurs – and 10% of office space in the Paris region. More than 43% of Klépierre's business is conducted outside France.

Klépierre's strong momentum in the shopping center activity is supported by the centralised management and development capabilities of its subsidiary Ségécé, which is continental Europe's no. 1 manager of shopping centers. Ségécé manages 342 centers – 240 of which belong to Klépierre – through a network of eight subsidiaries.

Through Klémurs, listed on Euronext Paris since December 2006, Klépierre plays an active role in the sale and leaseback of property portfolios by major retailers.

Klépierre also owns and manages upmarket office premises located in Paris and its inner suburbs. This is a secondary activity for Klépierre, the result of opportunities arising in the course of market cycles.

The Klépierre Group has more than 1,100 employees.

Litigation

The Group is involved in a number of legal proceedings in the ordinary course of business, none of which is expected to have a material adverse effect on the Group's businesses, financial condition or results of operations.

In December 2006, the Bank was named as a defendant, along with AWB Limited (an Australian exporter of wheat) and Commodity Specialists Company (a wheat trader based in Minneapolis), in a putative class action lawsuit brought in New York. The plaintiffs are attempting to assert claims on behalf of all Iraqis who resided in the three northern governorates of Iraq to recover the value of money that the Iraqi Government allegedly demanded be paid to it by entities that supplied goods to it pursuant to the United Nations Oil-for-Food Program. On October 10, 2007, the Bank filed a motion to dismiss the action on the grounds that the Court lacks jurisdiction to hear the case and the plaintiffs have failed to state a claim against the Bank. The plaintiffs have filed their response to the Bank's motion, and the matter is ready for decision by the Court.

In September 2007, another putative class action lawsuit was filed against AWB and the Bank on behalf of Iraqis who were ill-treated, or whose family members were ill-treated, under Saddam Hussein's regime. The plaintiffs are attempting to assert claims against AWB and the Bank based on their purported role in the Oil-for-Food Program. The plaintiffs have asserted counts of war crimes, genocide, torture and other ill-treatment by Saddam Hussein's regime. They are relying on the Alien Tort Statute and other US laws to establish the jurisdiction of the Court. On December 14, 2007, the Bank filed a motion to dismiss the action on the grounds that the Court lacks jurisdiction to hear the case and the plaintiffs have failed to state a claim against the Bank. The plaintiffs have filed their response to the Bank's motion, and the matter is ready for decision by the Court.

The Bank believes that there is no basis for any accusations or allegations that the Bank somehow was at fault for improper payments that may have been made by others in connection with the export of goods to Iraq under the Oil-for-Food Program. The Bank intends to vigorously contest all such allegations.

Main Shareholders of BNP Paribas

At December 31, 2007, AXA, a French *société anonyme* (corporation), held 5.9% of the share capital, or approximately 53.56 million shares, of BNP Paribas (5.9% of voting rights). At that date, to the knowledge of the Board of Directors of BNP Paribas, no other shareholder held more than 5% of the share capital.

The Bank has also long been a shareholder of AXA. At December 31, 2007, the Bank held 5.8% of the share capital and 7.6% of the voting rights, or approximately 120.966 million shares, of AXA.

On December 15, 2005, AXA and the Bank entered into an agreement regarding their reciprocal shareholdings. Under the agreement, AXA agreed to hold at least 43,412,598 of the Bank's shares, and the Bank agreed to hold at least 61,587,465 of AXA's shares for as long as the agreement is in place. In addition, each party is entitled, during a three-month period following a "hostile" takeover (i.e. change in control) of the other party, to repurchase its shares held by the other party. The agreement has an initial term of five years and is subject to a two-year and subsequent one-year renewal.

RISK MANAGEMENT

Managing risk is an inherent part of the banking business, which the Bank's operating methods and procedures are geared towards effectively addressing. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the various divisions, business lines and territories and reports directly to Group Executive Management.

The Role and Organization of GRM

While primary responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for ensuring that the risks taken by the Bank comply and are compatible with its risk policies and its profitability and credit rating objectives. GRM performs continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the internal auditors. The department reports regularly to the Board of Directors' Internal Control and Risk Management Committee 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.

GRM's role is to hedge all financial risks resulting from the Group's business operations. It intervenes at all levels in the process of risk taking and risk monitoring. GRM's mission includes formulating recommendations concerning risk policies, analyzing the loan portfolio on a forward-looking basis, approving 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 business line in question and all of the relevant departments (legal affairs, compliance, financial security, tax affairs, information systems, general and management accounting). 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.

GRM's organizational structure is tailored to reflect the different types of risk: Credit and Counterparty Risk, Market and Liquidity Risk; and Operational Risk, supported by specialist units responsible for analyzing, summarising and reporting risk data.

Credit Risk

Group's Gross Exposure to Credit Risk

The following table shows all of the BNP Paribas Group's financial assets, including government bonds and Treasury bills, exposed to credit risk. Credit risk exposure, determined without taking account of unrecognized netting or collateral, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss (excluding variable-income securities)	787,022	607,541
Derivatives used for hedging purposes	2,154	2,803
Available-for-sale financial assets (excluding variable-income securities)	90,725	78,033
Loans and receivables due from credit institutions	71,116	75,170
Loans and receivables due from customers	445,103	393,133
Held-to-maturity financial assets	14,808	15,149
Balance sheet commitment exposure, net of impairment provisions	1,410,928	1,171,829
Financing commitments given	231,227	235,736
Guarantee commitments given	91,099	80,945
Provisions for off balance sheet commitments	(202)	(238)
Off-balance sheet commitment exposure, net of provisions	322,124	316,443
Total net exposure	1,733,052	1,488,272

This exposure does not take into account the effect of master netting agreements in force during each period or collateral on over-the-counter forward financial instruments. Based on calculations prepared using the method provided for in applicable banking regulations, the impact of these items would reduce the Group's credit risk exposure by €166 billion at December 31, 2007 (approximately €123 billion at December 31, 2006). In addition, this exposure does not take into account collateral and other security obtained by the Bank in connection with its lending activities or purchases of credit protection.

Management of Credit Risk – Lending Activities

General credit policy and credit control and provisioning procedures

The Bank's lending activities are subject to the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the committee is to determine the Group's risk management strategy. The key principles governing the Global Credit Policy include compliance with the Group's ethical standards, clear definition of responsibilities, the existence and implementation of procedures and thorough analysis of risks. It is applied 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 tools.

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 The Bank carries out an in-depth review of any known business plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

Monitoring procedures

The Group maintains a comprehensive risk monitoring and reporting system, covering all Group entities. The system is organized around control and reporting units 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. In Retail Banking, the Group employs a monitoring system more specifically tailored to the needs of this business line.

Impairment procedures

Customer loans are recorded on the Group's consolidated balance sheet net of the allowance for possible loan losses. The establishment of an allowance, or an increase in its amount, is reflected in the Group's consolidated statement of income by a provision. The reversal of a provision is reflected by a credit to income. The amount of provisions, less reversals of provisions and recoveries of loans written-off, is recorded under "Cost of risk".

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 realisation of collateral.

Where possible or desirable, due to the specific nature of the relevant lending activities (for example, consumer loans) case-by-case allowances are replaced by statisticalallowances. In addition to these specific or statistical allowances, the Bank may also set aside provisions on a portfolio basis to cover incurred, but not yet reported, losses, relating, for example, to a specific industry, country or rating category.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but with respect to which the customers in question have not been identified as in default (i.e. loans not covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the internal rating system described below.

Internal rating system

The Bank has a comprehensive internal rating system that has been upgraded in order to comply with the requirements of banking supervisors for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process is being deployed to ensure that the system is appropriate and is being correctly implemented. The system was formally approved by the French banking regulator (*Commission Bancaire*) in December 2007. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are twelve counterparty ratings. Ten cover clients that are not in default with credit assessments ranging from "excellent" to "very concerning", and two relate to clients classified as in default, as per the definitions established 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. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio policy

In addition to carefully selecting and evaluating individual risks, the Bank follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and recommendations. As part of this policy, the Bank uses credit risk transfer instruments (such as securitization programs or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses from crisis scenarios. The Bank also purchases credit risks as part of its portfolio diversification and capital utilization strategy, based on strict risk/yield ratio guidelines.

Risk mitigation techniques

Collateral and other security

The BNP Paribas Global Credit Policy sets forth guidelines for structuring transactions in order to reduce risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

Banking regulations set clear guidelines for assessing the risk-mitigating effect of collateral and other security under the Basel II advanced IRB approach. 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 and export credit insurance written by government agencies and private insurers. 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 Bank’s system for assessing the risk-mitigating effects of collateral and other security has been approved by the French banking supervisor (*Commission Bancaire*) as part of the implementation of the new Basel II capital adequacy ratio.

Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations that transfer part of the risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks. The loans hedged by the credit derivatives remain on the consolidated balance sheet. The Bank 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, the Bank retains part of the risk in the form of tranches which are generally junior or mezzanine.

Diversification of Credit Risk of Financing Activities

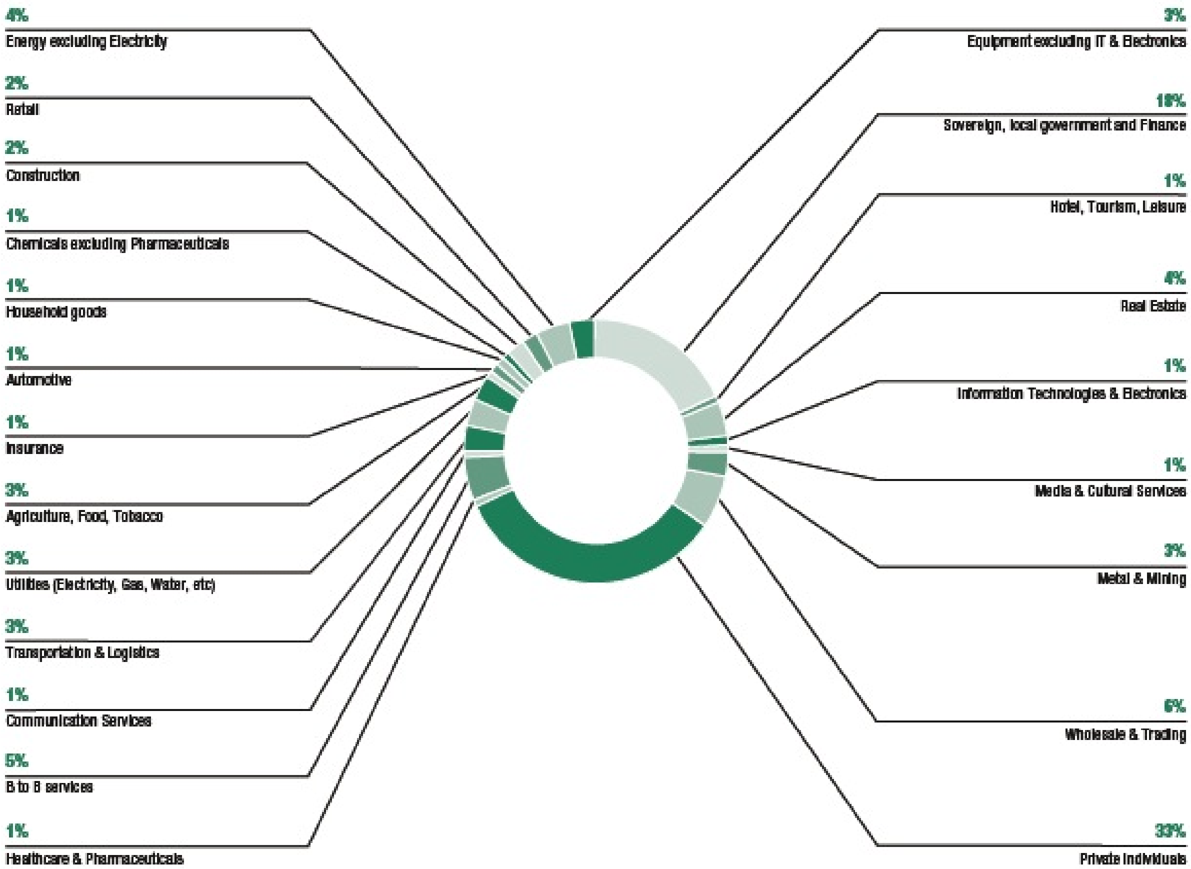
The gross value of the Bank’s portfolio of commercial loans and commitments amounts to €788 billion at December 31, 2007 (€715 billion at December 31, 2006). The diversification analysis below covers loans granted to customers and demand accounts with credit institutions and central banks as well as financing commitments (excluding share repurchase agreements) and financial guarantees given. No single counterparty gives rise to an excessive concentration of credit risk, due to the size of the business and the high level of industrial and geographic diversification of the client base. The breakdown of credit risks by industry and by region is presented in the charts below.

Diversification by counterparty

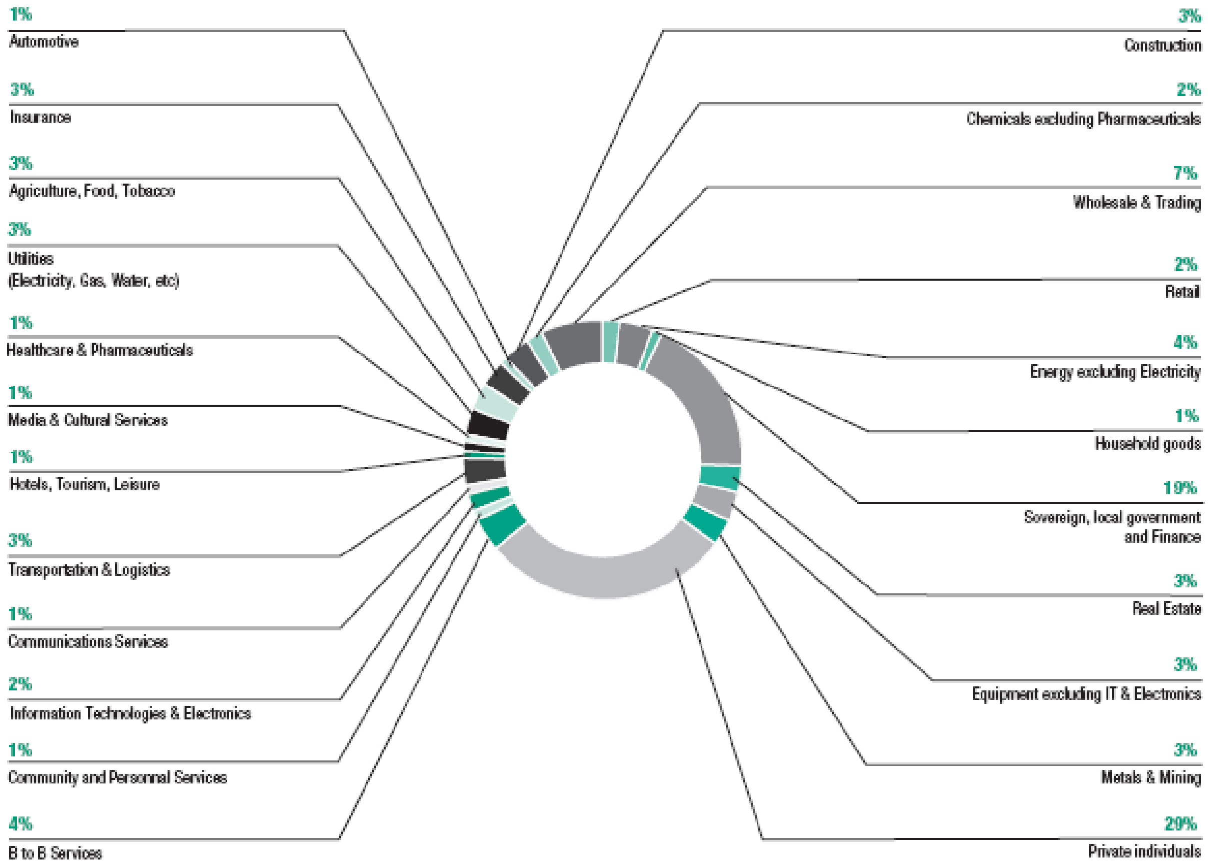
Diversification of commitments by counterparty is closely and regularly monitored. The Bank's concentration of credit risks is well below the thresholds set in the European Directive on major banking risks, with the top 10 client groups representing less than 4% of total commitments as of December 31, 2007 (3% as of December 31, 2006).

Industry diversification

Breakdown of the portfolio of commercial loans and commitments at December 31, 2007 by industry

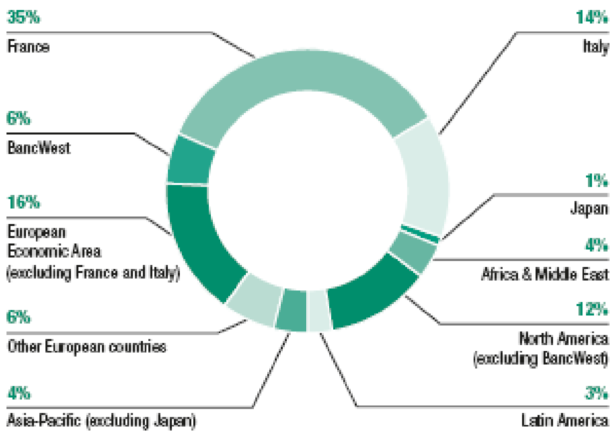


Breakdown of the portfolio of commercial loans and commitments at December 31, 2006 by industry

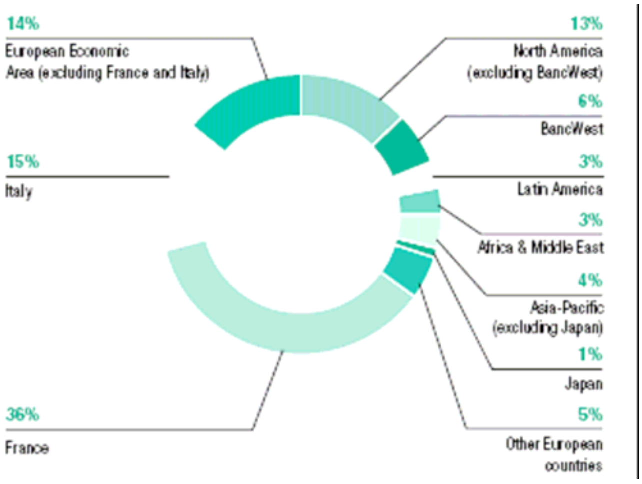


Geographic diversification

<u>Geographic breakdown of the portfolio of commercial loans and commitments at December 31, 2007</u>



Geographic breakdown of the portfolio of commercial loans and commitments at December 31, 2006

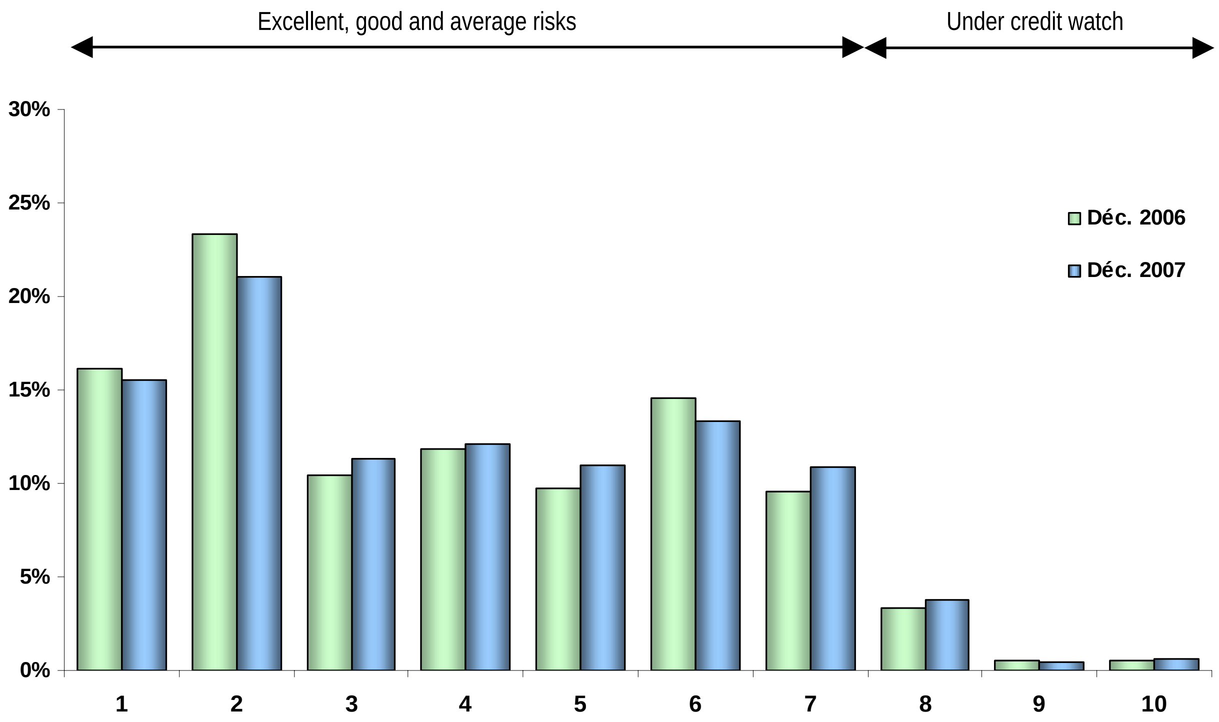


Quality of the Portfolio Exposed to Credit Risk

The internal rating system developed by the Bank covers the entire Corporate and Investment Banking (CIB) portfolio and French Retail Banking (FRB) portfolio, as well as a substantial proportion of the other divisions' portfolios, and is gradually being rolled out to all Group units.

The chart below shows the breakdown of CIB and FRB sound corporate loans and commitments (corporates, government agencies, banks and institutions) based on the ratings used to calculate risk-weighted assets under the advanced IRB approach. This represents almost one-half (€377 billion) of the gross amount of the Group's portfolio of commercial loans and commitments as well as loans outstanding with financial institutions (€65 billion) granted by the Group as part of its ALM-Treasury activities, i.e., a total amount of €442 billion. The majority of commitments are towards borrowers rated as good or excellent quality, reflecting the heavy weighting of large multinational groups and financial institutions in the Bank's client base. A significant proportion of commitments to non-investment grade borrowers are highly structured or secured by high quality guarantees implying a higher recovery in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

Breakdown by credit rating



Loans with Past-Due Installments and Related Collateral or Other Security

The following table presents the carrying amounts of financial assets that are past due but not impaired (by age of past due instalments), of impaired assets, as well as of related collateral held as security and other credit enhancements. The amounts shown are stated before any portfolio impairment.

In millions of euros	31 December 2007							
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of these loans and commitments
	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)	6	-	-	-	6	-	6	-
Available-for-sale financial assets (excl. variable-income securities)	2	-	-	-	2	119	121	-
Loans and receivables due from credit institutions	151	66	24	13	48	37	188	35
Loans and receivables due from customers	7,003	6,574	370	30	29	5,753	12,756	6,690
Past-due assets, net of individual impairment provisions	7,162	6,640	394	43	85	5,909	13,071	6,725
Financing commitments given						149	149	111
Guarantee commitments given						517	517	12
Off-balance sheet non-performing commitments, net of provisions						666	666	123
Total	7,162	6,640	394	43	85	6,575	13,737	6,848

In millions of euros	31 December 2006							
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of these loans and commitments
	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)	6	-	-	-	6	-	6	-
Available-for-sale financial assets (excl. variable-income securities)	1	-	-	-	1	44	45	-
Loans and receivables due from credit institutions	77	58	-	7	12	81	158	44
Loans and receivables due from customers	6,570	6,065	362	40	103	6,151	12,721	6,676
Past-due assets, net of individual impairment provisions	6,654	6,123	362	47	122	6,276	12,930	6,720
Financing commitments given						231	231	80
Guarantee commitments given						445	445	32
Off-balance sheet non-performing commitments, net of provisions						676	676	112
Total	6,654	6,123	362	47	122	6,952	13,606	6,832

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.

BNP Paribas' non-performing loans and other doubtful commitments presented below include on- and off-balance sheet commitments towards all categories of counterparties (customer transactions, interbank transactions, fixed-income available-for-sale securities). Provisions correspond to the aggregate of specific provisions and portfolio provisions.

The following table presents the Group's provision rate:

In billions of euros	December 31, 2007	December 31, 2006
Doubtful commitments	14.2	15.7
Provisions	12.8	13.9
Provision rate	91%	89%

The following table presents the Group's geographic breakdown of doubtful loans reported on the balance sheet and provisions:

At December 31, 2007	Doubtful loans	Allowances
France	46.5%	43.5%
Italy	30.5%	27.7%
European Economic Area (excl. France and Italy)	5.9%	5.0%
North America	4.0%	6.9%
Latin America	2.6%	2.4%
Africa and Middle East	5.6%	7.3%
Asia – Pacific	1.4%	1.8%
Japan	0.1%	0.0%
Other European countries	3.4%	5.4%

Management of Counterparty Risk on Market Activities

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.

Credit adjustments to over-the-counter financial instruments

The fair values of financial instruments traded over-the-counter by the Fixed Income, Equities & Derivatives and Commodity Derivatives units include credit adjustments. A credit adjustment is an adjustment to a portfolio of transactions with a counterparty, to reflect the fair value of the credit risk corresponding to potential default by the counterparty. It is calculated based on the probability of default and the loss given default for the existing exposure.

Dynamic counterparty risk management

The credit adjustment 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 has developed a dynamic hedging strategy based on the purchase of market instruments such as credit derivatives.

Market Risks Related to Financial Instruments

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- Interest rate risk covers potential fluctuations in the value of fixed-rate financial instruments or financial instruments indexed to a market benchmark due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.

- Currency risk is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.

- Price risk arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded on the market. This may relate, for example, to changes in the price or volatility of shares, stock market indices or commodities. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.

- Credit spread risk on the trading book: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Capital Market Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

- 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.

Market risks arise mainly from the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

Controlling risk

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading volumes and activities in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to contain certain specific risks not fully captured by GEaR or stress tests).

- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Capital Market Risk Committee. For secondary market trading, they are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.

- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Capital Market Risk Committee. Responsibility for analyzing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- Daily calculation of the value of the Group's trading positions and related exposures.

- Daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database.

- Periodic reviews of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria.

- A weekly report aggregating all significant positions by activity.

- The Capital Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

Market risk on trading activities is measured and assessed by performing detailed sensitivity analyzes of each type of position, and global analyzes, such as GEaR and stress tests that measure aggregate exposures.

Analysis of sensitivity to market parameters

In the first instance, market risk is analyzed by systematically measuring portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for option strike prices. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to the heads of the trading units by the Capital Market Risk unit.

Value at Risk

BNP Paribas uses an internal Value at Risk (VaR) model, approved by the banking supervisor, to estimate the potential loss arising from an unfavourable change in market conditions, the key element in market risk measurement.

Potential losses are measured using "Value at Risk" (VaR). VaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. VaR calculation methods are continually fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day VaR.

The banking supervisor has approved this internal model and the underlying methodologies, which include:

- Capturing the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification.

- Capturing the specific interest rate risk arising from potential fluctuations in credit spreads, to accurately and dynamically measure the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are:

- Change in the value of the portfolio over a holding period of 10 trading days.

- Confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding VaR in 99% of cases);

- Historical data covering one year (260 days) of trading.

In 2007, total average Value at Risk was €156 million (with a minimum of €41 million and a maximum of €378 million), after taking into account the €152 million effect of netting the different types of risk. These amounts break down as follows:

Type of risk	Year to 31 Dec. 2007			31 December 2007	Year to 31 Dec. 2006	31 December 2006
	Average	Minimum	Maximum		Average	
Interest rate risk	61	26	110	82	42	45
Credit risk	79	42	160	147	55	70
Currency risk	17	3	41	41	7	8
Equity price risk	134	38	323	152	55	66
Commodity price risk	17	10	28	12	16	17
Effect of netting	*(152)*			*(189)*	*(104)*	*(142)*
TOTAL	156	41	378	245	71	64

Market Risks Related to Banking Intermediation Activities and Investments

Interest rate and currency risks related to banking intermediation activities and investments mainly relate to retail banking activities in France and abroad, the specialized financing and savings management subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management unit, which forms part of the Asset/Liability Management & Treasury (ALM-Treasury) Department.

ALM-Treasury is part of the Corporate and Investment Banking Division and reports directly to one of the Chief Operating Officers. Strategic decisions are made by ALM committees tasked with overseeing ALM-Treasury's activities. These committees have been set up within each division (AMS, FRB, CIB, BNL, IRS) and at the level of the business lines and/or the main subsidiaries.

Interest Rate Risk

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking divisions, the specialized financing subsidiaries, and the savings management business lines in the AMS and Corporate Banking divisions are managed centrally by ALM-Treasury through the client intermediation book, with the exception of transactions initiated in the United States by BancWest Corp. subsidiaries. Interest rate risk on the Bank's equity and investments is also managed centrally by ALM-Treasury, in the equity intermediation and investments book.

Transactions initiated by the Bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the entity's net position.

Positions are measured and transfers to ALM-Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, and the business line ALM managers (who have a dotted-line reporting relationship with ALM-Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the Bank of the West and First Hawaian Bank ALM units, which report to each subsidiary's executive management via monthly committee meetings.

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 take into account early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by 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.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved. In 2007, teams with no reporting relationship with product control units were set up to oversee the production of these indicators. In addition, Group Risk Management continued to control risks arising from the use of behavioral models by the ALM unit. The results of these controls are presented once a year to the Board of Directors and periodically to the ALM committees.

Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a five-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the five-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 exposure to interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of annual revenues to an immediate change in nominal rates. Sensitivity is monitored at quarterly meetings of the BancWest ALM committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialized financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralisation 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, the Bank determines the value of the financial instruments that make up these books and the sensitivity of that value to interest rate fluctuations.

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity band, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an increase in value in the event of a fall and a decrease in value in the event of a rise of approximately €2,146,000 at December 31, 2007, compared with approximately €315,000 at December 31, 2006.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 December 2007					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	550	(1,274)	(646)	(2,022)	3,244	(148)
USD	74	(309)	(856)	(209)	(1,197)	(2,497)
GBP	85	(25)	(59)	(20)	(7)	(26)
Other currencies	4	(11)	(22)	(12)	566	525
TOTAL	713	(1,619)	(1,583)	(2,263)	2,606	(2,146)
In thousands of euros	31 December 2006					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(33)	(362)	(1,146)	(1,681)	4,468	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	(160)	(401)	(1,609)	(1,898)	3,753	(315)

Currency Risk

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The ALM unit is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

Currency risk and hedging of net investments in foreign operations

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

Group policy is usually to borrow the investment currency in order to protect the investment against currency risk. Such borrowings are documented as hedges of net investments in foreign operations. However, for most of soft currencies, the investment is financed by purchasing the currency in question.

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 designated 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.

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 hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

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

The table below shows the amount of hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 December 2007				31 December 2006			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Hedged cash flows	1,042	2,080	3,445	6,567	657	1,988	2,720	5,365

For the year ended December 31, 2007, 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.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil 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: Objectives

The objectives of the Group's liquidity management policy are to (i) secure a balanced financing mix to support the Bank’s 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 ALM-CIB Committee, acting on recommendations from ALM-Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of liquidity indicators and the results of stress tests, as well as of the execution of financing programs. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM-Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM-CIB Committee, ALM-Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The business line ALM committees and local ALM committees implement at local level the strategy approved by the ALM-CIB Committee.

GRM contributes to defining liquidity policy principles and exercises oversight of the related models, risk indicators, limits and market parameters, as well as performing liquidity stress tests.

Centralization of 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:

1. 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.

2. 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.

3. The Bank uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- The one-year internal liquidity ratio for financing with contractual maturities, corresponding to the maturity gap beyond one year between sources of funds with the same characteristics and maturities and uses of funds with the same characteristics and maturities.

- The one-year internal liquidity ratio for total financing, corresponding to the maturity gap beyond one year between sources of funds with the same maturities and uses of funds with the same maturities, and carried on and off-balance sheet in the form of contractual commitments with no fixed maturity. The ratio was capped at 25% until 2006 and at 20% in 2007.

- The own funds and permanent capital ratio, corresponding to the ratio between (i) Tier One capital less non-current assets plus net customer demand deposits and (ii) the maturity gap beyond one year for financing with contractual maturities. The minimum ratio is 60%.

These three internal ratios are based on maturity schedules of balance sheet and off-balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks - 100% weighted, and with customers - 20% or 30% weighted), theoretical (i.e. based on customer behavior: prepayments in the case of loans, behavior modelling in the case of regulated savings accounts) or statistical (demand deposits, regulated savings deposits, trust deposits, non-performing loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

In addition, regular stress tests are performed, based on market factors and factors specific to The Bank that would adversely affect its liquidity position.

Regulatory ratios represent the final plank in the liquidity risk management system. These include the one-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.

Liquidity risk reduction 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 swiftly converted into cash as part of the day-to-day management of liquidity, by securitising pools of home loans and 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. For example, in the last quarter of 2006, the Bank established a €25 billion covered bond program. Issuances under this program at December 31, 2007 totalled €9 billion.

Insurance Risks

The insurance subsidiaries' risk exposures result from the sale, in France and abroad, of savings and personal risk contracts.

Financial Risk

Financial risks arise in the Savings business, which accounts for over 95% of the insurance subsidiaries' liabilities.

There are three types of financial risk:

Interest Rate Risk

Policyholder yields on life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a yield guarantee. All of these policies give rise to an interest rate risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual yield payable to policyholders.

This risk is managed centrally by the BNP Paribas Assurance Asset/Liability Management unit, which coordinates its activities with the BNP Paribas ALM-Treasury Department. Regular asset-liability matching reviews are performed to measure and manage the financial risks, based on medium and/or long-term income statement and balance sheet projections prepared according to various economic scenarios. The results of these reviews are analyzed in order to determine any adjustments to assets (through diversification, use of derivatives, etc.) that are required to reduce the risks arising from changes in interest rates and asset values.

To cover potential financial losses estimated over the life of the policies, a provision for future adverse deviation (*provision pour aléas financiers*) is booked when the guaranteed yield payable to policyholders is not covered by 80% of the yield on the admissible assets. No provision for future adverse deviation was booked at December 31, 2007 or 2006 as the yields guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

Surrender Risk

Savings contracts include a surrender clause allowing customers to request reimbursement of all or part of their accumulated savings. The insurer is exposed to the risk of surrender rates being higher than the forecasts used for ALM modelling purposes, forcing it to sell assets at a loss in order to free up the necessary cash for surrenders in excess of forecast.

The surrender risk is limited, however, as:

- Most policies provide for the temporary suspension of surrender rights in the event that the insurer's financial position were to be severely impaired such that the surrenders would deprive other policyholders of the ability to exercise their rights.

- Policyholder behavior is monitored on an ongoing basis, in order to regularly align the duration of assets with that of the corresponding liabilities and reduce the risk of abrupt, large-scale asset sales. Changes in assets and liabilities are projected over periods of up to 40 years, in order to identify mismatches giving rise to a liquidity risk. These analyzes are then used to determine the choice of maturities for new investments and the assets to be sold.

- In addition to the guaranteed yield, policyholders are paid dividends that raise the total yield to a level in line with market benchmarks. These dividends, which are partly discretionary, reduce the risk of an increase in surrender rates in periods of rising market interest rates.

- The return on financial assets is protected mainly through the use of hedging instruments.

Unit-linked contracts with a capital guarantee

Certain unit-linked contracts include whole life cover providing for the payment of a death benefit at least equal to the cumulative premiums invested in the contract, whatever the conditions on the financial markets at the time of the insured's death. The risk on these contracts is both statistical (probability of a claim) and financial (market value of the units).

The capital guarantee is generally subject to certain limits. In France, for example, most contracts limit the guarantee to one year and a maximum of €765,000 per insured. In addition, the guarantee is not normally available beyond the insured's 80th birthday.

The carrying amount of linked liabilities is equal to the sum of the fair values of the assets held in the unit-linked portfolios. The insurer's liability is therefore covered by corresponding assets. The match between linked liabilities and the related assets is checked at monthly intervals.

The capital guarantee reserve takes into account the probability of death, based on a deterministic scenario, and stochastic analyzes of changing financial market prices. The capital guarantee reserve amounted to €27 million at December 31, 2007, compared with €40 million at December 31, 2006.

Risks of Subscription of Insurance

The risks of subscription of insurance arise mainly in the Personal Risk business, which accounts for some 5% of the insurance subsidiaries' liabilities.

They result mainly from the sale of annuity policies in France and loan protection insurance worldwide.

The actuarial oversight system set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe (i) the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, (ii) the tasks to be performed by the actuaries and their reporting obligations and (iii) practices that are banned or that are allowed only if certain conditions are met.

Underwriting limits are set at various local and central levels, based on capital at risk, estimated maximum acceptable losses and estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria such as credit risk, the type of guarantee and the insured population. Each contract is priced by reference to the margin and return-on-equity targets set by the executive management of BNP Paribas Assurance.

Risk exposures from annuity and loan protection insurance business are monitored at quarterly intervals by BNP Paribas Assurance's Executive Committee, based on an analysis of loss ratios.

Loss ratios for annuity contracts are based on mortality tables applicable under insurance regulations, as adjusted by independent actuaries where appropriate. Annuity risks are low.

Loan protection insurance covers death, total or partial disability, loss of employment and financial loss risks for personal loans and home loans. The insurance book comprises a very large number of individual policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs.

Actual loss ratios are compared with forecast ratios on a regular basis by the actuarial department, and premium rates are adjusted when necessary.

The risks of subscription of insurance 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.

Operational Risk

Overview

The operational risk management framework has been designed to (i) ensure compliance with regulatory requirements and criteria prescribed by rating agencies; and (ii) improve the Bank's internal processes, resulting in enhanced performance and a reduction in the frequency and impact of operational risk events.

The framework was rolled out as planned in 2007. In December, the French banking supervisor (*Commission Bancaire*) approved the advanced measurement approach (AMA) adopted by the Group to assess operational risk. To date, 160 subsidiaries representing 68% of the Group's net banking income are eligible for AMA, with the proportion set to increase in the coming years.

Following on from the pilot phase of the past few years, which was focused on the design and roll-out of an operational risk management framework, BNP Paribas is now able to monitor operational risk on an ongoing basis.

Principles

Operational risk management practices are rooted in four key principles:

- Internal and cross-functional processes – particularly core processes – within and across Group entities are the main focus of the operational risk management framework.
- The framework relies on an analysis of the "cause – event – effect" chain, with a particular emphasis on the event component. This analysis is designed to identify and track latent or potential risk events and assess the causes in order to prevent such events from materialising or recurring, and mitigate their impact on the organization.
- Risk profiles and tolerance levels are established and outlined in a performance chart used in decision-making.
- Responsibilities are clearly defined and monitored. Heads of subsidiaries are in charge of risk management and control and business continuity plans for the activities falling within their remit.

Optimal Organizational Structure

In 2007 the units responsible for setting the operational risk framework, conducting permanent controls and coordinating business continuity plans were merged in an attempt to streamline and optimize internal control procedures. The new unit will be responsible for both measuring and managing operational risk. It will define, coordinate and monitor the Group's operational risk, permanent controls and business continuity frameworks, and produce the appropriate risk measures and management data.

The unit will work in line with a unified, five-tier approach based on:

- analysing risks;
- implementing preventive and/or mitigating tools including procedures, controls, business continuity plans and insurance;
- producing risk measures and calculating the capital charge for operational risk (used to determine tolerance levels and consolidated exposure);
- reporting and analysing information (used in validating controls and managing risk);
- formulating action plans to prevent and/or remedy risks, together with follow-up procedures.

This approach involves a two-way vertical information flow (bottom up and top down) which ensures that data is provided to the competent level of the organization for review, validation and decision-making purposes. It also functions as a loop, ensuring that changes in the environment have been taken into account and that control procedures have been adjusted accordingly.

Key Players and Governance

At all levels of the Group (core businesses, functions, business lines, subsidiaries and territories), the risk management framework relies on teams of operational risk analysts and coordinators of permanent controls and business continuity plans. These teams head up the operational risk management process falling within their particular remit, and ensure that the standard operational risk policy and related methodologies and tools are properly implemented. They have a particularly important role in risk analysis and risk reporting.

The entire system requires significant involvement of operational staff. Issues that arise in relation to operational risk, permanent controls and business continuity are discussed with the Group's Executive Committee three times a year, and with the Internal Control Coordination Committee every month. This committee is chaired by the Internal Control Coordinator and brings together key players in the internal control process. Group companies are encouraged to adopt this governance structure in their own organizations.

Executive Committees at the level of the Group and the core businesses are tasked with ensuring that operational risk is effectively managed and controlled in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees are responsible for approving the quality and consistency of reporting data and for examining the risk profile adopted in light of the tolerance levels set by either the committees themselves or the Group. They also assess the quality of risk control procedures in light of their objectives and the risks they incur.

Risk Analysis

A large number of people are involved in the risk analysis process, from staff heading up the operational risk management framework through to their business line operating managers. Operational risk is analysed on the basis of historical data and prospective scenarios.

Historical data: operational risk data has been systematically compiled since the beginning of 2002, with the process subsequently rolled out to all of the Group's business lines and territories and enhanced by data quality reviews and certification procedures. The analysis and follow-up of operational risk data are key to identifying the actions needed to prevent incidents from recurring in the future.

Prospective scenarios: the Group adopts an integrated approach to modelling risks and analysing potential incidents, based on an analysis of its internal processes. A qualitative analysis of the causes, corresponding controls and impact of operational risk incidents is carried out for each process, with the results quantified and input into the internal capital calculation model. The analysis highlights the Group's main risk exposures and enables the organization to identify the necessary remedial actions.

The analysis of latent and potential operational risks is therefore a key component of the risk management process. It helps identify factors that may prevent or mitigate such risks, particularly the need for new or adjusted control procedures and business continuity plans. In turn, the risk analysis process is enhanced by the review of control procedures and business continuity plans. The analysis of the "risk – controls – business continuity plan" chain is therefore designed as a loop in order to optimize the Group's operational risk management framework.

Legal, Tax, and Information Technology Risks Relating to Operational Risk

Legal risk

In each country where it does business, BNP Paribas is bound by specific local regulations applicable to companies engaged in banking, insurance and financial services. In particular, the Group is required to respect the integrity of the markets and the primacy of clients' interests.

For many years, the Group Legal Department has had an internal control system designed to anticipate, detect, measure and manage legal risks.

The system is organized around:

- the Legal Affairs Committee;
- the Global Legal Committee, which coordinates the activities of the legal department throughout the Group in all countries that have their own legal staff, and ensures that the Group's legal policies are consistent and applied in a uniform manner;
- the Legislation Tracking Committee, which analyses, interprets and distributes throughout the Group the texts of new laws and regulations, and details of changes in French and European case law;
- the Legal Internal Control Committee, whose focuses include 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. At the end of 2004, a procedures database detailing all internal procedures in French and in English was set up on the Group intranet with access rights for all employees.
- Legal reviews, which are carried out in Group entities to ensure that local systems for managing legal risks are appropriate, procedures are properly applied, and tools correctly used. Regular visits are made, particularly to countries deemed the most vulnerable, in order to check the effectiveness of the systems developed by international units for managing legal risks.
- Internal reporting tools, document templates and analytical models, which are upgraded on an ongoing basis by Group Legal Department and contribute to the analysis of operational risk.

The Legal department was reorganized at the end of 2007 to allow increased oversight of the Group's Legal Department and bring front-line legal staff closer to the core businesses and divisions. The reorganization means that legal risks can be managed more effectively, both within and outside France.

Tax risk

In each country where it does business, BNP Paribas is bound by specific local tax regulations applicable to companies engaged for example in banking, insurance or financial services.

The Group Tax Department is a global department, responsible for overseeing the consistency of the Group's tax affairs. It also shares responsibility for monitoring global tax risks with Group Finance and Development. The Group Tax Department performs second-tier controls to ensure that tax risks remain at an acceptable level and are consistent with the Group's reputation and profitability objectives.

To ensure its mission, the Group Tax Department has established:

- a network of dedicated tax specialists in 12 countries completed by tax correspondents covering other countries where the Group operates;
- a qualitative data reporting system in order to manage tax risks and assess compliance with local tax laws;
- regular reporting to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

The Group Tax Department co-chaired the Tax Coordination Committee chaired with Group Finance and Development. The Tax Coordination Committee also includes the Compliance department and may involve the core businesses where appropriate. The committee is responsible for analyzing key tax issues for the Group and making appropriate decisions. Group Finance and Development is required 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 business, 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 latest is updated regularly to reflect changes in the charter applicable to Territory Chief Executives;
- procedures for validation 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 group-wide tax rules and regulations, and validation of any framework agreement or internal circular/document presenting specific tax issues;
- tax audit reporting procedures;
- control procedures relating to the delivery of tax opinions and advice.

Information security

Information is a bank's key commodity and effective management of information security risk is vital in an era of near full-scale migration to electronic media, growing demand for swift online processing of ever more sophisticated transactions, and widespread use of the internet or multiple networks as the primary interface between a bank and its individual or institutional customers.

Incidents reported in different countries involving banking and credit card industries highlight the increased need for vigilance. This topic has been reiterated by regulations and case law on data protection.

Information security at BNP Paribas is managed in accordance with a series of Group security policies rolled down to each individual business line. These policies take into account any regulatory requirements and the risk appetite of the business in question, and are governed by the Group's general security policy which draws on ISO 27001 (formerly ISO 17799). Each business line manages information security in the same way, based on common objective indicators, periodic controls, residual risk assessments and action plans. This approach is part of the permanent and periodic control framework set up for each banking activity pursuant to CRBF regulation 97-02 (amended in 2004) in France and similar regulations in other countries.

Each of BNP Paribas' business lines is exposed to some specific form of information security risk, with some risks common to all businesses. The Group's policy for managing these risks takes into consideration the specific nature of the business, often made more complex by specific local regulations in the different countries in which the Group does business.

Like most global banking players, the Group's online retail banking businesses suffered a number of phishing/pharming attacks in 2007, as in previous years. All large-scale attacks were countered, with no harm whatsoever to our customers, thanks to the continuing reinforcement of existing awareness, prevention, detection and remedial measures. Although we did not see a significant rise in either the number or type of attacks over the year, the Group's businesses remain vigilant and continue to invest in measures that will allow them to keep one step ahead of security threats without increasing complexity for the internet user. In all countries where it has retail banking operations, BNP Paribas plays an active role in raising users' awareness of the intrinsic dangers of the internet and of the key measures that can be taken to mitigate these dangers, by establishing a direct dialogue with customers and working closely alongside public authorities and professional or community associations.

The availability of information systems is vital to allow BNP Paribas to continue operating in a crisis or emergency. In line with its values of operational excellence, the Group maintains, develops and regularly verifies its information back-up capabilities and system robustness in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.). Its action in this area is consistent with the Group's general business continuity plan.

BNP Paribas seeks to minimise information security risk and optimize resources by:

- setting up a procedural framework for each business line governing day-to-day operations (data production) and software management (existing and new applications);
- raising employees' awareness of information security imperatives and training key players in the appropriate procedures and attitudes to take;
- adopting a formal approach for evaluating existing systems and improving management of security risks through measurable key performance indicators and action plans. This approach is applicable to business projects and shared information system architecture and applications, and is embedded within the Group's system of permanent and periodic controls;
  - monitoring incidents and developing intelligence of technological vulnerability and attacks.

Compliance and Reputation Risk

Effective management of compliance risk, which includes a wide variety of risks, including damage to the Bank's reputation, is high on the Group's agenda. Compliance is part 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 financial markets, implementing anti-money laundering procedures, combating corruption and the financing of terrorism; and respecting financial embargoes.

The Compliance department manages compliance and reputation risks for all of the Group's domestic and international businesses. The Compliance department reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control and Risk Management committees.

The department 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. All material Group entities have dedicated compliance teams, at both the global and local levels. The Compliance department has grown continuously since 2004, with a 21% surge in employees in 2007 (at constant scope).

Management of compliance and reputation risks is based on a system of permanent controls built around:

- An internal procedures reference manual describing general and specific procedures, regularly updated to take into account new regulatory banking or financial requirements introduced at global or local level. These procedures are designed to safeguard the reputation of the Group and its subsidiaries, ensure the primacy of customer interests and maintain the integrity of the financial markets.

  Procedures address matters such as:

  - the avoidance of conflicts of interest and the establishment of "Chinese walls" to prevent the unauthorized exchange of sensitive information;
  - supervision of customer transactions in order to detect any market abuse based on specific control definitions and trigger points, or any operations related to money laundering, the financing of terrorism or breach of financial embargoes;
  - supervision of transactions carried out by staff, particularly on the stock markets.

In 2007, the legal and regulatory provisions implementing the Markets in Financial Instruments Directive (MiFID) into French law came into force. These far-reaching changes introduce strict new conduct of business requirements for investment service providers, particularly as regards client categorisation, client relationships, information that may be provided to investors, the suitability of banking products and services to client needs, best execution practices and applicable fees.

- Coordination of action taken by the various Group entities to guarantee the consistency and effectiveness of monitoring systems and tools.
- Development of new internal control tools. BNP Paribas is currently rolling out (i) the new Regulatory Risk Matrix, which makes it possible to measure and monitor compliance risk with regard to applicable laws and regulations; and (ii) new tools designed to prevent money laundering, the financing of terrorism and corruption (see below). These new capabilities are key to enhancing the effectiveness of permanent controls in respect of compliance risk.
- Training initiatives, which are being implemented across the Group and within the various divisions and business lines. In 2007, these included general training sessions looking at the Market Abuse directive and MiFID.

BNP Paribas continues to step up its efforts against money laundering, terrorism financing and corruption in response to the changing international environment, proliferation of illegal practices and tightening of regulations in many countries, coupled with a determination to safeguard the Group's reputation.

- Procedures and guidelines, particularly concerning financial embargoes or "Politically Exposed Persons" have been reinforced.
- The Anti-Money Laundering unit (part of the Group's Financial Intelligence Unit) reported a significant 23% rise in the number of suspicion reports processed over the period.
- Training initiatives have been rolled out across the Group's entities, with a particular focus on recent acquisitions or companies based in sensitive locations. A training programme on managing embargoes will be launched in the first half of 2008.
- Efforts have been intensified regarding the international deployment of financial security measures. These include the Vigilance database, containing the names of individuals suspected of being members of terrorist organizations or subject to financial embargoes, and the Lynx/Factiva database featuring the names of politically exposed persons. Funds transfer screening systems have been updated and broadened in scope (Shine project), and money-laundering detection applications for abnormal account activity have been rolled out as part of the IRIS project.

Progress in other areas of compliance includes:

- improved formal documentation of second-tier permanent controls;
- continued roll-out of Group principles for validating new products, activities and one-off transactions; and
- widespread application and harmonisation across the Group of policies governing gifts and employee financial instrument transactions.

Impact of Subprime Crisis in Second Half of 2007

Background

During the second half of 2007, financial market participants were affected by the consequences of the housing market downturn in the United States. Subprime borrowers (borrowers with poor credit histories) in the US, who had been aggressively targeted by mortgage lenders, were plunged into serious financial difficulties by rising interest rates, at a time when house prices were falling, leading to a growing number of defaults.

These high interest home loans were the subject of intense securitization activity, creating synthetic financial assets that were placed with vast numbers of investors. Anticipating a significant decline in interest and capital flows from the underlying loans, as a result of the subprime crisis, investors moved quickly to sell these synthetic assets, leading to a sharp drop in their market prices.

The subprime mortgage-backed securities were insured by credit enhancement companies in the United States, known as monoline insurers because they write only one type of business. The potential scale of the losses on subprime business as a result of the crisis was such that the monolines' financial position was severely weakened. Holders of the insured securities and the monolines' counterparties in derivatives transactions also had to assess the risk of the monolines being unable to fulfil their commitments in the case of default by subprime borrowers.

In addition to the effects related directly to the financing of the subprime mortgage market in the United States, there was reduced demand for securitized assets more generally and for credit instruments. This led to a broadbased 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.

Review of The Bank’s Positions Exposed to the Effects of the Crisis

In this environment, The Bank’s' management gave the risk surveillance and financial control teams the task of identifying all of the Bank's positions that may be affected by the crisis and reviewing the methods and parameters used to value these positions. The identified risks at December 31, 2007 are described below. See “Recent Developments; First Quarter 2008 Results” for an updated summary of this exposure.

Exposure to subprime risks

Within Corporate and Investment Banking, the net positions of the capital markets business lines on products exposed to subprime risk are very limited. The small position in subprime Residential Mortgage Backed Securities (RMBSs) is offset by purchased protection consisting of subprime Collateralized Debt Obligations (CDOs).

The counterparty risk on the subprime protection for a nominal amount of approximately €3 billion purchased from monoline insurers amounted to €1,089 million at December 31, 2007, net of purchased protection amounting to €245 million against monoline default. The risk is covered by a €388 million credit adjustment, reflecting the CDS market's most conservative assessment of the monoline insurers as of the approval date of the Group’s consolidated financial statements. In addition, credit adjustments totalling €80 million have been recorded in respect of counterparty risks on purchased protection for non-subprime assets obtained from the monolines. In all, credit adjustments on monoline counterparties totalled €468 million.

Following the credit adjustment, at December 31, 2007 the Bank had no residual position with the only monoline insurer in default at that date.

BancWest's mortgage loan policy consists of lending essentially to prime and superprime borrowers, with subprime borrowers representing just 1% of the mortgage loan book. Including the risks in the investment portfolio, after provisions for impairment, BancWest's net exposure to subprime risks is approximately €300 million.

Exposure to leveraged buyouts in progress

The Bank's gross exposure at December 31, 2007 was approximately €2,500 million. Negative fair value adjustments of €238 million were recorded in the second half of 2007.

Exposure to sponsored conduits

The Bank manages six securitization conduits on behalf of clients, representing total assets of some €11,000 million. These assets are relatively low risk. They include some €4,200 million in US assets, including around €200 million in mortgage-backed assets of which the subprime portion is not material.

These conduits have not been consolidated since they do not meet the Bank's consolidation criteria. Although the Group provided liquidity assistance to some of these conduits during certain periods (debt securities issued by these conduits and provisionally carried in the Group's balance sheet represented €4,095 million at December 31, 2007), the analysis of criteria demonstrating the absence of control by the Group has not been substantially modified.

Direct Effects of the Second Half 2007 Crisis on Profit for the Year

In millions of euros	2007
EFFECTS ON CORPORATE AND INVESTMENT BANKING NET BANKING INCOME	
Asset impairments	
Loan syndications in progress	(238)
Securitisations	(88)
Credit adjustments to reflect counterparty risks on over-the-counter derivative financial instruments	
Monoline insurers	(468)
Other counterparties	(57)
Total effects on net banking income	(851)
EFFECTS ON COST OF RISK	
Bancwest securities portfolio	(131)
Bancwest customer loans	(87)
Corporate and Investment Banking	(206)
Total effects on cost of risk	(424)

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) is chaired by the Governor of the *Banque de France*. It makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations.

The Banking Commission (*Commission bancaire*), which is chaired by the Governor of the *Banque de France*, is responsible for the supervision of credit institutions and investment firms. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions and investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the *Commission bancaire* concerning the principal areas of their activity. The *Commission bancaire* may also request additional information that it deems necessary and may carry out on-site inspections. These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. Where regulations have been violated, the *Commission bancaire* may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its winding-up. The *Commission bancaire* also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. These decisions of the *Commission bancaire* may be appealed to the French Administrative Supreme Court (*Conseil d'état*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the *Commission bancaire.*

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. In addition, the aggregate amount of individual exposures exceeding 10% of the credit institution's regulatory capital may not exceed eight times such regulatory capital.

French credit institutions are required to maintain on deposit with the *Banque de France* a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France.* Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

The principal means used by the *Commission bancaire* to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements and other documents that these banks are required to submit to the *Commission bancaire*. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The *Commission bancaire* may also inspect banks on an unannounced basis.

Reporting Requirements

Credit institutions must make periodic reports, collectively referred to as *états périodiques,* to the *Commission bancaire.* The *états périodiques* comprise principally (a) a statement of the activity of the concerned institution during the relevant period (*situation*), to which is attached exhibits that provide a more detailed breakdown of the amounts involved in each category, (b) a statement of income, together with exhibits and (c) certain additional data relating to operations (*indicateurs d'activité*) such as the number of employees, client accounts and branches.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €70,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional Funding

The Governor of the *Banque de France,* as chairman of the *Commission bancaire*, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Money Laundering

French credit institutions are required to report all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, as well as unusual transactions in excess of certain amounts, to a special government agency (*TRACFIN*) placed under the authority of the Minister of the Economy.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

Capital Adequacy under the BIS Standards

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the 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. In 1996, the Basel Committee adopted a significant amendment to the BIS standards to provide a specific capital cushion for market risks in addition to a bank's credit risks. This amendment defines market risks as: (i) the risks pertaining to interest rate-related instruments and equities in a bank's trading book and (ii) foreign exchange risks and commodities risks held generally on the bank's books. As amended in 1996 and refined in September 1997 by the Basel Committee, the BIS standards continue to require a capital solvency ratio with respect to a bank's credit risks and, in addition, require a bank to quantify its market risks in figures equivalent to credit risks and to maintain an overall capital ratio of 8% with respect to its credit and market risks. As adopted by the Banking Commission, these revised BIS standards have been applicable to French credit institutions since January 1, 1998.

Under the BIS standards, a credit institution's capital is divided into three principal categories, or "tiers". Tier 1 capital consists of "core" capital items such as common and qualifying perpetual preferred equity, Tier 2 capital includes "quasi-capital" items such as certain perpetual and long-term preferred equity and subordinated debt, and Tier 3 capital (counted in regulatory capital only for the market risk component of the BIS standards) consists of qualifying short-term subordinated debt. The composition of each tier of capital is described in more detail under "The CAD Ratio—Determination of the Level of Capital". The aggregate amount of the credit institution's regulatory capital is compared to the value of the credit institution's assets, weighted to take into account the market and/or counterparty risk inherent in those assets. Under the BIS standards, credit institutions are required to maintain a total risk-based ratio (combined Tier 1 and Tier 2 capital to risk-weighted assets) of at least 8%, and the Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) must be at least 4%.

Capital Adequacy Directives

In 1989, the Council of the European Union adopted two directives that set the framework of capital adequacy within the European Union with respect to credit risks and, in 1993, adopted a capital adequacy directive for credit institutions and investment enterprises under which member states are required to adopt regulations to supplement the solvency rules so as to take into account risks associated with a bank's trading activities in addition to credit risk. In France, these directives have been implemented through a series of regulations adopted by the Banking and Finance Regulatory Committee since 1996 (collectively, the "CAD Regulation").

Effective as of January 1, 1996 pursuant to the CAD Regulation, French credit institutions became subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of banking activities. In addition to credit risk, the CAD Regulation specifies different standards for a credit institution's trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulation also requires credit institutions to maintain additional capital measured by reference to the foreign exchange and commodities risks of all their activities, including banking and trading. Under the CAD Regulation, a credit institution's total capital is divided by the total amount of capital that the bank is required to maintain under the CAD Regulation, which is based on weightings designed to address the various risks intended to be covered. The resulting quotient (expressed as a percentage) is the credit institution's CAD ratio (the "CAD Ratio"), which must be at least 100%.

The CAD Ratio

The CAD Ratio is calculated in a process that includes five principal steps. First, the overall level of the credit institution's capital is determined, with capital subdivided into three tiers, Tier 1, Tier 2 and Tier 3. Second, the credit institution's assets and off-balance sheet commitments are divided into a banking portfolio and a trading portfolio. Third, the components of the banking portfolio (including the relevant off-balance sheet items converted to balance sheet equivalents) are adjusted by multiplying the value of each asset by a percentage designed to reflect the level of associated credit risk, a process known as "risk-weighting". Fourth, the aggregate capital requirement of the credit institution is calculated, in an amount equal to 8% of the risk-weighted value of the assets and off-balance sheet items in the banking portfolio, plus specified percentages of the value of the assets and off-balance sheet items in the trading portfolio, plus capital requirements in respect of foreign exchange risk and commodities risk. Fifth, the level of the credit institution's capital (subject to certain limitations described herein) is divided by the aggregate capital requirement of the credit institution as described above.

Determination of the Level of Capital

Tier 1 capital (referred to as "own funds") includes share capital, reserves (other than revaluation reserves, as described below), share premiums, retained earnings, unallocated profit from the most recent fiscal year (less the amount of any related dividend proposed for approval to the shareholders) or interim period and any reserves for general banking risks (*i.e.*, any reserves established to cover risks that are not accounted for by specific or country risk provisions). Share capital and the related share premium (the equivalent of additional paid-in capital) include common equity and qualifying non-cumulative perpetual preferred stock. Because unallocated profit for the most recent year (less the amount of any proposed dividend for that year) or interim period is included in Tier 1 capital, fluctuations in net income may have a significant impact on the CAD Ratio of a credit institution. For an institution that prepares financial statements on a consolidated basis, such as BNP Paribas, Tier 1 capital is adjusted to reflect the result of the consolidation, most notably by the addition of minority interests in the equity accounts of consolidated companies. Goodwill and certain other non-qualifying intangible and other assets are deducted in calculating Tier 1 capital.

Tier 2 capital (referred to as "supplementary capital") includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses, is classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as "ancillary own funds") consists of subordinated debt that like Tier 2 capital must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a "lock-in" clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250% of a bank's residual Tier 1 capital (*i.e.*, Tier 1 capital above that required to cover credit risks).

Determination of the Banking Portfolio and the Trading Portfolio

Under the CAD Regulation, a credit institution's banking portfolio includes all of its assets and off-balance sheet items, other than those included in its trading portfolio. The trading portfolio includes any items that the Bank intends to trade with a view to benefiting from favorable price trends or to finance or hedge such items, such as trading securities, securities held for sale (subject to certain exceptions) and derivative instruments (broadly defined), the purpose of which is either to maintain open positions to benefit from price variations or to manage the bank's trading portfolio. Items in the banking portfolio are recorded at historical cost and most items in the trading portfolio are marked to market.

Risk-Weighting

As discussed above, the nature of banking operations involves a variety of risks that depend upon credit quality and market conditions. To determine the risk-weighted value of the assets in the banking portfolio under the CAD Ratio, a specific weighting is assigned to each such asset, based on the credit risk of the relevant obligor, guarantor or other counterparty. The weighting is expressed as a percentage, which is multiplied by the value at which the relevant asset is carried on the credit institution's balance sheet. For risk-weighting purposes, commercial loans are taken as a benchmark with a risk weighting of 100%. Certain other transactions qualify for reduced weightings. The following table sets forth the risk weightings applicable to various types of assets. If the relevant obligation is fully guaranteed, the risk weighting of the guarantor is applied (except as specified in the table below).

Type of Asset or Counterparty	**Risk Weighting**
Cash and equivalents; government or central bank obligations of OECD countries and certain other countries ("Zone A" countries) and obligations expressly guaranteed by such entities; government or central bank obligations of non-Zone A countries ("Zone B" countries) and obligations of a borrower of a Zone B country guaranteed by the government or central bank of such country, in each case that are payable and funded in local currency; obligations of the European Communities and of certain local governments of the European Economic Area, and assets secured by securities of a Zone A government or central bank or the European Communities, deposits lodged with the lending credit institution or certificates of deposit issued by, and deposited with, the lending credit institution	0%
Securities issued by certain French and EU mortgage companies	10%
Obligations of certain multilateral development banks and obligations expressly guaranteed by such entities; obligations of certain regional or local governments of Zone A countries and obligations expressly guaranteed by such entities (excluding entities authorized to apply a 0% ratio on these obligations); obligations of credit institutions in Zone A countries (unless classified as qualifying capital by those institutions); obligations of Zone B credit institutions with a residual maturity of one year or less (unless classified as qualifying capital by those institutions); assets secured by securities of certain multilateral development banks or regional or local governments of Zone A countries; and cash items in course of collection	20%
Obligations secured by residential mortgages on owner-occupied or leased properties; real estate leasing operations, prepayments and accrued income when the counterparty cannot be determined	50%
All other assets	100%

Off-balance sheet items are converted to balance sheet equivalents by applying specified conversion factors, except in the case of off-balance sheet items relating to interest rates, currency exchange rates, securities, precious metals and commodities, which are discussed separately below. The converted balance sheet equivalent amounts are then multiplied by the applicable risk-weighting percentages described above, and the product is the risk-weighted equivalent value of the relevant item. For purposes of determining the applicable conversion factors, off-balance sheet items other than those relating to interest rates, currency exchange rates, securities, precious metals and commodities are first classified in four categories, with higher levels of capital required for the categories perceived as representing greater risk. Each off-balance sheet item is classified in the category that is deemed appropriate (according to instructions of the Banking Commission). The following table sets forth a summary description (which is not exhaustive) of the items in each category and the corresponding risk weighting.

Type of Off-Balance Sheet Item	Conversion Factor
Limited Risk Undrawn commitments that are for an initial maturity less than or equal to one year or that may be cancelled unconditionally at any time by the relevant entity of the credit institution member without notice and other items presenting a limited risk	0%
Moderate Risk Documentary credits secured by underlying goods and other similar transactions and other items presenting a moderate risk	20%
Average Risk Unsecured documentary credits, guarantees (including performance bonds and similar non-payment guarantees), agreements to repurchase assets when the transferee benefits from a resale option, irrevocable credit lines that do not constitute credit substitutes, standby facilities and undrawn credit lines with an initial maturity of more than one year, note issuance facilities and revolving underwriting facilities and other items presenting an average risk	50%
High Risk Loan guarantees, acceptances (including endorsements with the character of acceptances), transfers with recourse, irrevocable credit lines or guarantees that are credit substitutes, forward purchase agreements, sale and repurchase agreements, forward deposits, and non-paid up share capital or other securities and other items presenting a high risk	100%

Off-balance sheet items relating to interest rates, exchange rates, titles to property, commodities and similar items, such as forward exchange operations, interest rate or exchange rate futures and other similar items, are valued on a mark-to-market basis. Under this mark-to-market method, the initial step is to determine the net exposure of the credit institution to each counterparty, measured as if the arrangement were terminated on the date of measurement. An additional amount is then added to such net exposure, calculated by multiplying the notional principal amount of the relevant contract by a certain coefficient (ranging from 0% to 15%) depending on the type of item and its residual maturity. The resulting amounts are multiplied by the risk weighting for the applicable type of counterparty (as set forth above for balance sheet items). Interest rate and currency options sold (subject to certain exceptions), contracts traded on a regulated market that requires daily margin posting and exchange rate contracts with an initial maturity of 14 days or less are not converted to balance sheet equivalents.

Total capital requirements

The capital requirement applicable to the banking portfolio is equal to 8% of the aggregate risk-weighted value of the assets and off-balance sheet items included in the banking portfolio, determined in the manner set forth above.

The capital requirement applicable to the trading portfolio is determined by multiplying the value of the assets and off-balance sheet items in the trading portfolio by specified percentages designed to take into account the market risks (which include the interest rate risk, the equity-position risk and certain option risks) and settlement risk associated with such assets. Interest rate risk is the risk to the value of interest-bearing assets relating to future movements in interest rates, based either on factors specific to the asset or on general level of market interest rates. Equity-position risk is the risk to the value of equity securities relating to either future movements in prices of the relevant shares or stock market prices generally or factors specific to the security or issuer concerned. Settlement risk is the risk that a counterparty to a trade will not complete the trade and deliver the relevant asset or pay the relevant purchase price.

Capital is also required under the CAD Regulation for foreign exchange risk and commodities risk, whether located in the credit institution's banking portfolio or trading portfolio. In general, these requirements are calculated by (i) applying an 8% capital charge to net foreign exchange and gold positions that exceed 2% of the credit institution's total capital, and (ii) multiplying matched and unmatched positions in other commodities and related derivatives by certain specified percentages.

Calculation of the CAD Ratio

The CAD Ratio of a credit institution is determined by comparing the aggregate amount of capital available to cover the institution's capital requirements, calculated in accordance with the CAD Regulation, with the aggregate capital requirement of the institution.

The amount of the institution's capital for purposes of calculating the CAD Ratio is equal to the sum of the amount of capital allocated to cover the capital requirements of the banking portfolio, plus the amount of capital available to cover the capital requirements of the trading portfolio (including foreign exchange and commodities risks). The amount of capital allocated to cover the banking portfolio is required to be equal to 8% of the risk-weighted value of the assets and off balance sheet items in the banking portfolio. As the amount of capital available to cover the trading portfolio and foreign exchange and commodities risks depends on the availability of capital to cover the banking portfolio in excess of the related capital requirements, no capital will be available to cover the trading portfolio and foreign exchange and commodities risks if the capital available to cover the banking portfolio is insufficient to cover such requirements.

The amount of capital available to cover the capital requirements of the banking portfolio is equal to the aggregate amount of Tier 1 and Tier 2 capital, except that (A) Tier 2 capital is included in the calculation only to the extent that it does not exceed Tier 1 capital and (B) Lower Tier 2 capital is included in the calculation only to the extent that it does not exceed 50% of Tier 1 capital (the limitations described in clauses (A) and (B) are referred to as the "Tier 2 Caps"). The resulting amount is reduced by deductions equal to the amount of equity (including certain hybrid instruments) owned by the institution in non-consolidated credit institutions in which the institution holds at least a 10% interest or exercises control, or as to which the institution's holdings represent more than 10% of its total capital before deductions, as well as the balance sheet equivalent of certain credit support obligations in respect of securitization transactions. These amounts are first deducted from Tier 2 capital (after application of the Tier 2 Caps), and then from Tier 1 capital.

The amount of capital available to cover the capital requirements of the trading portfolio is equal to the aggregate amount of Tier 1 capital and Tier 2 capital not used to cover the banking requirement, as described above, plus the aggregate amount of Tier 3 capital, except that the amount of Tier 2 capital and Tier 3 capital included in the calculation may not exceed 250% of the amount of Tier 1 capital included in the calculation.

The CAD Ratio of a credit institution is equal to the quotient (expressed as a percentage) obtained by dividing (i) the total amount of capital available to cover the credit institution's capital requirements, by (ii) the capital requirements of the banking portfolio, the trading portfolio and foreign exchange and commodities risks. If the CAD Ratio is equal to 100% or more, then the bank is in compliance with the CAD Regulation.

Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at December 31, 2007.

	At December 31, 2007 (in billions of €, except percentages)
Total Capital:	
Tier 1	37.6
Tier 2	19.2
Deductions	-3.3
Tier 3	1.0
	54.6
Calculation of commercial banking portfolio capital requirement	
Risk-weighted value	515.5
Capital requirement	41.2
Calculation of trading portfolio capital requirement	
Risk-weighted value	17.7
Capital requirement	1.4
Total capital requirement	42.6
CAD Ratio	**128%**

Recent Changes to the BIS Capital Standards

On July 4, 2006, 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. Earlier versions of the proposed Basel II Accord were issued by the Basel Committee in November 2005, June 2004, April 2003, January 2001 and June 1999. The Basel Committee has also released numerous discussion papers, conducted several quantitative impact studies and established several working groups to address various issues under the proposed Accord. The Accord Implementation Group, for example, serves as a means for supervisors to share information and seeks to promote consistent implementation as participating countries move forward with adopting and interpreting the new Accord.

The Basel II capital framework consists of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline. Under the first pillar, minimum capital requirements consist of capital charges for credit risk, market risk and operational risk.

With respect to credit risk capital charges, the existing risk weighting categories of the 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.

Capital requirements for market risk are calculated under essentially the same general approach as in the 1996 Market Risk Amendment to the prior BIS accord, with a number of technical modifications adopted in July 2005.

The Basel II Accord also introduces a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge is determined by one of three alternative approaches. The two simpler approaches apply multipliers to gross income by institution or business line. The more sophisticated third approach, known as the "Advanced Measurement Approach" (AMA), allows a bank to determine an appropriate capital charge for operational risk using the institution's own internal data and methodologies, subject to prior supervisory review and approval. The operational risk capital charge for any given institution may vary greatly depending on its operating environment, systems and other factors.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions 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.

Like the original BIS Capital accord, the Basel II Accord has no legal force and must be implemented through banking regulations in each participating jurisdiction. 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 most simple 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. In accordance with the EU Capital Requirements Directive and its implementing legislation in France, on December 20, 2007 the French banking supervisor (*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. However, for the time being there are a few notable exceptions such as BNL and BancWest. 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.

Differences in the application of Basel II between the various jurisdictions in which the Bank operates could represent challenges in implementation. The Basel II Accord allows significant scope for interpretation by supervisors in participating countries. For example, the European Union and U.S. approaches to the implementation of Basel II differ in a number of respects. Among other things, the U.S. federal banking agencies have announced that only large internationally active banks (so-called "core banks") will be required to implement the advanced approaches of Basel II. Core banks include U.S. bank holding companies, banks and other depository institutions having consolidated total assets of US$250 billion or more or on-balance-sheet foreign exposure of US$10 billion or more. Smaller ("non-core") U.S. depository institutions and holding companies will have the choice of (i) continuing to measure capital adequacy under existing Basel I U.S. rules (subject to some conforming changes), (ii) adopting the "standardized" approach of Basel II, or (iii) if the institution is able to meet the qualification standards, adopting or "opting-in" to the advanced approaches of Basel II, subject to approval of their federal banking supervisor. The U.S. federal banking agencies are expected to publish for comment soon, perhaps by mid-2008, rules containing additional detail on the implementation of the standardized approach in the United States. BNP Paribas anticipates applying the advanced approaches to its depository institution subsidiaries in the United States, although the targeted timing for this has yet to be definitively determined. Final regulations for the U.S. implementation of the advanced approaches of Basel II were issued in December 2007. Under the rules, U.S. core banks have a three-year transition period —until April 2011—for Basel II implementation, but this timetable has continued to slip. Final regulations for the U.S. implementation of the "standardized" approach of Basel II have yet to be issued, and the U.S. federal banking agencies have said that those rules are intended to be finalized before core banks may start their transition period under the advanced approaches. The Bank is unable to predict how the delayed implementation and other differences in application of Basel II in the United States may affect the Bank's consolidated capital adequacy ratio once the EU Capital Requirements Directive and U.S. implementation rules become fully effective.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 12 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2007 was € 402,157.

The following table sets forth the names of the members of the Board of Directors as of May 22, 2008, their current function at the Bank, their business address and their principal business activities* outside of the Bank as at May 22, 2008:

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 ● *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:** ● *Fédération Bancaire Européenne* ● *Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française* ● *Conseil de Direction de l'Institut d'Études Politiques de Paris* ● *Conseil de Surveillance de l'Institut Aspen France* ● *Institut de l'Entreprise* **Member of:** ● *Académie des sciences morales et politiques* ● *Executive committee of Mouvement des Entreprises de France* ● *Haut Conseil de l'Education*

* 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
			● *European Financial Round Table* ● *Institut International d'Etudes Bancaires* ● *International Advisory Panel of the Monetary Authority of Singapore* ● *International Capital Markets Advisory Committee of the Federal Reserve Bank of New York* ● *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*
Patrick Auguste	Executive (*chef de projets immobiliers*), BNP Paribas (elected by employees)	20, avenue Georges-Pompidou, 92300 Levallois Perret, France	
Claude Bébéar		25, avenue Matignon, 75008 Paris, France	**Principal function:** Honorary Chairman of Axa **Director of:** ● *Axa Assurances Iard Mutuelle* ● *Axa Assurances Vie Mutuelle* **Member of the Supervisory Board of:** ● Vivendi **Non-voting director of:** ● *Schneider Electric* **Chairman of:** ● *Institut du Mécénat de Solidarité - Entreprendre pou la Cité* ● *Institut Montaigne* **Member of:** ● *International Advisory Panel of the Monetary Authority of Singapore* ● *International Advisory Board of the Tsinghua's School of Economics and Management, Beijing*
Jean-Louis Beffa	Vice-Chairman BNP Paribas	"Les Miroirs" 18, avenue d'Alsace 92096 La Défense, 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:** ● Gaz de France ● *Groupe Bruxelles Lambert, Belgium* ● *Saint-Gobain Cristaleria SA, Spain* ● *Saint-Gobain Corporation, United States* ***Member of the Supervisory Board of:*** ● Le Monde SA

Name	Function	Business Address	Principal Outside Activities
			● *Le Monde & Partenaire Associés (SAS)* ● *Société Éditrice du Monde (SAS)*
Suzanne Berger		30, Wadsworth Street, E 53-451 Cambridge, MA 02139-4307 U.S.A.	**Principal function:** *Professor of political science, Massachusetts Institute of Technology* **Director of:** ● *MIT International Science and Technology Initiative (MISTI)* **PhD and Member of Executive Committee of:** ● *Center for European Studies at Harvard University* **Member of:** ● *American Academy of Arts and Sciences*
Jean-Marie Gianno	Employee, BNP Paribas (elected by employees)	21, avenue Jean Medecin, 06000 Nice, France	**Member of:** ● *Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI)* ● *European think tank "Confrontation"*
François Grappotte		128, avenue de Lattre de Tassigny, 87045 Limoges, France	**Principal function:** Honorary Chairman of Legrand **Member of the Supervisory Board of:** ● Michelin **Director of:** ● Legrand ● Legrand France **Member of:** ● *Conseil Consultatif de la Banque de France*
Alain Joly		75, quai d'Orsay 75007 Paris, France	**Principal function:** Director of Air Liquide **Director of:** ● Lafarge
Denis Kessler		1, av. du Général de Gaulle 92074 Paris La Défense, France	**Principal function:** Chairman and Chief Executive Officer of Scor **Chairman of:** ● Scor Global Life SE ● Scor Global P&C SE ● *Scor Global Life US Re Insurance Company, United States* ● *Scor Holding AG, Switzerland* ● *Scor Reinsurance Company, United States* ● *Scor US Corporation, United States* **Director of:** ● Bolloré Investissement SA ● Dassault Aviation ● *Invesco Plc, United Kingdom* ● Cogedim SAS ● *Dexia SA, Belgium*

Name	Function	Business Address	Principal Outside Activities
			● *Scor Canada Reinsurance Company, Canada* **Member of the Supervisory Board of:** ● Fondation du risque **Permanent representative of:** ● Fergascor on the Board of SA Communication & Participation **Non-voting director of:** ● *Financière Acofi (ex FDC SA)* ● *Gimar Finance& Cie SCA* **Member of:** ● *Commission Économique de la Nation* ● *Conseil Économique et Social* ● *Conseil d'administration du Siécle* ● *Association de Genève* ● *Comité des Entreprises d'Assurance* ● *Conseil de la Fondation pour la Recherché Médicale* ● *Global Counsellor of Conference Board*
Jean-François Lepetit		30, boulevard Diderot, 75572 Paris Cedex 12 France	**Principal function:** Chairman of the Conseil national de la comptabilité **Member** of the Board of *QFCRA (Qatar Financial Center Regulatory Authority, Doha))* **Director of:** ● Smart Trade Technologies S.A. ● Shan SA
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	**Principal function:** Chairman of the Board of Directors of IFOP SA **Chairman of** : *Mouvement des Entreprises de France (MEDEF)* **Director of:** ● Coface SA **Member of the Supervisory Board** : ● Michelin
Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	**Principal function:** Chairman of Pechel Industries SAS , Pechel Industries Partenaires SAS and Pechel Services SAS **Director of:** ● *Lafarge* ● *Ferring SA, Switzerland* ● *Completel N.V., Netherlands* **Member of the Supervisory Board of:** ● Publicis **Legal Manager of:** ● *Hélène Ploix SARL* ● *Hélène Marie Joseph SARL* ● *Sorepe, Société Civile* **Member of** *the Investment Committee for the United Nations Personnel Pension Fund*
Baudouin Prot	Chief Executive Officer,	3, rue d'Antin 75002 Paris,	**Director of:** ● Accor

Name	Function	Business Address	Principal Outside Activities
	BNP Paribas	France	● Pinault-Printemps-Redoute ● Veolia Environnement ● *Banca Nazionale del Lavoro, Italy* ● *Erbé SA, Belgium* ● *Pargesa Holding SA, Switzerland* **Member of:** ● *Comité Exécutif de la Fédération Bancaire Française*
Louis Schweitzer		860, quai de Stalingrad 92109 Boulogne Billancourt, France	**Principal function:** Chairman of the Board of Directors of Renault **Chairman of the Board of Directors of:** ● *AstraZeneca Plc, United Kingdom* **Vice-Chairman of the Supervisory Board of:** ● *Philips, Netherlands* **Director of:** ● Électricité de France ● L'Oréal ● Veolia Environnement ● *AB VOLVO, Sweden* **Chairman of:** ● *Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)* **Member of the Board of:** ● *Fondation Nationale des Sciences Politiques* ● *Institut Français des Relations Internationales* ● *Musée du Louvre* ● *Musée du Quai Branly* **Member of the Consultative Committee of:** ● *Banque de France* ● *Allianz, Germany*
Daniela Weber-Rey		Mainzer Landstraße 46 60325 Frankfurt am Main Deutschland	**Principal function:** Partner at Clifford Chance **Member** of: • *Expert Group on "Removing obstacles to cross-border investments" at the EU Commission* • *Advisory Group on Corporate Governance and Company Law at the EU Commission* • *Legal & Tax Committee of the German Private Equity and Venture Capital Association*

Conflicts of Interests

To the knowledge of the Bank, the duties owed by the members of the Board of Directors of the Bank do not give rise to any potential conflicts of interest with such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. Until the end of 2007, these committees consisted of the Financial Statements Committee, the Internal Control and Risk Management Committee, the Compensation Committee and the Corporate Governance and Nominations Committee.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix.

Internal Control and Risk Management Committee

This Committee's duties involve, among other things, (i) reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection department and their main findings, and correspondence with the French banking regulator (*Commission bancaire*), (ii) reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues, (iii) holding discussions, occasionally outside the presence of executive management, with the heads of the General Inspection and Internal Audit departments, Ethics and Group Risk Management, and (iv) presenting to the Board of Directors the Committee's assessment of the Group's methods and procedures. Its current members are François Grappotte (Chairman), Jean-Marie Gianno, Jean-François Lepetit.

Compensation Committee

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. The Committee's current members are Alain Joly (Chairman), Jean-Louis Beffa and François Grapotte.

Corporate Governance and Nominations Committee

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Alain Joly (Chairman), Claude Bébéar and Laurence Parisot.

Executive Committee

The Executive Committee of BNP Paribas currently consists of the following members:

Baudouin Prot	Chief Executive Officer
Georges Chodron de Courcel	Chief Operating Officer
Jean Clamon	Chief Operating Officer
Jean-Laurent Bonnafé	Head of French Retail Banking and BNL banca commerciale
Philippe Bordenave	Head of Group Development and Finance
Jacques d'Estais	Head of Corporate and Investment Banking
Alain Marbach............................	Head of Group Information Systems
Frédéric Lavenir	Head of Group Human Resources
Vivien Lévy-Garboua.................	Head of Compliance
Pierre Mariani	Head of International Retail Services
Alain Papiasse	Head of Asset Management and Services

INDEPENDENT STATUTORY AUDITORS

The Group's financial statements as of December 31, 2007 and for the year ended December 31, 2007 included herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their report appearing herein.

The Group's financial statements as of December 31, 2006 and for the year ended December 31, 2006 included herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their report appearing herein.

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2007

Deloitte & Associés	**PricewaterhouseCoopers Audit**	**Mazars & Guérard**
185, avenue Charles de Gaulle	63, rue de Villiers	61, rue Henri Regnault
92524 Neuilly-sur-Seine Cedex	92208 Neuilly-sur-Seine Cedex	92400 Courbevoie

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

BNP Paribas
16, boulevard des Italiens
75009 Paris

To the Shareholders,

Following our appointment as Statutory Auditors by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas for the year ended 31 December 2007.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2007, and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments:

- BNP Paribas records impairments to cover the credit risks inherent to its business (notes 1 and 4.a to the consolidated financial statements). We examined the control procedures applicable to monitoring credit risks, impairment testing methods and determining the related individual and portfolio-based impairment losses.

- BNP Paribas uses internal models and methodologies to value its positions on financial instruments which are not traded on active markets, as well as to determine certain provisions and assess whether hedging designations are appropriate. We examined the control procedures applicable to verifying these models and determining the parameters used.

Note 4.f to the consolidated financial statements describes BNP Paribas' exposure to the impacts of the subprime crisis and the value adjustments and impairments resulting from the assessments and valuations carried out as of 31 December 2007. We have reviewed the methods used by BNP Paribas to identify these exposures and the control procedures implemented in relation to their valuation, as well as the appropriateness of the disclosures in the above-mentioned note.

BNP Paribas raises provisions to cover its employee benefit obligations (notes 1 and 7.b to the consolidated financial statements). We examined the method adopted to measure these obligations, as well as the assumptions and parameters used.

We assessed whether these estimates were reasonable.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 13 March 2008

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard Mazars
Pascal Colin	Étienne Boris	Hervé Hélias

BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

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Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2007 and 31 December 2006.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

In millions of euros	Note	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Interest income	2.a	59,141	44,582
Interest expense	2.a	(49,433)	(35,458)
Commission income		10,721	10,395
Commission expense		(4,399)	(4,291)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	7,843	7,573
Net gain/loss on available-for-sale financial assets	2.d	2,507	1,367
Income from other activities	2.e	22,601	23,130
Expense on other activities	2.e	(17,944)	(19,355)
NET BANKING INCOME		31,037	27,943
Operating expense		(17,773)	(16,137)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.k	(991)	(928)
GROSS OPERATING INCOME		12,273	10,878
Cost of risk	2.f	(1,725)	(783)
OPERATING INCOME		10,548	10,095
Share of earnings of associates		358	293
Net gain on non-current assets		153	195
Change in value of goodwill		(1)	(13)
PRE-TAX NET INCOME		11,058	10,570
Corporate income tax	2.g	(2,747)	(2,762)
NET INCOME		8,311	7,808
Net income attributable to minority interests		489	500
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		7,822	7,308
Basic earnings per share	8.a	8.49	8.03
Diluted earnings per share	8.a	8.42	7.95

BALANCE SHEET AT 31 DECEMBER 2007

In millions of euros	Note	31 December 2007	31 December 2006
ASSETS			
Cash and amounts due from central banks and post office banks		18,542	9,642
Financial assets at fair value through profit or loss	5.a	931,706	744,858
Derivatives used for hedging purposes	5.b	2,154	2,803
Available-for-sale financial assets	5.c	112,594	96,739
Loans and receivables due from credit institutions	5.d	71,116	75,170
Loans and receivables due from customers	5.e	445,103	393,133
Remeasurement adjustment on interest-rate risk hedged portfolios		(264)	(295)
Held-to-maturity financial assets	5.g	14,808	15,149
Current and deferred tax assets	5.h	2,965	3,443
Accrued income and other assets	5.i	60,608	66,915
Investments in associates	5.j	3,333	2,772
Investment property	5.k	6,693	5,813
Property, plant and equipment	5.k	13,165	12,470
Intangible assets	5.k	1,687	1,569
Goodwill	5.l	10,244	10,162
TOTAL ASSETS		1,694,454	1,440,343
LIABILITIES			
Due to central banks and post office banks		1,724	939
Financial liabilities at fair value through profit or loss	5.a	796,125	653,328
Derivatives used for hedging purposes	5.b	1,261	1,335
Due to credit institutions	5.d	170,182	143,650
Due to customers	5.e	346,704	298,652
Debt securities	5.f	141,056	121,559
Remeasurement adjustment on interest-rate risk hedged portfolios		20	367
Current and deferred tax liabilities	5.h	2,475	2,306
Accrued expenses and other liabilities	5.i	58,815	53,661
Technical reserves of insurance companies	5.m	93,320	87,044
Provisions for contingencies and charges	5.n	4,738	4,718
Subordinated debt	5.f	18,641	17,960
TOTAL LIABILITIES		1,635,061	1,385,519
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*13,472*	*15,589*
Retained earnings		*29,233*	*21,590*
Net income for the period attributable to shareholders		*7,822*	*7,308*
Total capital and retained earnings attributable to shareholders		50,527	44,487
Unrealised or deferred gains and losses attributable to shareholders		3,272	5,025
Shareholders' equity		53,799	49,512
Minority interests		5,594	5,312
Total consolidated equity		59,393	54,824
TOTAL LIABILITIES AND EQUITY		1,694,454	1,440,343

STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY BETWEEN 1 JAN. 2006 AND 31 DEC. 2007

In millions of euros	Shareholders' equity: Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 31 December 2005 before appropriation of net income	9,701	2,424	(165)	23,287	35,247
Appropriation of net income for 2005				(2,163)	(2,163)
Consolidated equity at 31 December 2005 after appropriation of net income	9,701	2,424	(165)	21,124	33,084
Movements arising from relations with shareholders					
Increase in share capital	5,905				5,905
Issue and redemption of preferred shares		2,023			2,023
Movements in own equity instruments			(1,706)	(70)	(1,776)
Share-based payment plans			85	30	115
Dividends on preferred shares				(80)	(80)
Interim dividends paid out of net income for the period					-
Impact of the acquisition of a controlling interest in BNL					-
Impact of acquisitions carried out subsequently to the acquisition of a controlling interest in BNL				(2,090)	(2,090)
Other transactions carried out with minority interests				16	16
	5,905	2,023	(1,621)	(2,194)	4,113
Other movements	(17)			(1)	(18)
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial instruments through shareholders' equity					-
Changes in fair value of financial instruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2006				7,308	7,308
Consolidated equity at 31 December 2006	15,589	4,447	(1,786)	26,237	44,487

Appropriation of net income for 2006				(2,801)	(2,801)
Consolidated equity at 31 December 2006 after appropriation of net income	15,589	4,447	(1,786)	23,436	41,686
Movements arising from relations with shareholders					
Increase in share capital	281				281
Reduction in share capital	(2,428)		2,428		-
Issue and redemption of preferred shares		2,296			2,296
Movements in own equity instruments			(1,236)	(1)	(1,237)
Share-based payment plans			(25)	51	26
Dividends on preferred shares				(176)	(176)
Interim dividends paid out of net income for the period					-
Additional impact of the acquisition of Banca Nazionale del Lavoro				(134)	(134)
Other transactions carried out with minority interests	18			(21)	(3)
	(2,129)	2,296	1,167	(281)	1,053
Other movements	12			(46)	(34)
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial instruments through shareholders' equity					-
Changes in fair value of financial instruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2007				7,822	7,822
Consolidated equity at 31 December 2007	13,472	6,743	(619)	30,931	50,527

Shareholders' equity (cont'd)					Minority interests			Total consolidated equity
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	
366	4,857	248	5,471	40,718	5,182	93	5,275	45,993
				(2,163)	(125)		(125)	(2,288)
366	4,857	248	5,471	38,555	5,057	93	5,150	43,705
			-	5,905			-	5,905
			-	2,023	(369)		(369)	1,654
			-	(1,776)			-	(1,776)
			-	115			-	115
			-	(80)	(225)		(225)	(305)
			-	-	(13)		(13)	(13)
			-	-	2,368		2,368	2,368
			-	(2,090)	(2,360)		(2,360)	(4,450)
			-	16	380		380	396
-	-	-	-	4,113	(219)	-	(219)	3,894
			-	(18)	13		13	(5)
	1,103	(340)	763	763		26	26	789
	(553)	(21)	(574)	(574)			-	(574)
(663)			(663)	(663)		(158)	(158)	(821)
(1)	24	5	28	28			-	28
(664)	574	(356)	(446)	(446)	-	(132)	(132)	(578)
				7,308	500		500	7,808
(298)	5,431	(108)	5,025	49,512	5,351	(39)	5,312	54,824
				(2,801)	(164)		(164)	(2,965)
(298)	5,431	(108)	5,025	46,711	5,187	(39)	5,148	51,859
			-	281			-	281
			-	-			-	-
			-	2,296	(891)		(891)	1,405
			-	(1,237)			-	(1,237)
			-	26			-	26
			-	(176)	(150)		(150)	(326)
			-	-	(42)		(42)	(42)
			-	(134)			-	(134)
			-	(3)	1,018		1,018	1,015
-	-	-	-	1,053	(65)	-	(65)	988
	44		44	10	101		101	111
	252	173	425	425		16	16	441
	(1,330)	(27)	(1,357)	(1,357)			-	(1,357)
(924)			(924)	(924)		(95)	(95)	(1,019)
(10)	69		59	59			-	59
(934)	(1,009)	146	(1,797)	(1,797)	-	(79)	(79)	(1,876)
				7,822	489		489	8,311
(1,232)	4,466	38	3,272	53,799	5,712	(118)	5,594	59,393

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

In millions of euros	Note	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Pre-tax net income		11,058	10,570
Non-monetary items included in pre-tax net income and other adjustments		4,478	12,949
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,685	2,542
Impairment of goodwill and other non-current assets		1	20
Net addition to provisions		8,385	8,336
Share of earnings of associates		(358)	(293)
Net income from investing activities		(141)	(194)
Net income from financing activities		(750)	(249)
Other movements		(5,344)	2,787
Net decrease in cash related to assets and liabilities generated by operating activities		(2,459)	(8,153)
Net increase in cash related to transactions with credit institutions		32,022	4,308
Net increase in cash related to transactions with customers		19,670	11,485
Net decrease in cash related to transactions involving other financial assets and liabilities		(49,782)	(19,576)
Net decrease in cash related to transactions involving non-financial assets and liabilities		(2,475)	(2,424)
Taxes paid		(1,894)	(1,946)
NET INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		13,077	15,366
Net decrease in cash related to acquisitions and disposals of consolidated entities	8.c	(1,210)	(11,661)
Net decrease related to property, plant and equipment and intangible assets		(1,383)	(1,348)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		(2,593)	(13,009)
(Decrease) increase in cash and equivalents related to transactions with shareholders		(2,938)	1,750
Increases in cash and equivalents generated by other financing activities		1,066	3,875
NET (DEREASE) INCREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		(1,872)	5,625
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		(648)	(473)
NET INCREASE IN CASH AND EQUIVALENTS		7,964	7,509
Balance of cash and equivalent accounts at the start of the period		16,074	8,565
Net balance of cash accounts and accounts with central banks and post office banks		8,712	6,642
Net balance of demand loans and deposits - credit institutions		7,362	1,923
Balance of cash and equivalent accounts at the end of the period		24,038	16,074
Net balance of cash accounts and accounts with central banks and post office banks		16,814	8,712
Net balance of demand loans and deposits - credit institutions		7,224	7,362
NET INCREASE IN CASH AND EQUIVALENTS		7,964	7,509

NOTES TO THE FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS GROUP

1.a APPLICABLE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS) were applied to the consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards adopted within the European Union[1], and excluding therefore certain provisions of IAS 39 on hedge accounting.

The Group has applied those standards, amendments and interpretations endorsed by the European Union and applicable as of 1 January 2007 (in particular IFRS 7 "Financial Instruments: Disclosures"). It has not early-adopted standards, amendments and interpretations whose application in 2007 is optional.

1.b CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to the Group. The consolidation of an entity is regarded as immaterial if it fails to meet any of the following thresholds: a contribution of more than EUR 8 million to consolidated net banking income, more than EUR 1 million to consolidated gross operating income or net income before tax, or more than EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

The Group also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where the Group has no equity interest in the entity, provided that the substance of the relationship indicates that the Group exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of the Group, such that the Group obtains benefits from those activities;
- the Group has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);
- the Group has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings (calculated on an annual basis), to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation;
- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the Group remains exposed to the initial losses on a portfolio of assets held by the SPE.

[1] The full set of standards adopted for use in the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

CONSOLIDATION METHODS

Enterprises under the exclusive control of the Group are fully consolidated. The Group has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when the BNP Paribas Group owns, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when the Group has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

Jointly-controlled companies are consolidated by the proportional method. The Group exercises joint control when under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

Changes in the net assets of associates (companies accounted for under the equity method) are recognised in "Investments in associates" on the assets side of the balance sheet, and in the relevant component of shareholders' equity. Goodwill on associates is also included in "Investments in associates".

If the Group's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the associate are provided for only to the extent that the Group has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet. The calculation of minority interests takes account of outstanding cumulative preferred shares classified as equity instruments and issued by subsidiaries, and held outside the Group.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain on non-current assets".

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of BNP Paribas are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising on the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under "Cumulative translation adjustment" for the portion attributable to shareholders, and in "Minority interests" for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, the Group has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders' equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell. The Group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, and badwill is recognised immediately in profit or loss, on the acquisition date.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

The BNP Paribas Group tests goodwill for impairment on a regular basis.

As permitted under IFRS 1, business combinations that took place before 1 January 2004 and were recorded in accordance with the previously applicable accounting standards (French GAAP), have not been restated in accordance with the principles set out above.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units[2], representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

[2] As defined by IAS 36.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management and from analyses of long-term trends of the market positioning of the unit's activities. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*Comptes Épargne-Logement* – "CEL") and home savings plans (*Plans d'Épargne Logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;
- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

- financial assets held for trading purposes;
- financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.c.10.

Securities in this category are measured at fair value at the balance sheet date. Transaction costs are directly posted in the profit and loss account.Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

Income earned on fixed-income securities classified in this category is shown under "Interest income" in the profit and loss account.

Fair value incorporates an assessment of the counterparty risk on these securities.

- Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

- Available-for-sale financial assets

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

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the balance sheet date, they are remeasured to fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity, "Unrealised or deferred gains or losses". On disposal, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets".

Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised in "Net gain/loss on available-for-sale financial assets" when the Group's right to receive payment is established.

- Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the Group's balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category in the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in "Financial liabilities at fair value through profit or loss".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in "Financial assets at fair value through profit or loss".

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity is recognised in the balance sheet under "Financial liabilities at fair value through profit or loss".

- Date of recognition for securities transactions

Securities classified as at fair value through profit or loss, held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Regardless of their classification (at fair value through profit or loss, loans and receivables or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date.

Securities transactions are carried on the balance sheet until the Group's rights to receive the related cash flows expire, or until the Group has transferred substantially all the risks and rewards incident to ownership of the securities.

FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

- Monetary assets and liabilities(3) expressed in foreign currencies

  Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

- Non-monetary assets and liabilities expressed in foreign currencies

  Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in

[3] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified in "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified in "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

IMPAIRMENT OF FINANCIAL ASSETS

- Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be measured reliably. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by the Group, with the probability of drawdown taken into account in any assessment of financing commitments.

At individual level, objective evidence that a financial asset is impaired includes observable data about the following events:

- the existence of accounts more than three months past due (six months past due for real estate loans and loans to local authorities);
- knowledge or indications that the borrower is in significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions in respect of the credit terms granted to the borrower that the lender would not have considered had the borrower not been in financial difficulty.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are taken to the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

Impairment losses taken against loans and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised in liabilities. Impaired receivables are written off in whole or in part and the corresponding provision reversed for the amount of the loss when all other means available to the Bank for recovering the receivables or guarantees have failed, or when all or part of the receivables has been waived.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under "Cost of risk".

Based on the experienced judgement of the Bank's divisions or Risk Management, the Group may recognise additional collective impairment provisions in respect of a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, a prolonged or significant (>20%) decline in quoted price below the acquisition cost is regarded as an indication of impairment and prompts the Group to carry out a qualitative analysis. Where appropriate, the impairment loss is calculated based on the quoted price for the securities.

A similar quantitative and qualitative method is applied for unlisted variable-income securities.

In the case of fixed-income securities, impairment is assessed based on the same criteria as applied to individually impaired loans and receivables.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

Impairment losses taken against fixed-income securities are recognised in "Cost of risk", and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

ISSUES OF DEBT SECURITIES

Financial instruments issued by the Group are qualified as debt instruments if the Group company issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group may be obliged to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group's own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Bonds redeemable for or convertible into equity instruments of the Group are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

The term "own equity instruments" refers to shares issued by the parent company (BNP Paribas SA) or by its fully-consolidated subsidiaries.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders' equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

When the Group acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders. Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the profit and loss account. A decrease in the Group's interest in a fully consolidated subsidiary is recognised in the Group's accounts as a change in shareholders' equity.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued;
- as debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares;
- as derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the

shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are used in particular to hedge interest rate risk on fixed-rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed-rate loans).

Cash flow hedges are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign currency revenues.

At the inception of the hedge, the Group prepares formal documentation of the hedging relationship identifying the instrument (or portion of the instrument or portion of risk) that is being hedged; the hedging strategy and the type of risk covered; the hedging instrument; and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, consistently with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under IAS 39 as adopted by the European Union (which excludes certain provisions on portfolio hedging), interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);
- the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings;
- the hedging instruments used consist exclusively of "plain vanilla" swaps;
- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, "Unrealised or deferred gains or losses". The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

Cash flow hedges contracted to protect the Group against foreign currency risk qualified for cash flow hedge accounting up to 31 December 2005, whenever the currency hedged was a currency other than the euro. In an amendment to IAS 39 effective 1 January 2006, transactions carried out in the functional currency of the entity initiating the transaction may no longer be designated as the hedged item in a foreign currency cash flow hedge. Any such hedges existing at that date were therefore disqualified from hedge accounting.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss".

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders' equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part. Hedging instruments may be currency hedges or any other non-derivative financial instrument.

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

DETERMINATION OF FAIR VALUE

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value upon initial recognition and at subsequent dates. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Method of determining fair value

Fair value is determined:

– on the basis of quoted prices in an active market; or

– using valuation techniques involving :

  - mathematical calculation methods based on accepted financial theories; and

  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods.

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market or instruments are traded that are very similar to the instrument being valued.

The Bank distinguishes between three categories of financial instruments based on the characteristics of the instrument and the measurement method used. This classification is used as the basis for the information provided in the notes to the consolidated financial statements in accordance with international accounting standards:

- Category 1: financial instruments quoted on an active market;
- Category 2: financial instruments measured using valuation models based on observable parameters;
- Category 3: financial instruments measured using valuation models based wholly or partly on non-observable parameters. A non-observable parameter is defined as a parameter whose value results from assumptions or correlations which are not based on observable current market transactions in the same instrument at the valuation date, or on observable market data at that date.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

  - Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

    Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

    These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity, credit and model risk.

    The margin generated when these financial instruments are traded is taken to the profit and loss account immediately.

  - Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

    Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques and techniques that are based on data only partially observable on active markets.

    In the absence of observable data, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

    The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated by comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

- Unlisted equity securities

The fair value of unquoted equity securities is measured by comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such reference is available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Group's share of net assets as calculated using the most recently available information.

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;
- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
- where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

The method used by the Group to recognise service-related commission income and expenses depends upon the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Net commission income". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Net commission income".

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in net banking income.

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

COST OF RISK

Cost of risk includes movements in provisions for impairment of fixed-income securities and loans and receivables due from customers and credit institutions, movements in financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off. This caption also includes impairment losses recorded in respect of default risk incurred on counterparties for over-the-counter financial instruments, as well as expenses relating to fraud and to disputes inherent to the financing business.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

NETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.d INSURANCE

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully-consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the Group’s assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

Financial assets and non-current assets are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in “Financial assets at fair value through profit or loss”, and are stated at the realisable value of the underlying assets at the balance sheet date.

LIABILITIES

The Group’s obligations to policyholders and beneficiaries are shown in “Technical reserves of insurance companies” and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive, as a supplement to guaranteed benefits, a share of actual profits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in “Due to customers”.

Unit-linked contract liabilities are measured by reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to “Policyholders’ surplus” on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders’ surplus reserve resulting from the application of shadow accounting. This represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under “Income from other activities” and “Expenses on other activities”.

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders’ surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

1.e PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Group as lessor under operating leases.

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by the BNP Paribas Group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. The BNP Paribas Group has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Net gain on non-current assets”.

Gains and losses on disposals of investment property are recognised in the profit and loss account in “Income from other activities” or “Expenses on other activities”.

1.f LEASES

Group companies may be either the lessee or the lessor in a lease agreement.

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

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

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

- Operating leases:

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor’s balance sheet and depreciated on a straight-line basis over the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expense are taken to the profit and loss account under “Income from other activities” and “Expenses on other activities”.

LESSEE ACCOUNTING

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payment, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

- Operating leases:

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.

1.g NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

1.h EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no "corridor" is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

Termination benefits are employee benefits payable as a result of a decision by the Group to terminate a contract of employment before the legal retirement age or a decision by an employee to accept voluntary redundancy in exchange for a benefit. Termination benefits falling due more than twelve months after the balance sheet date are discounted.

- Post-employment benefits

In accordance with IFRS, the BNP Paribas Group draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation for the Group and consequently do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes account of various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. The Group applies the "corridor" method in accounting for actuarial gains and losses. Under this method, the Group is allowed to recognise, as from the following period and over the average remaining service lives of employees, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined-benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period.

At the date of first-time adoption, BNP Paribas elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits" in respect of defined-benefit plans comprises the current service cost (the rights vested in each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

1.i SHARE-BASED PAYMENT

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or cash of which the amount is based on trends in the value of BNP Paribas shares.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment made to the employee.

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment. Stock option expense is recorded in salaries and employee benefits, and its credit entry is posted to shareholders' equity. It is calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.
In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions or purchases offered to employees under the company savings plan

Share subscriptions or purchases offered to employees under the company savings plan (*Plan d'Épargne Entreprise*) at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account in measuring the benefit to the employees, which is reduced accordingly. The benefit therefore equals the difference, at the date the plan is announced to employees, between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

1.j PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

1.k CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and there is a legal right of offset.

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under "Corporate income tax".

1.l STATEMENT OF CASH FLOWS

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks and post office banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

1.m USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the financial statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the financial statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

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

2 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

2.a NET INTEREST INCOME

The BNP Paribas Group includes in "Interest income" and "Interest expense" all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of derivative instruments. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised in "Net gain/loss on financial instruments at fair value through profit or loss".

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. In like manner, 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 millions of euros	Year to 31 Dec. 2007			Year to 31 Dec. 2006		
	Income	Expense	Net	Income	Expense	Net
Customer items	26,269	(11,970)	14,299	20,255	(8,481)	11,774
Deposits, loans and borrowings	24,732	(11,731)	13,001	18,984	(8,339)	10,645
Repurchase agreements	29	(157)	(128)	12	(90)	(78)
Finance leases	1,508	(82)	1,426	1,259	(52)	1,207
Interbank items	5,283	(8,137)	(2,854)	4,412	(6,329)	(1,917)
Deposits, loans and borrowings	4,943	(7,363)	(2,420)	4,202	(5,924)	(1,722)
Repurchase agreements	340	(774)	(434)	210	(405)	(195)
Debt securities issued	-	(7,091)	(7,091)	-	(5,634)	(5,634)
Cash flow hedge instruments	1,628	(899)	729	2,805	(1,455)	1,350
Interest rate portfolio hedge instruments	1,028	(685)	343	452	(92)	360
Trading book	20,319	(20,651)	(332)	12,724	(13,467)	(743)
Fixed-income securities	4,285	-	4,285	2,686	-	2,686
Repurchase agreements	15,944	(17,564)	(1,620)	9,946	(11,234)	(1,288)
Loans / Borrowings	90	(194)	(104)	92	(124)	(32)
Debt securities	-	(2,893)	(2,893)	-	(2,109)	(2,109)
Available-for-sale financial assets	3,872	-	3,872	3,184	-	3,184
Held-to-maturity financial assets	742	-	742	750	-	750
Total interest income/(expense)	59,141	(49,433)	9,708	44,582	(35,458)	9,124

Interest income on individually impaired loans amounted to EUR 316 million at 31 December 2007 and EUR 309 million at 31 December 2006.

Gains and losses relating to cash flow hedges previously recorded under "Unrealised or deferred gains or losses" and taken to the profit and loss account in 2007 amounted to EUR 27 million and EUR 23 million in 2006.

2.b COMMISSION INCOME AND EXPENSE

Commission income on financial assets and commission expense on financial liabilities which are not measured at fair value through profit or loss amounted to EUR 2,553 million and EUR 312 million respectively in 2007, compared with income of EUR 2,394 million and expense of EUR 379 million in 2006.

Net commission income related to trust and similar activities through which the Group holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions amounted to EUR 2,125 million in 2007, compared with EUR 1,891 million in 2006.

2.c NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

"Net gain/loss on financial instruments at fair value through profit or loss" includes all profit and loss items relating to financial instruments managed in the trading book and financial instruments (including dividends) that the Group has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (Note 2.a).

In millions of euros	Year to 31 Dec. 2007			Year to 31 Dec. 2006		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
Fixed-income securities	(1,968)	758	(1,210)	266	273	539
Variable-income securities	7,737	643	8,380	9,888	276	10,164
Derivative instruments	51	-	51	(3,935)	-	(3,935)
Repurchase agreements	70	19	89	(20)	12	(8)
Loans	(118)	(120)	(238)	(3)	(133)	(136)
Borrowings	(36)	(12)	(48)	29	32	61
Remeasurement of interest-rate risk hedged portfolios	399	-	399	185	-	185
Remeasurement of currency positions	420	-	420	703	-	703
Total	6,555	1,288	7,843	7,113	460	7,573

The net loss for the year on hedging instruments in fair value hedges amounted to EUR 314 million (net loss of EUR 428 million in 2006) and the net profit on the hedged components amounted to EUR 275 million (net profit of EUR 507 million in 2006).

In addition, net gains on the trading book included in 2007 and 2006 an immaterial amount related to the ineffective portion of cash flow hedges.

2.d NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

"Net gain/loss on available-for-sale financial assets" includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments.

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Fixed-income securities [(1)]	31	38
Disposal gains and losses	31	38
Equities and other variable-income securities	2,476	1,329
Dividend income	634	452
Additions to impairment provisions	(55)	(77)
Net disposal gains	1,897	954
Total	2,507	1,367

(1) Interest income from available-for-sale fixed-income securities is included in "Net interest income" (Note 2.a), and impairment losses related to potential issuer default are included in "Cost of risk" (Note 2.f).

Unrealised gains and losses - previously recorded under "Unrealised or deferred gains and losses" in shareholders' equity - and taken to the profit and loss account amounted to EUR 1,886 million for the year ended 31 December 2007 and EUR 725 million for the year ended 31 December 2006.

2.e NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec. 2007			Year to 31 Dec. 2006		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	16,967	(14,091)	2,876	18,066	(15,767)	2,299
Net income from investment property	790	(219)	571	735	(225)	510
Net income from assets held under operating leases	3,949	(3,237)	712	3,586	(3,018)	568
Net income from property development activities	189	(36)	153	136	(34)	102
Other	706	(361)	345	607	(311)	296
Total net income from other activities	22,601	(17,944)	4,657	23,130	(19,355)	3,775

- Net income from insurance activities

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Gross premiums written	14,914	14,701
Movement in technical reserves	(6,247)	(8,470)
Claims and benefits expense	(6,689)	(6,462)
Reinsurance ceded, net	(43)	(22)
Change in value of admissible investments related to unit-linked business	916	2,509
Other income and expense	25	43
Total net income from insurance activities	2,876	2,299

"Claims and benefits expense" includes expenses arising from surrenders, maturities and claims relating to insurance contracts. "Movement in technical reserves" reflects changes in the value of financial contracts, in particular unit-linked contracts. Interest paid on such contracts is recognised in "Interest expense".

- Operating leases

In millions of euros	31 December 2007	31 December 2006
Future minimum lease payments receivable under non-cancellable leases	4,011	3,404
Payments receivable within 1 year	*1,747*	*1,584*
Payments receivable after 1 year but within 5 years	*2,230*	*1,781*
Payments receivable beyond 5 years	*34*	*39*

Future minimum lease payments receivable under non-cancellable leases comprise payments that the lessee is required to make during the lease term.

2.f COST OF RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses in the case of known counterparty risks on over-the-counter derivative instruments.

- Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Net additions to impairment provisions	(1,762)	(775)
Recoveries on loans and receivables previously written off	329	247
Irrecoverable loans and receivables not covered by impairment provisions	(292)	(255)
Total cost of risk for the period	(1,725)	(783)

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Loans and receivables due from credit institutions	5	2
Loans and receivables due from customers	(1,472)	(810)
Available-for-sale financial assets	(130)	6
Other assets	(57)	(7)
Off-balance sheet commitments and other items	(71)	26
Total cost of risk for the period	(1,725)	(783)

- Provisions for impairment: credit risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Total impairment provisions at start of period	14,455	11,094
Net additions to impairment provisions	1,762	775
Utilisation of impairment provisions	(2,409)	(1,429)
Impact of the consolidation of Banca Nazionale del Lavoro	-	4,143
Effect of exchange rate movements and other items	(344)	(128)
Total impairment provisions at end of period	13,464	14,455

The main changes in impairment provisions in 2007 and 2006 are related to loans and receivables due from customers

Impairment provisions by asset type, in millions of euros	31 December 2007	31 December 2006
Impairment of assets		
Loans and receivables due from credit institutions (Note 5.d)	54	92
Loans and receivables due from customers (Note 5.e)	12,499	13,525
Available-for-sale financial assets (Note 5.c)	231	133
Other assets	22	27
Total impairment provisions against financial assets	12,806	13,777
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions (Note 4.a)	-	3
- to customers (Note 4.a)	202	235
Other items subject to provisions	456	440
Total provisions recognised as liabilities	658	678
Total impairment provisions	13,464	14,455

2.g CORPORATE INCOME TAX

- Net corporate income tax expense

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Current tax expense for the period	(2,390)	(2,304)
Net deferred tax expense for the period (Note 5.h)	(357)	(458)
Net corporate income tax expense	(2,747)	(2,762)

The tax saving arising from the recognition of deferred taxes on unused carryforwards of tax losses and on previous temporary differences was EUR 137 million for the year ended 31 December 2007, compared with EUR 71 million for the year ended 31 December 2006.

- Analysis of effective tax rate

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Net income	8,311	7,808
Corporate income tax expense	(2,747)	(2,762)
Average effective tax rate	24.8%	26.1%
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-4.9%	-3.4%
Items taxed at reduced rate in France	-2.4%	-2.0%
Permanent differences	-	0.1%
Other items	-1.2%	-1.9%
Average effective tax rate	24.8%	26.1%

3 SEGMENT INFORMATION

The Group is composed of five core businesses:

- French Retail Banking;
- Italian Retail Banking (BNL banca commerciale);
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets;
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services;
- Corporate and Investment Banking (CIB), comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing).

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented comprises agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance sheet. Segment assets are determined by extracting accounting data allocated for each segment. Segment liabilities are determined on the basis of normalised equity by core business used for capital allocation purposes.

This capital allocation is carried out on the basis of risk exposure, taking account of various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

- Information by business segment

- Income by business segment[1]

In millions of euros	French Retail Banking		BNL banca commerciale		IRBFS		AMS	
	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Net banking income	5,743	5,633	2,609	1,861	7,955	7,374	5,329	4,409
Operating expense	(3,834)	(3,711)	(1,725)	(1,322)	(4,625)	(4,205)	(3,369)	(2,804)
Cost of risk	(158)	(153)	(318)	(234)	(1,228)	(722)	(7)	(4)
Operating income	1,751	1,769	566	305	2,102	2,447	1,953	1,601
Share of earnings of associates	1	1	1	-	79	55	17	34
Other non-operating items	-	-	(1)	(10)	94	45	10	(4)
Pre-tax net income	1,752	1,770	566	295	2,275	2,547	1,980	1,631

- Assets and liabilities by business segment [1]

In millions of euros	French Retail Banking		BNL banca commerciale		IRBFS		AMS	
	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Total segment assets	135,771	123,495	72,271	60,604	179,197	159,404	199,261	143,109
- of which goodwill on acquisitions during the period	46	-	*96*	*1,601*	*25*	*432*	*294*	*184*
- of which investments in associates	6	5	*13*	*8*	*1,123*	*756*	*403*	*464*
Total segment liabilities	129,645	117,908	67,493	56,090	164,305	145,253	191,666	136,660

- Information by geographic area

The geographic split of segment results, assets and liabilities is based on the region in which they are recognised for accounting purposes and does not necessarily reflect the counterparty's nationality or the location of operations.

- Net banking income by geographic area

In millions of euros	France		Other European countries		Americas		Asia - Oceania	
	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Net banking income	14,446	13,658	9,737	8,281	4,197	3,975	1,707	1,291

- Assets and liabilities by geographic area

In millions of euros	France		Other European countries		Americas		Asia - Oceania	
	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Total segment assets	969,771	834,373	370,598	291,870	217,777	199,799	113,306	99,286
Goodwill on acquisitions during the period	75	69	381	2,508	-	3	18	-

(1): The creation of a new retail banking unit in Italy in the first half of 2007 led to certain transfers between business segments. In order to facilitate period-on-period comparisons of segment results, assets and liabilities, the data for 2006 have been restated to reflect the new organisational structure.
(2): Including Klépierre and the entities ordinarily known as BNP Paribas Capital.
(3): In 2006, restructuring costs incurred in connection with the acquisition of BNL were included in operating expense of "Other Activities" in an amount of EUR 151 million.

Corporate & Investment Banking				Other Activities (2)		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006 (3)	Year to 31 Dec. 2007	Year to 31 Dec. 2006
5,625	5,396	2,668	2,694	1,108	576	31,037	27,943
(3,588)	(3,327)	(1,197)	(1,146)	(426)	(550)	(18,764)	(17,065)
(65)	(16)	37	280	14	66	(1,725)	(783)
1,972	2,053	1,508	1,828	696	92	10,548	10,095
8	10	-	-	252	193	358	293
38	44	51	(12)	(40)	119	152	182
2,018	2,107	1,559	1,816	908	404	11,058	10,570

Corporate & Investment Banking		Other Activities (2)		Total	
Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
1,070,848	916,462	37,106	37,269	1,694,454	1,440,343
22	*362*	-	*1*	*483*	*2,580*
7	*29*	*1,781*	*1,510*	*3,333*	*2,772*
1,057,618	905,663	31,138	31,740	1,641,865	1,393,314

Other countries		Total	
Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
950	738	31,037	27,943

Other countries		Total	
Year to 31 Dec. 2007	Year to 31 Dec. 2006	Year to 31 Dec. 2007	Year to 31 Dec. 2006
23,002	15,015	1,694,454	1,440,343
9	-	483	2,580

4 RISK EXPOSURE AND HEDGING STRATEGIES

ORGANISATION OF RISK MANAGEMENT

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank comply and are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM's role is to hedge all financial risks resulting from the Group's business operations. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving 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 (legal affairs, compliance, financial security, tax affairs, information systems, general and management accounting). 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.

The GRM function is organised based on a differentiated approach by risk-type: Credit and Counterparty Risk, Market and Liquidity Risk; and Operational Risk, supported by specialist units responsible for analysing, summarising and reporting risk data.

4.a CREDIT RISK

Credit risk is the risk of incurring an economic loss on loans and receivables (existing or potential due to commitments given) as a result of a change in the credit quality of the Bank's debtors, which can ultimately result in default. Credit quality is measured primarily based on probability of default and loss given default. Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio concerned.

Credit risk arises in relation to lending activities as well as market, investing and/or payment transactions that potentially expose the Bank to the risk of default by the counterparty.

Counterparty risk is the risk that the other party in a credit transaction will default. The amount of this risk may vary over time in line with market parameters that impact the value of the transaction.

GROUP’S GROSS EXPOSURE TO CREDIT RISK

The following table shows all of the BNP Paribas Group’s financial assets, including government bonds and Treasury bills, exposed to credit risk. Credit risk exposure, determined without taking account of unrecognised netting or collateral, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss (excluding variable-income securities) *(Note 5.a)*	787,022	607,541
Derivatives used for hedging purposes	2,154	2,803
Available-for-sale financial assets (excluding variable-income securities) *(Note 5.c)*	90,725	78,033
Loans and receivables due from credit institutions	71,116	75,170
Loans and receivables due from customers	445,103	393,133
Held-to-maturity financial assets	14,808	15,149
Balance sheet commitment exposure, net of impairment provisions	1,410,928	1,171,829
Financing commitments given *(Note 6.a)*	231,227	235,736
Guarantee commitments given *(Note 6.b)*	91,099	80,945
Provisions for off balance sheet commitments *(Note 2.f)*	(202)	(238)
Off-balance sheet commitment exposure, net of provisions	322,124	316,443
Total net exposure	1,733,052	1,488,272

This exposure does not take into account the effect of master netting agreements in force during each period or collateral on over-the-counter forward financial instruments. Based on calculations prepared using the method provided for in banking regulations, the impact of these items would reduce the Group's credit risk exposure by EUR 166 billion at 31 December 2007 (approximately EUR 123 billion at 31 December 2006). In addition, this exposure does not take into account collateral and other security obtained by the Bank in connection with its lending activities, nor purchases of credit protection.

MANAGEMENT OF CREDIT RISK – LENDING ACTIVITIES

- General credit policy and credit control and provisioning procedures

The Bank's lending activities are governed by the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The policy is underpinned by core principles related to compliance with the Group's ethical standards, clear definition of responsibilities, the existence and implementation of procedures and thorough analysis of risks. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

- Decision-making procedures

A system of discretionary lending limits has been established, under which all lending decisions must be approved by a formally designated member of GRM. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Discretionary lending limits correspond to aggregate commitments by business group and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, an industry expert or designated specialist may also be required to sign off on the loan application. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

- Monitoring procedures

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of 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 recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss is based on the present value of probable net recoveries, including from the realisation of collateral.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans 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 provisions). The simulations carried out by GRM use the parameters of the internal rating system described below.

- Internal rating system

The Bank has a comprehensive internal rating system that has been upgraded in order to comply with the requirements of banking supervisors for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process is being deployed to ensure that the system is appropriate and is being correctly implemented. The system was formally validated by the French banking supervisor (*Commission Bancaire*) in December 2007. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are twelve counterparty ratings. Ten cover clients that are not in default 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. 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, validating it or verifying its performance.

- Portfolio policy

In addition to carefully selecting and evaluating individual risks, BNP Paribas follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and recommendations. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses from crisis scenarios. The Bank also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

- Risk mitigation techniques

- Collateral and other security

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to mitigate risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases; 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 IRB approach. 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 and export credit insurance written by government agencies and private insurers. 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.

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 securitisations that transfer part of the risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks.

The loans hedged by the credit derivatives remain on the consolidated balance sheet. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applied to derivatives used for other purposes.
For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches which are generally junior or mezzanine.

DIVERSIFICATION OF CREDIT RISKS OF FINANCING ACTVITIES

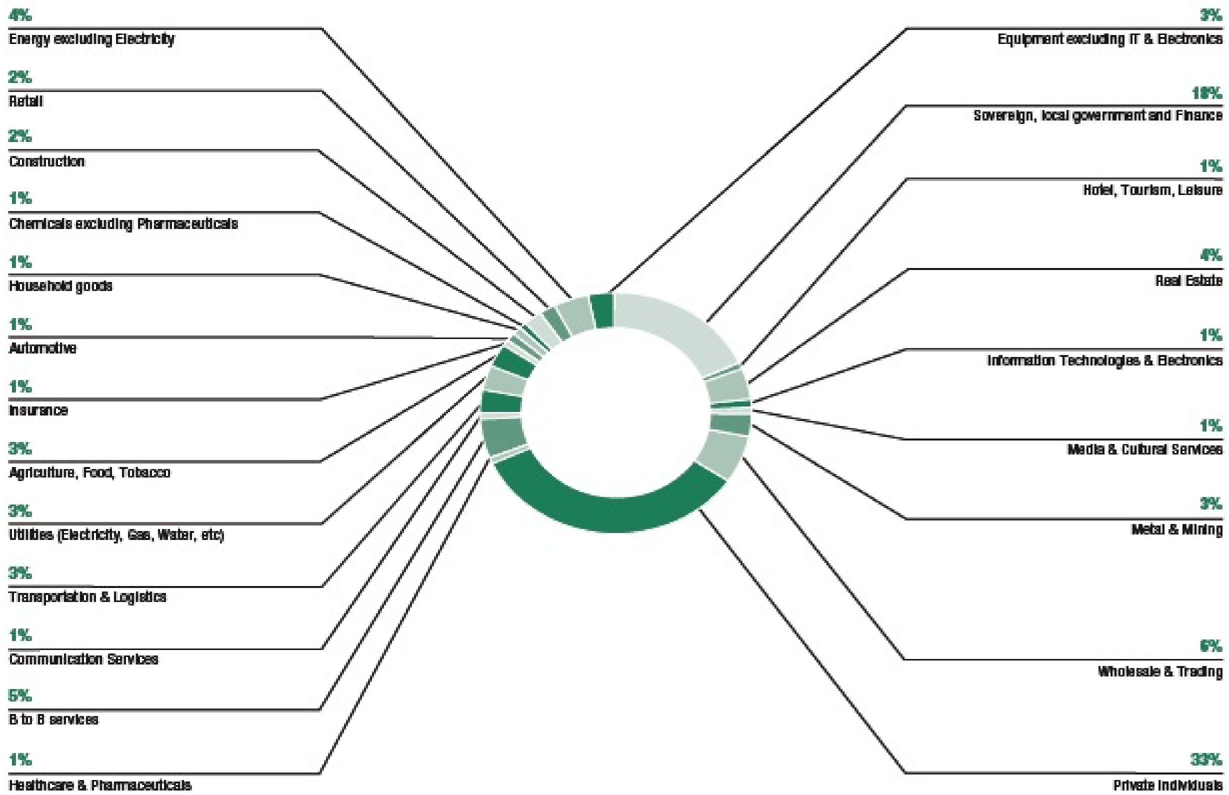
The gross value of the Bank's portfolio of commercial loans and commitments amounts to EUR 788 billion at 31 December 2007 (EUR 715 billion at 31 December 2006). The diversification analysis below covers loans granted to customers and demand accounts with credit institutions and central banks as well as financing commitments (excluding share repurchase agreements) and financial guarantees given. 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 geographic diversification of the client base. The breakdown of credit risks by industry and by region is presented in the charts below.

- Diversification by counterparty

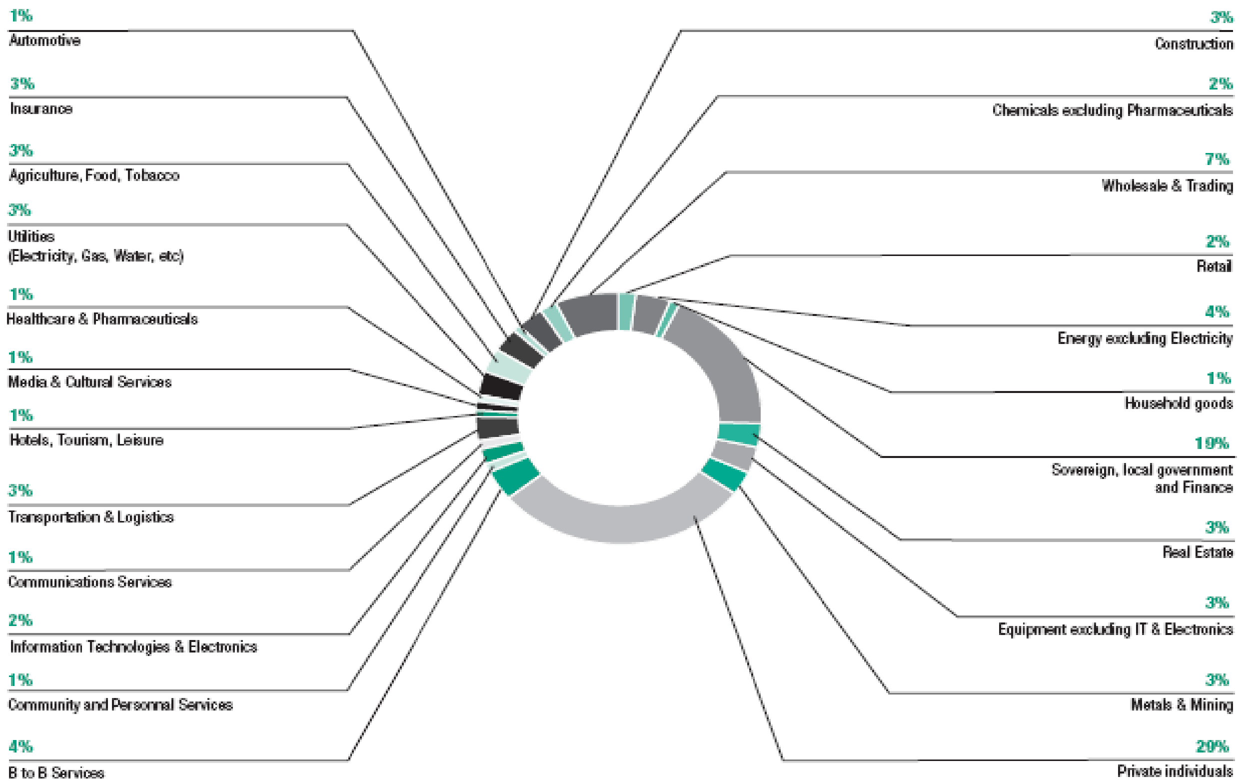
Diversification of commitments by counterparty is closely and regularly monitored. The Bank's concentration of credit risks is well below the thresholds set in the European Directive on major banking risks, with the top 10 client groups representing less than 4% of total commitments as of 31 December 2007 (3% as of 31 December 2006).

- Industry diversification

- Breakdown of the portfolio of commercial loans and commitments at 31 December 2007 by industry

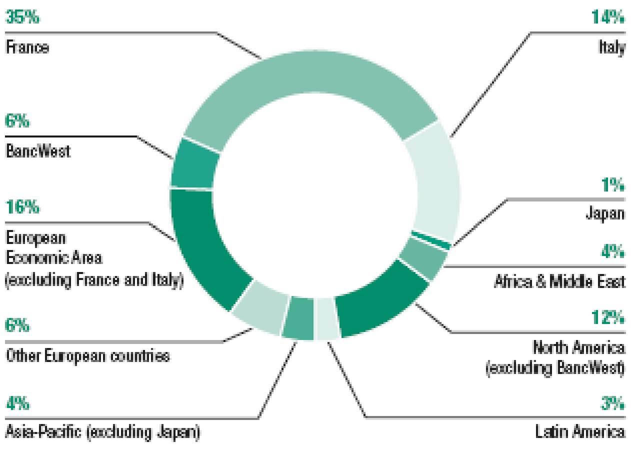


- Breakdown of the portfolio of commercial loans and commitments at 31 December 2006 by industry

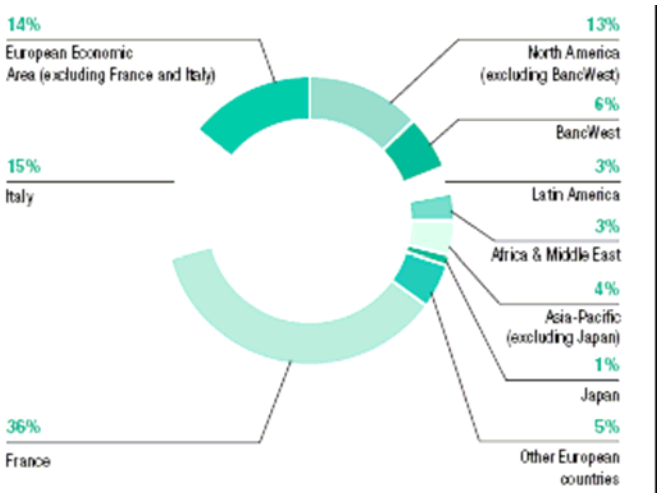


Geographic diversification

- Geographical breakdown of the portfolio of commercial loans and commitments at 31 December 2007



- Geographical breakdown of the portfolio of commercial loans and commitments at 31 December 2006

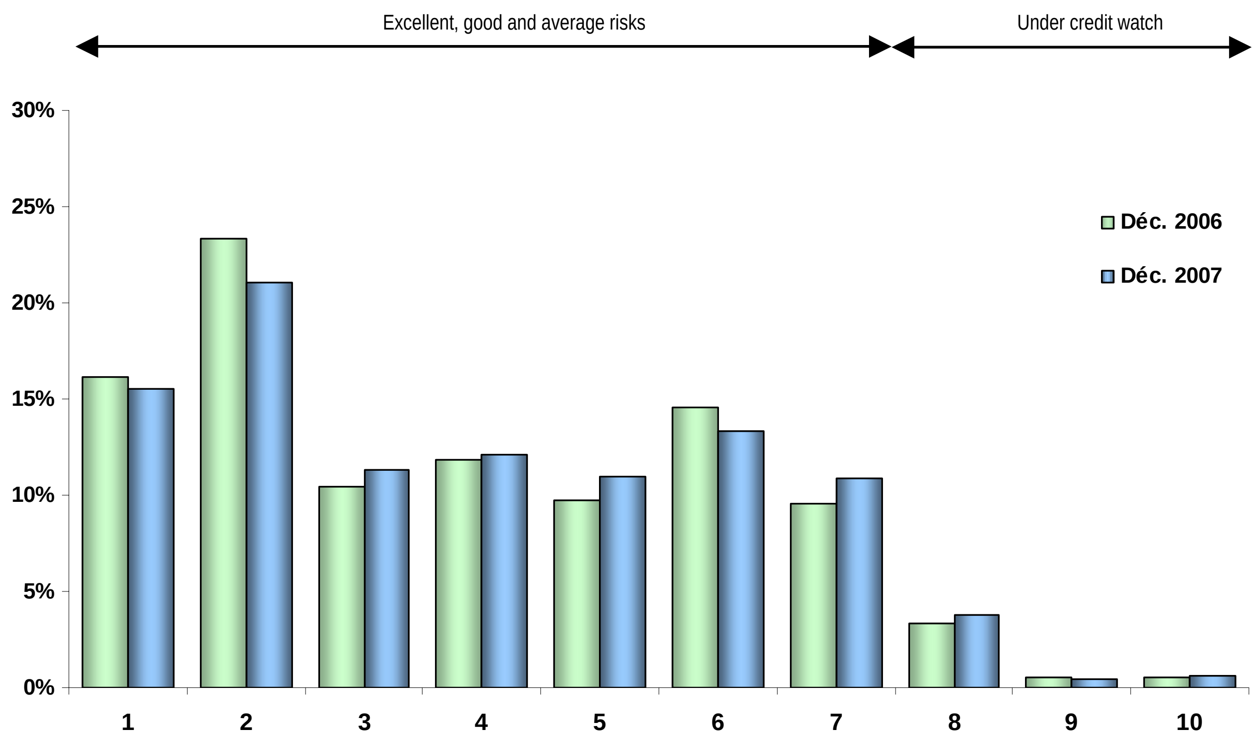


QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

The internal rating system developed by the Bank covers the entire Corporate and Investment Banking (CIB) portfolio and French Retail Banking (FRB) portfolio, as well as a substantial proportion of the other divisions' portfolios, and is gradually being rolled out to all Group units.

The chart below shows the breakdown of CIB and FRB sound corporate loans and commitments (corporates, government agencies, banks and institutions) based on the ratings used to calculate risk-weighted assets under the advanced IRB approach. This represents almost one-half (EUR 377 billion) of the gross amount of the Group's portfolio of commercial loans and commitments as well as loans outstanding with financial institutions (EUR 65 billion) granted by the Group as part of its ALM-Treasury activities, i.e., a total amount of EUR 442 billion. The majority of commitments are towards borrowers rated as good even excellent quality, reflecting the heavy weighting of large multinational groups and financial institutions in the Bank's client base. A significant proportion of commitments to non-investment grade borrowers are highly structured or secured by high quality guarantees implying a higher recovery in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

- Breakdown by credit rating



LOANS WITH PAST-DUE INSTALMENTS AND RELATED COLLATERAL OR OTHER SECURITY

The following table presents the carrying amounts of financial assets that are past due but not impaired (by age of past due instalments), of impaired assets, as well as of related collateral held as security and other credit enhancements. The amounts shown are stated before any portfolio impairment.

In millions of euros	31 December 2007							
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of these loans and commitments
	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)	6	-	-	-	6	-	6	-
Available-for-sale financial assets (excl. variable-income securities)	2	-	-	-	2	119	121	-
Loans and receivables due from credit institutions	151	66	24	13	48	37	188	35
Loans and receivables due from customers	7,003	6,574	370	30	29	5,753	12,756	6,690
Past-due assets, net of individual impairment provisions	7,162	6,640	394	43	85	5,909	13,071	6,725
Financing commitments given						149	149	111
Guarantee commitments given						517	517	12
Off-balance sheet non-performing commitments, net of provisions						666	666	123
Total	7,162	6,640	394	43	85	6,575	13,737	6,848

In millions of euros	31 December 2006							
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of these loans and commitments
	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)	6	-	-	-	6	-	6	-
Available-for-sale financial assets (excl. variable-income securities)	1	-	-	-	1	44	45	-
Loans and receivables due from credit institutions	77	58	-	7	12	81	158	44
Loans and receivables due from customers	6,570	6,065	362	40	103	6,151	12,721	6,676
Past-due assets, net of individual impairment provisions	6,654	6,123	362	47	122	6,276	12,930	6,720
Financing commitments given						231	231	80
Guarantee commitments given						445	445	32
Off-balance sheet non-performing commitments, net of provisions						676	676	112
Total	6,654	6,123	362	47	122	6,952	13,606	6,832

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.

MANAGEMENT OF COUNTERPARTY RISK ON MARKET ACTIVITIES

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 organisation.

- Credit adjustments to over-the-counter financial instruments

The fair values of financial instruments traded over-the-counter by the Fixed Income, Equities & Derivatives and Commodity Derivatives units include credit adjustments. A credit adjustment is an adjustment to a portfolio of transactions with a counterparty, to reflect the fair value of the credit risk corresponding to potential default by the counterparty. It is calculated based on the probability of default and the loss given default for the existing exposure.

- Dynamic counterparty risk management

The credit adjustment 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 has developed a dynamic hedging strategy based on the purchase of market instruments such as credit derivatives.

4.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- Interest rate risk covers potential fluctuations in the value of fixed-rate financial instruments or financial instruments indexed to a market benchmark due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- Currency risk is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- Price risk arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded on the market. This may relate, for example, to changes in the price or volatility of shares, stock market indices or commodities. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- Credit spread risk on the trading book: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Capital Market Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.
- 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.

Market risks arise mainly from the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

RISK ACCEPTANCE PROCESS

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading volumes and activities in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to contain certain specific risks not fully captured by GEaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Capital Market Risk Committee. For secondary market trading, they are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Capital Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- Daily calculation of the value of the Group's trading positions and related exposures.
- Daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database.
- Periodic reviews of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria.
- A weekly report aggregating all significant positions by activity.
- The Capital Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

MEASUREMENT OF MARKET RISK ON TRADING ACTIVITIES

Market risk on trading activities is measured and assessed by performing detailed sensitivity analyses of each type of position, and global analyses, such as GEaR and stress tests that measure aggregate exposures.

- Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematically measuring portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for option strike prices. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to the heads of the trading units by the Capital Market Risk unit.

- Value at Risk

BNP Paribas uses an internal Value at Risk (VaR) model, approved by the banking supervisor, to estimate the potential loss arising from an unfavourable change in market conditions, the key element in market risk measurement.

Potential losses are measured using "Value at Risk" (VaR). VaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. VaR calculation methods are continually fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day VaR.

The banking supervisor has approved this internal model and the underlying methodologies, which include:

- Capturing the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification.
- Capturing the specific interest rate risk arising from potential fluctuations in credit spreads, to accurately and dynamically measure the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are:

- Change in the value of the portfolio over a holding period of 10 trading days.
- Confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding VaR in 99% of cases);
- Historical data covering one year (260 days) of trading.

In 2007, total average Value at Risk was EUR 156 million (with a minimum of EUR 41 million and a maximum of EUR 378 million), after taking into account the EUR 152 million effect of netting the different types of risk. These amounts break down as follows:

Type of risk	Year to 31 Dec. 2007			31 December 2007	Year to 31 Dec. 2006	31 December 2006
	Average	Minimum	Maximum		Average	
Interest rate risk	61	26	110	82	42	45
Credit risk	79	42	160	147	55	70
Currency risk	17	3	41	41	7	8
Equity price risk	134	38	323	152	55	66
Commodity price risk	17	10	28	12	16	17
Effect of netting	*(152)*			*(189)*	*(104)*	*(142)*
TOTAL	156	41	378	245	71	64

4.c Market risks related to banking intermediation activities and investments

Interest rate and currency risks related to banking intermediation activities and investments mainly concern retail banking activities in France and abroad, the specialised financing and savings management subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management unit, which forms part of the Asset/Liability Management & Treasury (ALM-Treasury) Department.

ALM-Treasury is part of the Corporate and Investment Banking Division and reports directly to one of the Chief Operating Officers. Strategic decisions are made by ALM committees tasked with overseeing ALM-Treasury's activities. These committees have been set up within each division (AMS, FRB, CIB, BNL, IRBFS) and at the level of the business lines and/or the main subsidiaries.

INTEREST RATE RISK

- Interest rate risk management structure

Interest rate risk on the commercial transactions of the French and International Retail Banking divisions, the specialised financing subsidiaries, and the savings management business lines in the AMS and Corporate Banking divisions are managed centrally by ALM-Treasury through the client intermediation book, with the exception of transactions initiated in the United States by BancWest Corp. subsidiaries. Interest rate risk on the Bank's equity and investments is also managed centrally by ALM-Treasury, in the equity intermediation and investments book.

Transactions initiated by the Bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the entity's net position.

Positions are measured and transfers to ALM-Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, and the business line ALM managers (who have a dotted-line reporting relationship with ALM-Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the Bank of the West and First Hawaiian Bank ALM units, which report to each subsidiary's executive management via monthly committee meetings.

- Measurement of interest rate risk

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

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

Lastly, for products with underlying behavioural options, a specific option risk indicator is analysed in order to fine-tune hedging strategies.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved. In 2007, teams with no reporting relationship with product control units were set up to oversee the production of these indicators. In addition, Group Risk Management continued to control risks arising from the use of behavioural models by the ALM unit. The results of these controls are presented once a year to the Board of Directors and periodically to the ALM committees.

- Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a five-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the five-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 exposure to interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of annual revenues to an immediate change in nominal rates. Sensitivity is monitored at quarterly meetings of the BancWest ALM committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialised financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralisation 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.f) and the sensitivity of that value to interest rate fluctuations.

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity band, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an increase in value in the event of a fall and a decrease in value in the event of a rise of approximately EUR 2,146,000 at 31 December 2007, compared with approximately EUR 315,000 at 31 December 2006.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 December 2007					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	550	(1,274)	(646)	(2,022)	3,244	(148)
USD	74	(309)	(856)	(209)	(1,197)	(2,497)
GBP	85	(25)	(59)	(20)	(7)	(26)
Other currencies	4	(11)	(22)	(12)	566	525
TOTAL	713	(1,619)	(1,583)	(2,263)	2,606	(2,146)

In thousands of euros	31 December 2006					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(33)	(362)	(1,146)	(1,681)	4,468	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	(160)	(401)	(1,609)	(1,898)	3,753	(315)

CURRENCY RISK

- Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The ALM unit is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

- Currency risk and hedging of net investments in foreign operations

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

Group policy is usually to borrow the investment currency in order to protect the investment against currency risk. Such borrowings are documented as hedges of net investments in foreign operations. However, for most of soft currencies, the investment is financed by purchasing the currency in question.

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 designated 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.

- Hedging of financial instruments recognised 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 behaviour (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 hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

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

The table below shows the amount of hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 December 2007				31 December 2006			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Hedged cash flows	1,042	2,080	3,445	6,567	657	1,988	2,720	5,365

In the year ended 31 December 2007, 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.

4.d LIQUIDITY AND REFINANCING RISK

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil 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

- 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 ALM-CIB Committee, acting on recommendations from ALM-Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of liquidity indicators and the results of stress tests, as well as of the execution of financing programmes. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM-Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM-CIB Committee, ALM-Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The business line ALM committees and local ALM committees implement at local level the strategy approved by the ALM-CIB Committee.

GRM contributes to defining liquidity policy principles and exercises oversight of the related models, risk indicators, limits and market parameters, as well as performing liquidity stress tests.

- Centralised liquidity risk management

Liquidity risk is managed centrally by ALM-Treasury across all maturities.

The Treasury unit is responsible for refinancing and for short-term issues (certificates of deposit, commercial paper, etc), while the ALM unit is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds, etc), preferred share issues, and loan securitisation programmes 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:

1. 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.

2. 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.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- The one-year internal liquidity ratio for financing with contractual maturities, corresponding to the maturity gap beyond one year between sources of funds with the same characteristics and maturities and uses of funds with the same characteristics and maturities.
- The one-year internal liquidity ratio for total financing, corresponding to the maturity gap beyond one year between sources of funds with the same maturities and uses of funds with the same maturities, and carried on and off-balance sheet in the form of contractual commitments with no fixed maturity. The ratio was capped at 25% until 2006 and at 20% in 2007.
- The own funds and permanent capital ratio, corresponding to the ratio between (i) Tier One capital less non-current assets plus net customer demand deposits and (ii) the maturity gap beyond one year for financing with contractual maturities. The minimum ratio is 60%.

These three internal ratios are based on maturity schedules of balance sheet and off-balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks - 100% weighted, and with customers - 20% or 30% weighted), theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical (demand deposits, regulated savings deposits, trust deposits, non-performing loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

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 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 swiftly converted into cash as part of the day-to-day management of liquidity, by securitising pools of home loans and 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. In the last quarter of 2006, BNP Paribas set up a EUR 25 billion covered bond programme. Issuance under this programme at 31 December 2007 totalled EUR 9 billion.

4.e INSURANCE RISKS

The insurance subsidiaries' risk exposures result from the sale, in France and abroad, of savings and personal risk contracts.

FINANCIAL RISKS

Financial risks arise in the Savings business, which accounts for over 95% of the insurance subsidiaries' liabilities.

There are three types of financial risk:

- Interest rate risk

Policyholder yields on life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a yield guarantee. All of these policies give rise to an interest rate risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual yield payable to policyholders.

This risk is managed centrally by the BNP Paribas Assurance Asset/Liability Management unit, which coordinates its activities with the BNP Paribas ALM-Treasury Department. Regular asset-liability matching reviews are performed to measure and manage the financial risks, based on medium and/or long-term income statement and balance sheet projections prepared according to various economic scenarios. The results of these reviews are analysed 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.

To cover potential financial losses estimated over the life of the policies, a provision for future adverse deviation (*provision pour aléas financiers*) is booked when the guaranteed yield payable to policyholders is not covered by 80% of the yield on the admissible assets. No provision for future adverse deviation was booked at 31 December 2007 or 2006 as the yields guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

- Surrender risk

Savings contracts include a surrender clause allowing customers to request reimbursement of all or part of their accumulated savings. The insurer is exposed to the risk of surrender rates being higher than the forecasts used for ALM modelling purposes, forcing it to sell assets at a loss in order to free up the necessary cash for surrenders in excess of forecast.

The surrender risk is limited, however, as:

- Most policies provide for the temporary suspension of surrender rights in the event that the insurer's financial position were to be severely impaired such that the surrenders would deprive other policyholders of the ability to exercise their rights.
- Policyholder behaviour 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 EUR 765,000 per insured. In addition, the guarantee is not normally available beyond the insured's 80^{th} birthday.

The carrying amount of linked liabilities is equal to the sum of the fair values of the assets held in the unit-linked portfolios. The insurer's liability is therefore covered by corresponding assets. The match between linked liabilities and the related assets is checked at monthly intervals.

The capital guarantee reserve takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The capital guarantee reserve amounted to EUR 27 million at 31 December 2007, compared with EUR 40 million at 31 December 2006.

RISKS OF SUBSCRIPTION OF INSURANCE

The risks of subscription of insurance arise mainly in the Personal Risk business, which accounts for some 5% of the insurance subsidiaries' liabilities.

They result mainly from the sale of annuity policies in France and loan protection insurance worldwide.

The actuarial oversight system set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe (i) the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, (ii) the tasks to be performed by the actuaries and their reporting obligations and (iii) practices that are banned or that are allowed only if certain conditions are met.

Underwriting limits are set at various local and central levels, based on capital at risk, estimated maximum acceptable losses and estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria such as credit risk, the type of guarantee and the insured population. Each contract is priced by reference to the margin and return-on-equity targets set by the executive management of BNP Paribas Assurance.

Risk exposures from annuity and loan protection insurance business are monitored at quarterly intervals by BNP Paribas Assurance's Executive Committee, based on an analysis of loss ratios.

Loss ratios for annuity contracts are based on mortality tables applicable under insurance regulations, as adjusted by independent actuaries where appropriate. Annuity risks are low.

Loan protection insurance covers death, total or partial disability, loss of employment and financial loss risks for personal loans and home loans. The insurance book comprises a very large number of individual policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs.

Actual loss ratios are compared with forecast ratios on a regular basis by the actuarial department, and premium rates are adjusted when necessary.

The risks of subscription of insurance 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.

4.f IMPACT OF THE SUBPRIME CRISIS IN SECOND-HALF 2007

BACKGROUND

During the second half of 2007, financial market players were hit by the effects of the housing market downturn in the United States. Subprime borrowers (borrowers with poor credit histories) in the US, who had been aggressively targeted by mortgage lenders, were plunged into serious financial difficulties by rising interest rates, at a time when house prices were falling, leading to a growing number of defaults.

These high interest home loans were the subject of intense securitisation activity, creating synthetic financial assets that were placed with vast numbers of investors. Anticipating a significant decline in interest and capital flows from the underlying loans, as a result of the subprime crisis, investors moved quickly to sell these synthetic assets, leading to a sharp drop in their market prices.

The subprime mortgage-backed securities were insured by credit enhancement companies in the United States, known as monoline insurers because they write only one type of business. The potential scale of the losses on subprime business as a result of the crisis was such that the monolines' financial position was severely weakened. Holders of the insured securities and the monolines' counterparties in derivatives transactions also had to assess the risk of the monolines being unable to fulfil their commitments in the case of default by subprime borrowers.

In addition to the effects related directly to the financing of the subprime mortgage market in the United States, investors started turning their backs on assets created through a securitisation process and there was also a fall in demand for credit instruments. This led to a broadbased 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 securitisation 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, the 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.

REVIEW OF BNP PARIBAS POSITIONS EXPOSED TO THE EFFECTS OF THE CRISIS

In this environment, BNP Paribas' management gave the risk surveillance and financial control teams the task of identifying all of the Bank's positions that may be affected by the crisis and reviewing the methods and parameters used to value these positions. The identified risks at 31 December 2007 are described below.

- Exposure to subprime risks

Within Corporate and Investment Banking, the net positions of the capital markets business lines on products exposed to subprime risk are very limited. The small position in subprime Residential Mortgage Backed Securities (RMBSs) is offset by purchased protection consisting of subprime Collateralized Debt Obligations (CDOs).

The counterparty risk on the subprime protection for a nominal amount of approximately EUR 3 billion purchased from monoline insurers amounted to EUR 1,089 million at 31 December 2007, net of purchased protection amounting to EUR 245 million against monoline default. The risk is covered by a EUR 388 million credit adjustment, reflecting the CDS market's most conservative assessment of the monoline insurers as of the approval date of the Group’s consolidated financial statements. In addition, credit adjustments totalling EUR 80 million have been recorded in respect of counterparty risks on purchased protection for non-subprime assets obtained from the monolines. In all, credit adjustments on monoline counterparties totalled EUR 468 million.

Following the credit adjustment, at 31 December 2007 the Bank had no residual position with the only monoline insurer in default at that date.

BancWest's mortgage loan policy consists of lending essentially to prime and superprime borrowers, with subprime borrowers representing just 1% of the mortgage loan book. Including the risks in the investment portfolio, after provisions for impairment, BancWest's net exposure to subprime risks is limited to around EUR 300 million.

- Exposure on leveraged buyouts in progress

The Bank's gross exposure at 31 December 2007 was approximately EUR 2,500 million. Negative fair value adjustments of EUR 238 million were recorded in the second half.

- Exposure on sponsored conduits

BNP Paribas manages six securitisation conduits on behalf of clients, representing total assets of some EUR 11,000 million. These assets, which are presented in note 6.c, are relatively low risk. They include some EUR 4,200 million in US assets, including around EUR 200 million in mortgage-backed assets of which the subprime portion is not material.

These conduits have not been consolidated since they do not meet the consolidation criteria set out in Note 1.b.1 “Scope of consolidation”. Although the Group provided liquidity assistance to some of these conduits during certain periods (debt securities issued by these conduits and provisionally carried in the Group’s balance sheet represented EUR 4,095 million at 31 December 2007), the analysis of criteria demonstrating the absence of control by the Group has not been substantially modified.

DIRECT EFFECTS OF THE SECOND HALF 2007 CRISIS ON PROFIT FOR THE YEAR

In millions of euros	2007
EFFECTS ON CORPORATE AND INVESTMENT BANKING NET BANKING INCOME	
Asset impairments	
Loan syndications in progress	(238)
Securitisations	(88)
Credit adjustments to reflect counterparty risks on over-the-counter derivative financial instruments	
Monoline insurers	(468)
Other counterparties	(57)
Total effects on net banking income	**(851)**
EFFECTS ON COST OF RISK	
Bancwest securities portfolio	(131)
Bancwest customer loans	(87)
Corporate and Investment Banking	(206)
Total effects on cost of risk	**(424)**

5 NOTES TO THE BALANCE SHEET AT 13 DECEMBER 2007

5.a FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as at fair value through profit or loss at the time of acquisition or issue.

FINANCIAL ASSETS

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as at fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

FINANCIAL LIABILITIES

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, whose changes in value are cancelled out by changes in the value of the hedging instrument.

The nominal value of financial liabilities at fair value through profit or loss at 31 December 2007 was EUR 79,680 million (EUR 61,521 million at 31 December 2006). Their fair value takes into account any change attributable to issuer risk relating to the BNP Paribas Group itself insofar as this change is considered material in respect of the Group's conditions of issuance. The Group has recognised a EUR 141 million reduction in the fair value of its debt, taking into consideration the increase in the value of it's own credit spread observed during the crisis affecting the financial markets in the second half of 2007.

In millions of euros	31 December 2007			31 December 2006		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposit	82,476	554	83,030	48,633	174	48,807
Treasury bills and other bills eligible for central bank refinancing	65,077	12	65,089	34,680	9	34,689
Other negotiable certificates of deposit	17,399	542	17,941	13,953	165	14,118
Bonds	121,314	6,488	127,802	131,938	6,577	138,515
Government bonds	56,294	491	56,785	66,962	206	67,168
Other bonds	65,020	5,997	71,017	64,976	6,371	71,347
Equities and other variable-income securities	100,709	43,975	144,684	94,989	42,328	137,317
Repurchase agreements	334,033	95	334,128	254,967	103	255,070
Loans	2,791	2,351	5,142	231	3,451	3,682
to credit institutions	*-*	*2,240*	*2,240*	*7*	*3,407*	*3,414*
to corporate customers	*2,781*	*111*	*2,892*	*214*	*44*	*258*
to private individual customers	*10*	*-*	*10*	*10*		*10*
Trading book derivatives	236,920	-	236,920	161,467	-	161,467
Currency derivatives	*23,627*	-	*23,627*	*17,799*	-	*17,799*
Interest rate derivatives	*99,308*	-	*99,308*	*78,707*	-	*78,707*
Equity derivatives	*75,243*	-	*75,243*	*51,661*	-	*51,661*
Credit derivatives	*30,342*	-	*30,342*	*9,487*	-	*9,487*
Other derivatives	*8,400*	-	*8,400*	*3,813*	-	*3,813*
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	878,243	53,463	931,706	692,225	52,633	744,858
of which loaned securities	*40,530*		*40,530*	*28,307*		*28,307*
excluding equities and other variable-income securities (note 4.a)			*787,022*			*607,541*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling	116,073	-	116,073	118,987	-	118,987
Repurchase agreements	357,386	451	357,837	289,711	-	289,711
Borrowings	1,517	2,254	3,771	748	4,392	5,140
Credit institutions	*811*	*1,475*	*2,286*	*547*	*1,436*	*1,983*
Corporate customers	*706*	*779*	*1,485*	*201*	*2,956*	*3,157*
Debt securities	-	73,973	73,973		55,279	55,279
Trading book derivatives	244,471	-	244,471	184,211		184,211
Currency derivatives	26,017	-	26,017	19,242	-	19,242
Interest rate derivatives	97,412	-	97,412	79,004	-	79,004
Equity derivatives	83,455	-	83,455	71,983	-	71,983
Credit derivatives	30,180	-	30,180	9,634	-	9,634
Other derivatives	7,407	-	7,407	4,348	-	4,348
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	719,447	76,678	796,125	593,657	59,671	653,328

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions which are primarily contracted to protect the Group's loan book.

The positive or negative fair value of derivative instruments classified in the trading book represents the replacement value of these instruments. This value may fluctuate significantly in response to changes in market parameters such as interest rates or exchange rates.

The total notional amount of trading derivatives was EUR 29,510,170 million at 31 December 2007, compared with EUR 24,354,680 million at 31 December 2006. The notional amounts of derivative instruments are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

Derivatives traded on organised markets represented 42% of the Group's derivatives transactions at 31 December 2007 (43% at 31 December 2006).

BREAKDOWN OF FINANCIAL INSTRUMENTS BY TYPE OF FAIR PRICE MEASUREMENT

The breakdown of financial instruments by type of fair value measurement given in the following table has been prepared in accordance with categories defined in note 1.c.9 "Determination of fair value"

In millions of euros at	31 December 2007				31 December 2006			
	Market price (cat 1)	Model with observable parameters (cat 2)	Model with non-observable parameters (cat 3)	Total	Market price (cat 1)	Model with observable parameters (cat 2)	Model with non-observable parameters (cat 3)	Total
FINANCIAL ASSETS								
Financial assets held for trading purposes at fair value through profit or loss	624,082	250,518	3,643	878,243	516,399	173,257	2,569	692,225
Financial assets at fair value through profit or loss under the fair value option	46,790	6,673	-	53,463	46,171	6,462	-	52,633
FINANCIAL LIABILITIES								
Financial liabilities held for trading purposes at fair value through profit or loss	481,831	229,788	7,828	719,447	434,873	152,915	5,869	593,657
Financial liabilities at fair value through profit or loss under the fair value option	451	76,227	-	76,678	-	59,671	-	59,671

- Day one profit

Changes in the margin not taken to the profit and loss account and contained in the price of derivatives sold to clients and measured using internal models based on non-observable parameters ("day one profit") can be analysed as follows over years 2006 and 2007:

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Deferred margin at 1 January	731	708
Deferred margin on transactions during the year	411	503
Margin taken to the profit and loss account during the year	(469)	(480)
Deferred margin at 31 December	673	731

This deferred margin is recorded in “Financial assets held for trading purposes at fair value through profit or loss held for trading purposes" or “Financial liabilities held for trading purposes at fair value through profit or loss”, which are measured by models based on non-observable parameters.

- Sensitivity to reasonable changes in assumptions

The fair value of certain complex derivatives is determined using measurement techniques or internally-developed models based on assumptions which do not rely directly on currently-observable market data. These models are based on methods widely used in the financial community, are subject to a internal approval procedure and are regularly reviewed by Risk Management.

The uncertainty inherent to the use of these models is quantified through analyses of sensitivities to non-observable parameters as well as through comparison with valuations resulting from alternative models. Given this uncertainty, the Group uses reserves to adjust the carrying amount of the instruments concerned.

Day one profit is calculated net of these reserves, and is taken to the profit and loss account over the period during which the valuation parameters are expected to remain unobservable (note 1.c.9). The unamortised amount is included in the balance sheet as a reduction in the fair value of these complex transactions.

At 31December 2007, the sensitivity of the values resulting from reasonable alternative assumptions likely to be used to quantify the parameters used can be estimated at approximately EUR 270 million.

5.b DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the fair values of derivatives used for hedging purposes.

In millions of euros	31 December 2007		31 December 2006	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	-	22	4	1
Interest rate derivatives	655	1,487	771	2,134
Other derivatives	14	43	7	8
FAIR VALUE HEDGES	669	1,552	782	2,143
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	162	173	86	243
Interest rate derivatives	418	428	463	416
Other derivatives	2	-	-	1
CASH FLOW HEDGES	582	601	549	660
DERIVATIVES USED AS NET FOREIGN INVESTMENT HEDGES				
Currency derivatives	10	1	4	-
NET INVESTMENT HEDGES	10	1	4	-
DERIVATIVES USED FOR HEDGING PURPOSES	1,261	2,154	1,335	2,803

The total notional amount of derivatives used for hedging purposes stood at EUR 371,339 million at 31 December 2007, compared with EUR 328,354 million at 31 December 2006.

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets and are measured using models based on observable parameters.

5.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2007	31 December 2006
Negotiable certificates of deposit	17,499	12,456
Treasury bills and other bills eligible for central bank refinancing	12,762	8,653
Other negotiable certificates of deposit	4,737	3,803
Bonds	73,457	65,710
Government bonds	48,802	45,935
Other bonds	24,655	19,775
Equities and other variable-income securities	22,670	19,730
of which listed securities	*14,454*	*12,750*
of which unlisted securities	*8,216*	*6,980*
Total available-for-sale financial assets, before impairment provisions	113,626	97,896
of which unrealised gains and losses	*5,025*	*7,026*
of which fixed-income securities	*90,956*	*78,166*
of which loaned securities	*1,729*	*538*
Provisions for impairment of available-for-sale financial assets	(1,032)	(1,157)
Fixed-income securities	(231)	(133)
Variable-income securities	(801)	(1,024)
Total available-for-sale financial assets, net of impairment provisions	112,594	96,739
of which fixed-income securities, net of impairment provisions (note 4.a)	*90,725*	*78,033*

5.d INTERBANK AND MONEY-MARKET ITEMS

- Loans and receivables due from credit institutions

In millions of euros	31 December 2007	31 December 2006
Demand accounts	15,497	15,230
Loans	48,901	52,394
Repurchase agreements	6,772	7,638
Total loans and receivables due from credit institutions, before impairment provisions	71,170	75,262
Provisions for impairment of loans and receivables due from credit institutions	(54)	(92)
Total loans and receivables due from credit institutions, net of impairment provisions	71,116	75,170

- Due to credit institutions

In millions of euros	31 December 2007	31 December 2006
Demand accounts	8,165	7,892
Borrowings	130,370	121,417
Repurchase agreements	31,647	14,341
Total due to credit institutions	170,182	143,650

5.e CUSTOMER ITEMS

- **Loans and receivables due from customers**

In millions of euros	31 December 2007	31 December 2006
Demand accounts	29,794	26,271
Loans to customers	403,295	356,564
Repurchase agreements	247	1,065
Finance leases	24,266	22,758
Total loans and receivables due from customers, before impairment provisions	457,602	406,658
Impairment of loans and receivables due from customers	(12,499)	(13,525)
Total loans and receivables due from customers, net of impairment provisions	445,103	393,133

- **Breakdown of finance leases**

In millions of euros	31 December 2007	31 December 2006
Gross investment	27,294	25,486
Receivable within 1 year	*7,407*	*7,739*
Receivable after 1 year but within 5 years	*14,671*	*13,216*
Receivable beyond 5 years	*5,216*	*4,531*
Unearned interest income	(3,028)	(2,728)
Net investment before impairment provisions	24,266	22,758
Receivable within 1 year	*6,258*	*6,895*
Receivable after 1 year but within 5 years	*13,453*	*11,833*
Receivable beyond 5 years	*4,555*	*4,030*
Impairment provisions	(431)	(437)
Net investment after impairment provisions	23,835	22,321

- **Due to customers**

In millions of euros	31 December 2007	31 December 2006
Demand deposits	159,842	142,522
Term accounts	130,869	100,988
Regulated savings accounts	40,198	40,469
Retail certificates of deposit	9,390	10,640
Repurchase agreements	6,405	4,033
Total due to customers	346,704	298,652

5.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 December 2007	31 December 2006
Debt securities at fair value through profit or loss ***(note 5.a)***	73,973	55,279
Other debt securities	141,056	121,559
Negotiable certificates of deposit	106,381	85,363
Bond issues	34,675	36,196
Subordinated debt	18,641	17,960
Redeemable subordinated debt	17,393	16,376
Undated subordinated debt	1,248	1,584
TOTAL	233,670	194,798

REDEEMABLE SUBORDINATED DEBT

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

UNDATED SUBORDINATED DEBT

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated subordinated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	31 December 2007	31 December 2006
Undated floating-rate subordinated notes (TSDIs)	757	808
Other undated subordinated notes	140	406
Undated participating subordinated notes	274	290
Issue costs and fees, accrued interest	77	80
TOTAL	**1,248**	**1,584**

- Undated floating-rate subordinated notes and other undated subordinated notes

The TSDIs and other undated subordinated notes issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets.

- Undated floating-rate subordinated notes

The various TSDI issues are as follows:

In millions of euros						
Issuer	**Issue date**	**Currency**	**Original amount in issue currency**	**Rate**	**31 December 2007**	**31 December 2006**
Paribas SA	September 1984	USD	24 million	3-month Libor + 3/8%	16	18
BNP SA	October 1985	EUR	305 million	TMO - 0.25%	290	290
Paribas SA	July 1986	USD	165 million	3-month Libor + 1/8%	109	121
BNP SA	September 1986	USD	500 million	6-month Libor + 0.75%	342	379
TOTAL					**757**	**808**

The TSDIs issued in US dollars contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, after approval of the banking supervisory authorities. They are not subject to any interest step up clause. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders approves a decision not to pay a dividend.

Payment of interest is obligatory on the TSDIs issued in October 1985 (representing a nominal amount of EUR 305 million), but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the

Ordinary General Meeting of Shareholders notes that there is no income available for distribution.

- Other undated subordinated notes

The other undated subordinated notes issued by the Group between 1997 and 1999 may be redeemed at par prior to maturity on a date specified in the issue particulars, after approval of the banking supervisory authorities, and are entitled to a step up in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders Meeting approves a decision not to pay a dividend.

In millions of euros

Issuer	Issue date	Currency	Original amount in issue currency	Redemption option/interest step up date	Interest rate	Interest step up (basis points)	31 December 2007	31 December 2006	1 January 2005
BNP SA	January 1997	USD	50 million	January 2007	3-month Libor + 0.65%	+150 bp	-	38	37
BNP SA	May 1997	EUR	191 million	May 2007	6.50%	+200 bp (2)	-	189	191
BNP SA	July 1997	USD	50 million	July 2007	3-month Libor + 0.56%	+150 bp	-	38	37
BNP SA	Nov. 1997	EUR	9 million	November 2007	6.36%	+205 bp (2)	-	9	9
BNP SA	April 1998	EUR	77 million	April 2008	3-month Libor + 0.70%	+150 bp	77	77	77
Laser	May 1999	EUR	110 million (1)	May 2009	5.935%	+250 bp (3)	55	55	
Others							8		
TOTAL							140	406	550

(1) Before application of the proportionate consolidation rate
(2) Above the 3-month Euribor
(3) Above the 3-month Eurolibor

The four transactions which included a redemption option or interest step up date in 2007 were redeemed in advance of the date provided in the issue particulars.

The USD 50 million in undated notes issued in January 1997 were redeemed prior to maturity in January 2007. The EUR 191 million in undated notes issued in May 1997 were redeemed prior to maturity in May 2007. The USD 50 million in undated notes issued in July 1997 were redeemed prior to maturity in September 2007. The USD 9 million in undated notes issued in November 1997 were redeemed prior to maturity in November 2007.

- Undated participating subordinated notes

Undated participating subordinated notes issued by the Bank between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 325,560 notes were retired in 2004 and 2006 and 108,707 notes in March 2007 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Ordinary General Meeting of Shareholders Meeting held to approve the financial statements notes that there is no income available for distribution.

BREAKDOWN OF DEBT SECURITIES AND SUBORDINATED DEBT BY CONTRACTUAL MATURITY

The carrying amount of debt securities (except for negotiable certificates of deposit, recorded within "Other debt securities", regarded mostly as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2008	2009	2010	2011	2012	2013-2017	After 2017	TOTAL at 31 Dec 2007
Total senior and subordinated debt	28,925	17,158	11,376	11,773	13,255	32,961	11,841	127,289

Maturity or call option date, in millions of euros (unless otherwise indicated)	2007	2008	2009	2010	2011	2012-2016	After 2016	TOTAL at 31 Dec 2006
Total senior and subordinated debt	16,085	11,457	9,390	7,748	11,730	32,181	20,844	109,435

5.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2007	31 December 2006
Negotiable certificates of deposit	2,904	2,915
Treasury bills and other bills eligible for central bank refinancing	2,848	2,860
Other negotiable certificates of deposit	56	55
Bonds	11,904	12,234
Government bonds	11,564	11,868
Other bonds	340	366
Total held-to-maturity financial assets	14,808	15,149

5.h CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2007	31 December 2006
Current taxes	1,297	1,926
Deferred taxes	1,668	1,517
Current and deferred tax assets	2,965	3,443
Current taxes	1189	1309
Deferred taxes	1,286	997
Current and deferred tax liabilities	2,475	2,306

Deferred taxes on temporary differences relate to the following items:

Change in deferred taxes over the year In millions of euros	31 December 2007	31 December 2006
Net deferred taxes at 1 January	520	(571)
Deferred income tax charge	(357)	(458)
Impact of the consolidation of Banca Nazionale del Lavoro	-	1,158
Effect of exchange rate and other movements	219	391
Net deferred taxes at 31 December	382	520

Breakdown of net deferred taxes by temporary differences In millions of euros	31 December 2007	31 December 2006
Provisions for employee benefit obligations	373	497
Other provisions	1,537	1,591
Unrealised finance lease reserve	(755)	(854)
Available-for-sale financial assets	(552)	(794)
Other items	(221)	80
Net deferred taxes	382	520
of which		
Deferred tax assets	1,668	1,517
Deferred tax liabilities	(1,286)	(997)

Carryforwards of tax losses accounted for EUR 478 million of total deferred tax assets at 31 December 2007 (EUR 67 million at 31 December 2006).

Unrecognised deferred tax assets amounted to EUR 529 million at 31 December 2007 (EUR 626 million at 31 December 2006).

The decrease in deferred tax assets related to the reduction in tax rates in Italy amounted to EUR 146 million.

5.i Accrued income/expense and other assets/liabilities

In millions of euros	31 December 2007	31 December 2006
Guarantee deposits and bank guarantees paid	16,358	25,379
Settlement accounts related to securities transactions	16,066	17,799
Collection accounts	2,517	2,206
Reinsurers' share of technical reserves	2,554	2,414
Accrued income and prepaid expenses	3,919	2,330
Other debtors and miscellaneous assets	19,194	16,787
Total accrued income and other assets	60,608	66,915
Guarantee deposits received	16,818	12,315
Settlement accounts related to securities transactions	23,151	21,681
Collection accounts	401	484
Accrued expenses and deferred income	5,509	3,668
Other creditors and miscellaneous liabilities	12,936	15,513
Total accrued expenses and other liabilities	58,815	53,661

The movement in “Reinsurers’ share of technical reserves” breaks down as follows:

In millions of euros	31 December 2007	31 December 2006
Reinsurers' share of technical reserves at start of period	2,414	2,283
Increase in technical reserves borne by reinsurers	353	401
Amounts received in respect of claims and benefits passed on to reinsurers	(232)	(271)
Effect of changes in exchange rates and scope of consolidation	19	1
Reinsurers' share of technical reserves at end of period	2,554	2,414

5.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method), which represent amounts in excess of EUR 100 million, are shown below:

In millions of euros	31 December 2007	31 December 2006
Bank of Nanjing	136	78
Sahara Bank LSC	148	-
BNL Vita	179	229
Cofidis France	94	102
Erbe	1,396	1,164
JetFinance International	172	-
Servicios Financieros Carrefour EFC SA	105	99
Société de Paiement Pass	203	202
Verner Investissement	334	308
Other associates	566	590
Investments in associates	3,333	2,772

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec. 2007	Net banking income or net revenue Year to 31 Dec. 2007	Net income Year to 31 Dec. 2007
Bank of Nanjing	7,134	177	84
Sahara Bank LSC (1)	1,623	37	19
BNL Vita	10,555	71	51
Cofidis France	5,932	755	149
Erbe (1)	3,829		428
JetFinance International	111	25	8
Servicios Financieros Carrefour EFC SA	1,284	120	17
Société de Paiement Pass	2,989	253	57
Verner Investissement (1)	5,190	420	97

(1) Data at 31 December 2006 or for the year then ended

5.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 December 2007			31 December 2006		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	7,738	(1,045)	6,693	6,704	(891)	5,813
Land and buildings	5,010	(925)	4,085	5,015	(866)	4,149
Equipment, furniture and fixtures	4,055	(2,465)	1,590	3,614	(2,230)	1,384
Plant and equipment leased as lessor under operating leases	9,367	(3,086)	6,281	8,536	(2,838)	5,698
Other property, plant and equipment	1,830	(621)	1,209	1,813	(574)	1,239
PROPERTY, PLANT AND EQUIPMENT	20,262	(7,097)	13,165	18,978	(6,508)	12,470
Purchased software	1,505	(1,018)	487	1,452	(939)	513
Internally-developed software	1,123	(661)	462	811	(454)	357
Other intangible assets	908	(170)	738	943	(244)	699
INTANGIBLE ASSETS	3,536	(1,849)	1,687	3,206	(1,637)	1,569

The main changes in investment property in the year to 31 December 2007 are attributable to the acquisition by Klépierre of shopping centres for more than EUR 590 million.

- Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at cost at 31 December 2007 was EUR 12,605 million, compared with EUR 10,157 million at 31 December 2006.

- Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

- Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2007 was EUR 987 million, compared with EUR 907 million for the year ended 31 December 2006.

The net increase in impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2007 amounted to EUR 4 million, compared with a net increase of EUR 21 million for the year ended 31 December 2006.

5.1 GOODWILL

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Gross value at start of period	10,194	8,093
Accumulated impairment at start of period	(32)	(14)
Carrying amount at start of period	10,162	8,079
Acquisitions	483	2,580
Divestments	(2)	(37)
Impairment losses recognised during the period	(1)	(14)
Translation adjustments	(475)	(448)
Subsidiaries previously accounted for by the equity method	64	-
Other movements	13	2
Gross value at end of period	10,277	10,194
Accumulated impairment recognised during the period	(33)	(32)
Carrying amount at end of period	10,244	10,162

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2007	Carrying amount at 31 December 2006 (1)
International Retail Banking and Financial Services	6,108	6,503
of which BancWest Corp	*3,412*	*3,771*
of which Consumer Credit	*1,546*	*1,525*
of which Contract Hire and Fleet Management	*649*	*697*
Italian Retail Banking (BNL bc)	1,698	1,602
Asset Management and Services	1,705	1,408
of which BNP Paribas Personal Investors	*403*	*385*
Corporate and Investment Banking	445	428
French Retail Banking	68	23
Other Activities	220	198
Total	10,244	10,162

(1) : The creation of a new retail banking unit in Italy in the first half of 2007 led to certain transfers between business segments. In order to facilitate period-on-period comparisons of goodwill, the carrying amounts at 31 December 2006 have been restated to reflect the new organisational structure.

5.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 December 2007	31 December 2006
Liabilities related to insurance contracts	82,471	74,795
Gross technical reserves		
- Unit-linked contracts	36,226	33,027
- Other insurance contracts	46,245	41,768
Liabilities related to financial contracts	8,014	8,457
Liabilities related to financial contracts with discretionary participation feature	8,014	8,457
Policyholders' surplus	2,835	3,792
Total technical reserves of insurance companies	93,320	87,044
Liabilities related to unit-linked financial contracts (1)	5,450	4,347
Total liabilities related to contracts written by insurance companies	98,770	91,391

(1) : Liabilities related to unit-linked financial contracts are included in "Due to customers" (Note 5.e)

The policyholders' surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

The movement in liabilities related to insurance contracts breaks down as follows:

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Liabilities related to contracts at start of period	91,391	80,613
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	13,802	14,533
Claims and benefits paid	(6,744)	(6,500)
Contracts portfolio disposals	(294)	-
Effect of changes in scope of consolidation	63	289
Effect of movements in exchange rates	(364)	(53)
Effect of changes in value of admissible investments related to unit-linked business	916	2,509
Liabilities related to contracts at end of period	98,770	91,391

Please refer to Note 5.i for details of reinsurers' share of technical reserves.

5.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Total provisions at start of period	4,718	3,850
Additions to provisions	1,050	1,154
Reversals of provisions	(534)	(962)
Provisions utilised	(758)	(890)
Impact of the consolidation of Banca Nazionale del Lavoro	260	1,620
Effect of movements in exchange rates and other movements	2	(54)
Total provisions at end of period	4,738	4,718

At 31 December 2006 and 31 December 2007, provisions for contingencies and charges mainly included provisions for post-employment benefits (Note 7.b), for impairment related to credit risks (Note 2.e), for risks on regulated savings products and for litigation in connection with banking transactions.

- Provisions for regulated savings product risks

\- Deposits, loans and savings – home savings accounts (CEL) and home savings plans (PEL)

In millions of euros	31 December 2007	31 December 2006
Deposits collected under home savings accounts and plans	15,995	17,581
of which deposits collected under home savings plans	12,890	14,417
Aged more than 10 years	*4,476*	*5,223*
Aged between 4 and 10 years	*6,542*	*7,016*
Aged less than 4 years	*1,872*	*2,178*
Outstanding loans granted under home savings accounts and plans	552	643
of which loans granted under home savings plans	150	213
Provisions recognised for home savings accounts and plans	135	216
of which home savings plans	97	171
Aged more than 10 years	*51*	*91*
Aged between 4 and 10 years	*33*	*65*
Aged less than 4 years	*13*	*15*

\- Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec. 2007		Year to 31 Dec. 2006	
	Provisions recognised - home savings plans	Provisions recognised - home savings accounts	Provisions recognised - home savings plans	Provisions recognised - home savings accounts
Total provisions at start of period	171	45	350	38
Additions to provisions during the period	-	2	-	7
Provision reversals during the period	(74)	(9)	(179)	-
Total provisions at end of period	97	38	171	45

6 FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 December 2007	31 December 2006
Financing commitments given:		
- to credit institutions	25,933	36,412
- to customers:	205,294	199,324
Confirmed letters of credit	177,907	139,200
Other commitments given to customers	27,387	60,124
Total financing commitments given ***(Note 4.a)***	231,227	235,736
Financing commitments received:		
- from credit institutions	100,593	71,398
- from customers	6,888	4,622
Total financing commitments received	107,481	76,020

Financing commitments given concern in particular liquidity facilities granted to entities created within the scope of securitisation programmes described in section 6.c.

6.b GUARANTEE COMMITMENTS

- Financial instruments given and received as guarantees

The carrying amount of financial instruments given by the Group as guarantees of liabilities or contingent liabilities amounted to EUR 43,621 million at 31 December 2007, compared with EUR 31,632 million at 31 December 2006). In addition, financial instruments given by the Group as collateral in respect of notes, securities and receivables from central banks amounts to EUR 7,480 million at 31 December 2007, versus EUR 2,937 million at 31 December 2006.

Financial instruments received as guarantees by the Group which it is authorised to sell or give as guarantees amounted to EUR 38,014 million at 31 December 2007 (EUR 13,775 million at 31 December 2006).

- Guarantee commitments given

In millions of euros	31 December 2007	31 December 2006
Guarantee commitments given:		
to credit institutions	10,436	11,723
to customers:	80,663	69,222
- Property guarantees	2,142	1,610
- Sureties provided to tax and other authorities, other sureties	36,172	27,459
- Other guarantees	42,349	40,153
Total guarantee commitments given ***(note 4.a)***	91,099	80,945

6.c CUSTOMER SECURITISATION PROGRAMMES

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities on behalf of its customers. These programmes have liquidity facilities and, where appropriate, guarantee facilities. Special-purpose entities over which the Group does not exercise control are not consolidated.

- Short-term refinancing

At 31 December 2007, 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 securitised receivables managed for customers by these entities up to an amount of EUR 655 million (EUR 580 million at 31 December 2006), and has granted liquidity facilities totalling EUR 15,012 million to these entities (EUR 12,518 million at 31 December 2006).

The financial instruments held by these entities have the following characteristics:

Securitisation entities at 31 December 2007	Starbird	Matchpoint	Eliopee	Thesee	J Bird 1 & 2	Total
Issuing country	United States	Europe	Europe	Europe	Japan	
Ratings [(1)]	A1 / P1	A1 / P1	P1	A1 / P1 / F1	A1 / P1	
Assets (in millions of euros)	4,232	3,364	1,944	875	475	10,890
Portion invested in the United States (%)	100%	4%	-	-	-	40%
Liquidity facilities granted by BNP Paribas (in millions of euros)	7,579	3,789	2,256	904	484	15,012
Breakdown by type of assets held						
Automobile loans	38%	35%	-	-	-	26%
Trade receivables	7%	8%	100%	58%	-	28%
CDOs et CLOs [(2)] [(3)]	17%	24%	-	-	-	14%
CMBS [(4)]	-	18%	-	-	-	5%
Consumer credit	23%	6%	-	29%	100%	18%
Capital goods loans	9%	-	-	-	-	3%
Mortgages [(5)]	5%	7%	-	-	-	4%
Insurance	-	-	-	13%	-	1%
Other assets	1%	2%	-	-	-	1%
Total	100%	100%	100%	100%	100%	100%

[(1)] Ratings regularly confirmed by rating agencies

[(2)] CDOs & CLOs: Collateralised debt and loan obligations

[(3)] 100% of the CDOs held by Starbird are AAA rated, 90% of the CLOs held by Starbird are AA or AAA rated
100% of the CDOs and CLOs held by Matchpoint are structured by BNP Paribas and are AAA rated

[(4)] CMBS: Commercial mortgage backed securities

[(5)] Starbird's exposure to subprime loans is limited to EUR 5 million, i.e. 0.2% of assets

- Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issuing medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2007, the BNP Paribas Group had granted liquidity facilities totalling EUR 309 million (EUR 289 million at 31 December 2006) to thirteen such funds (Meliadi SARL, Tenzing CFO, Forest Finance, Italfinance, Emerald Assets, LFE Capital III, Cavendish, RMF Euro CDO IV, RMF Euro CDO V, Master Dolfin 2003, CR Ferrara, CR Firenze and Halcyon), representing a total of EUR 4,580 million in securitised receivables (EUR 6,480 million at 31 December 2006).

7 SALARIES AND EMPLOYEE BENEFITS

7.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2007 came to EUR 11,105 million (EUR 10,260 million for the year to 31 December 2006).

Fixed and variable remuneration, incentive bonuses and profit-sharing amounted to EUR 8,391 million (EUR 7,560 million in 2006); retirement bonuses, pension costs and social security taxes to EUR 2,368 million (EUR 2,336 million in 2006); and payroll taxes to EUR 346 million (EUR 364 million in 2006).

7.b EMPLOYEE BENEFIT OBLIGATIONS

POST-EMPLOYMENT BENEFITS UNDER DEFINED-CONTRIBUTION PLANS

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. BNP Paribas SA and certain subsidiaries have set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan.

The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2007 was approximately EUR 362 million (EUR 346 million for the year to 31 December 2006).

POST-EMPLOYMENT BENEFITS UNDER DEFINED-BENEFIT PLANS

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2007 totalled EUR 1,391 million (EUR 1,554 million at 31 December 2006), comprising EUR 469 million for French plans and EUR 930 million for other plans.

- Pension plans and other post-employment benefits

- Pension plans

In France, BNP Paribas pays a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. The residual pension obligations are covered by a provision in the consolidated financial statements or transferred to an insurance company outside the Group.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed. These pension plans have been contracted out to insurance companies. The fair value of the related plan assets in these companies' balance sheets breaks down as 75% bonds, 18% equities and 7% property assets.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom),* or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States).* Some plans are top-up schemes linked to statutory pensions *(Norway).* Some plans are managed by an insurance company *(Spain),* a foundation (*Switzerland*) or by independent fund managers *(United Kingdom)*. At 31 December 2007, 88% of the gross obligations under these plans concerned 20 plans in the United Kingdom, the United States and Switzerland. The fair value of the related plan assets was split as follows: 46% equities, 42% bonds, 12% other financial instruments.

- Other post-employment benefits

Group employees also receive various other contractual post-employment benefits such as bonuses payable on retirement. BNP Paribas' obligations for these bonuses in France are funded through a contract taken out with a third-party insurer. In 2006, BNP Paribas paid a premium of EUR 372 million under this contract, an amount that had previously been provisioned.

In other countries, the bulk of the Group's obligations are in Italy (84%), where pension reforms changed Italian termination indemnity schemes (TFR) into defined-contribution plans with effect from 1 January 2007. Rights vested up to 31 December 2006 continue to be classified as defined benefit obligations.

The tables below provide details relating to the Group's obligations for both pensions and other post-employment benefits:

- Reconciliation of assets and liabilities recognised in the balance sheet

In millions of euros	31 December 2007	31 December 2006
Present value of obligation	4,047	3,884
Present value of obligations wholly or partially funded by plan assets	3,156	2,837
Present value of unfunded obligations	891	1,047
Fair value of plan assets	(2,474)	(2,213)
of which financial instruments issued by BNP Paribas	*-*	*3*
Fair value of surplus assets	(68)	(70)
Fair value of segregated assets (1)	(14)	(12)
Cost not yet recognised in accordance with IAS 19	(280)	(216)
Past service cost	(245)	(52)
Net actuarial losses/gains	(35)	(164)
Other amounts recognised in the balance sheet	50	54
Net obligation recognised in the balance sheet for defined-benefit plans	1,261	1,427

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- Movements in the present value of the obligation and surplus assets

In millions of euros	31 December 2007	31 December 2006
Present value of obligation at start of period	3,814	3,073
Gross present value of obligation at start of period	*3,884*	*3,151*
Fair value of surplus assets at start of period	*(70)*	*(78)*
Service cost for the period	117	115
Expense arising on discounting of the obligation	166	144
Effect of plan amendments	192	122
Effect of plan curtailments or settlements	(80)	(17)
Net actuarial gains and losses	(117)	(12)
Contributions by plan participants	11	1
Benefits paid	(205)	(183)
Effect of movements in exchange rates	(120)	(55)
Effect of changes in scope of consolidation	222	700
Other movements	(21)	(74)
Present value of obligation at end of period	3,979	3,814
Gross present value of obligation at end of period	*4,047*	*3,884*
Fair value of surplus assets at end of period	*(68)*	*(70)*

- Movements in the fair value of plan assets and segregated assets

In millions of euros	31 December 2007	31 December 2006
Fair value of assets at start of period	2,225	1,808
Fair value of plan assets at start of period	*2,213*	*1,735*
Fair value of segregated assets at start of period	*12*	*73*
Expected return on plan assets	123	100
Effect of plan curtailments or settlements	(1)	3
Net actuarial gains and losses	15	16
Contributions by plan participants	11	1
BNP Paribas contributions to plan assets	122	463
Benefits paid to recipients of funded benefits	(120)	(103)
Effect of movements in exchange rates	(105)	(42)
Effect of changes in scope of consolidation	218	33
Other movements	-	(54)
Fair value of assets at end of period	2,488	2,225
Fair value of plan assets at end of period	*2,474*	*2,213*
Fair value of segregated assets at end of period	*14*	*12*

- Components of pension cost

In millions of euros	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Service cost for the period	117	115
Expense arising on discounting of the obligation	166	144
Expected return on plan assets	(123)	(100)
Amortisation of actuarial gains and losses	4	4
Amortisation of past service cost	3	(7)
Effect of plan curtailments or settlements	(77)	(19)
Total expense recorded in "Salary and employee benefit expenses"	90	137

- Main actuarial assumptions used in employee benefit calculations at the balance sheet date

In %	31 December 2007				31 December 2006			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	4.11%-4.60%	4.15%-4.70%	5.69%	6.00%	3.92%-4.13%	3.40%-4.13%	5.04%	5.50%
Future rate of salary increases	2.50%-5.00%	2.00%-5.00%	4.30%-4.75%	4.00%-5.00%	2.50%-5.50%	2.00%-5.00%	4.00%-4.50%	4.00%-5.00%

- Effective rate of return on plan assets during the year

In %,	Year to 31 Dec. 2007				Year to 31 Dec. 2006			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Expected return on plan assets (1)	4.20%	2.00%-6.90%	4.80%-7.30%	6.50%-8.25%	4.00%	2.00%-6.60%	4.30%-6.30%	4.00%-8.50%
Actual return on plan assets (1)	4.50%-4.70%	3.00%-6.00%	6.00%-9.00%	5.00%-12.00%	4.50%-5.00%	3.00%-16.00%	3.50%-10.00%	9.00%-13.00%

(1) Range of values, reflecting the existence of several plans within a single country or zone

Actuarial gains and losses arising in 2007 due to updating the assumptions used for calculating employee benefits (e.g. discount rate and future rate of salary increases) and the expected return on plan assets reduced the value of the Group's net obligation of approximately EUR 132 million. Actuarial gains and losses arising in France were not material, while other countries reported mainly actuarial gains due to the increase in the discount rates applied.

- Post-employment healthcare plans

In France, BNP Paribas no longer has any obligations in relation to healthcare benefits for its retired employees.

Several healthcare benefit plans for retired employees exist in other countries, mainly in the United States. Provisions for obligations under these plans at 31 December 2007 amounted to EUR 48 million (EUR 45 million at 31 December 2006).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

TERMINATION BENEFITS

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements. A similar provision of EUR 114 million was recorded in 2006, primarily relating to BNL.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 264 million at 31 December 2007 (EUR 487 million at 31 December 2006), of this total, EUR 171 million related to the Group's operations outside France (EUR 366 million at 31 December 2006).

7.c SHARE-BASED PAYMENT

SHARE-BASED LOYALTY AND INCENTIVE SCHEMES

BNP Paribas has set up share-based payment systems for certain employees, including stock option and share award plans implemented as part of loyalty schemes and a Global Share-Based Incentive Plan.

- Loyalty schemes

As part of the Group's variable remuneration policy, certain high-performing or newly-recruited employees are offered a loyalty bonus scheme, entitling them to specific share-based remuneration (in the form of shares or cash payments indexed to the BNP Paribas share price), payable over several years, and subject to the condition that the employees remain within the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights. The expense recognised in the year to 31 December 2007 related to awards made between 2004 and 2007.

- Global Share-Based Incentive Plan

Until 2005, various stock option plans were granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas, under successive authorisations given by Extraordinary Shareholders' Meetings.

Since 2005, the Group has set up stock option plans on an annual basis with a view to actively involving various categories of managers in creating value for the Group, and thereby encouraging the convergence of their interests with those of the Group's shareholders. The managers selected for these plans represent the Group's best talent, including the next generation of leaders: senior managers, managers in key positions, line managers and technical experts, high-potential managers, high-performing young managers with good career development prospects, and major contributors to the Group's results.

The option exercise price under these plans is determined at the time of issue in accordance with the terms of the authorisation given by the corresponding Extraordinary Shareholders' Meeting. No discount is offered. Since the 2005 plan, the life of the options granted has been reduced to 8 years. The plans are subject to vesting conditions under which a portion of the options granted is conditional upon the performance of the BNP Paribas share relative to the Euro Stoxx Bank index. This relative performance is measured at the end of the second, third and fourth years of the compulsory holding period. Depending on the results of this measurement, the exercise price of the portion of the options subject to this performance-related condition may be increased or their exercise may be deemed null and void.

In 2006, BNP Paribas used the authorisations granted by the Extraordinary Shareholders' Meeting of 18 May 2005 to set up a Global Share-Based Incentive Plan for the above-mentioned employee categories, which consists of stock options with share awards. Under this plan, senior managers and corporate officers are exclusively granted stock options, whereas managers in key positions receive both stock options and share awards. High-potential managers and major contributors are exclusively granted share awards.

Employees' rights under share awards vest after a period of 2 or 3 years depending on the case and provided the employee is still a member of the Group. The compulsory holding period for the shares granted free of consideration is two years. Share awards were only made to Group employees in France.

All unexpired plans involve potential settlement in BNP Paribas shares.

- Expense for the year

The expense recognised in the year to 31 December 2007 in respect of all the plans granted amounted to EUR 107 million (EUR 90 million in the year to 31 December 2006).

In millions of euros	2007				2006
	Stock option plans	Share award plans	Other plans	Total expense	Total expense
Loyalty schemes	-	-	19	19	32
Global Share-Based Incentive Plan	44	44	-	88	58
Total	44	44	19	107	90

- Description of the plans

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2007:

- Stock subscription option plans

Characteristics of the plan							Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted	Start date of exercise period	Option expiry date	Adjusted exercise price (in euros) (5)	Number of options	Remaining period until expiry of options (years)
BNP (1) (5)	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	36.95	207,476	1
BNP (1) (5)	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.31	65,386	2
BNL (6)	13/09/1999	137	614,763	13/09/2001	13/09/2011	82.05	443,822	4
BNP (1) (4) (5)	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	44.77	1,600,183	2
BNP (1) (4) (5)	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.13	374,809	3
BNL (6)	20/10/2000	161	504,926	20/10/2003	20/10/2013	103.55	485,185	6
BNP Paribas SA (1) (2) (5)	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	48.57	3,009,046	4
BNL (6)	26/10/2001	153	479,685	26/10/2004	26/10/2012	63.45	2,074	5
BNL (6)	26/10/2001	223	573,250	26/10/2004	26/10/2014	63.45	4,740	7
BNP Paribas SA (2) (5)	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	59.48	1,084,342	5
BNP Paribas SA (3) (5)	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	36.78	3,812,936	6
BNP Paribas SA (3) (5)	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.36	1,603,314	7
BNP Paribas SA (3) (5)	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	54.62	4,186,385	6
BNP Paribas SA (3)	05/04/2006	2,583	3,894,770	06/04/2010	04/04/2014	75.25	3,766,865	7
BNP Paribas SA (3)	08/03/2007	2,023	3,630,165	08/03/2011	06/03/2015	82.70	3,602,090	8
BNP Paribas SA (3)	06/04/2007	219	405,680	06/04/2001	03/04/2015	78.50	399,630	8
Total options outstanding at end of period							24,648,283	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) These options were subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant. This condition has been met for the plans concerned.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of the BNP Paribas share relative to the Dow Jones Euro Stoxx Bank index during the applicable holding period.

Based on this relative performance condition, the adjusted exercise price for these options has been set at:

- EUR 38.62 for 600,526 options under the 21 March 2003 plan, outstanding at the year-end.
- EUR 51.83 for 1,514 options under the 24 March 2004 plan, outstanding at the year-end.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met for the two plans concerned.

(5) The exercise prices for options granted under plans prior to 31 March 2006, as well as the number of options outstanding at that date have been adjusted in accordance with the applicable regulations in order to take into account the issue of a preferential subscription right on 7 March 2006.

(6) Following the merger between BNL and BNP Paribas on 1 October 2007, stock option plans granted by BNL between 1999 and 2001 entitle beneficiaries to subscribe to BNP Paribas shares as of the date of the merger. Beneficiaries may subscribe to the shares based on a ratio of 1 BNP Paribas share for 27 BNL shares. The exercise price has been adjusted in line with this ratio.

- Share award plans

Characteristics of the plan						Number of shares outstanding at end of period
Originating company	Date of grant	Number of grantees	Number of shares granted	Vesting date of share granted	Expiry date of holding period for shares granted	
BNP Paribas SA	05/04/2006	2,034	544,370	07/04/2008	07/04/2010	526,688
BNP Paribas SA	05/04/2006	253	64,281	06/04/2009	06/04/2011	60,420
BNP Paribas SA	08/03/2007	2,145	834,110	09/03/2009	09/03/2011	821,235
BNP Paribas SA	08/03/2007	327	76,813	28/06/2010	28/06/2012	75,287
Total shares outstanding at end of period						1,483,630

- Movements over the past two years

\- Stock subscription option plans

	2007		2006	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	24,474,326	50.63	25,388,170	46.63
Options granted during the period	4,035,845	82.28	3,894,770	75.25
Options arising from the 31 March 2006 capital increase	-		218,317	
Options arising from the conversion of BNL plans into BNP Paribas shares	989,317		-	
Options exercised during the period	(4,488,732)	40.86	(4,522,809)	46.95
Options expired during the period	(362,473)		(504,122)	
Options outstanding at 31 December	24,648,283	59.07	24,474,326	50.63
Options exercisable at 31 December	10,154,176	44.16	8,299,495	48.14

The average quoted stock market price for the option exercise period in 2007 was EUR 81.52 (EUR 78.11 in 2006).

\- Stock purchase option plans

	2007		2006	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	13,508	31.60	1,504,355	20.58
Options arising from the 31 March 2006 capital increase			11,198	
Options exercised during the period	(13,508)	31.60	(1,498,931)	20.32
Options expired during the period			(3,114)	
Options outstanding at 31 December	-	-	13,508	31.60
Options exercisable at 31 December	-	-	13,508	31.60

The average quoted stock market price for the option exercise period in 2007 was EUR 81.11 (EUR 78.06 in 2006).

\- Share award plans

	2007	2006
	Number of shares	Number of shares
Shares outstanding at 1 January	595,669	-
Shares granted during the period	910,923	608,651
Shares vested during the period	(463)	(265)
Shares expired during the period	(22,499)	(12,717)
Shares outstanding at 31 December	1,483,630	595,669

- Value attributed to stock options and share awards

As required under IFRS 2, BNP Paribas attributes a value to stock options and share awards granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options and shares concerned. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights). The Group's share-based payment plans are valued by an independent specialist firm.

- Measurement of stock subscription options

Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of the BNP Paribas share relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

Stock subscription options granted on 8 March 2007 were valued at EUR 14.57 and EUR 12.90 depending on whether or not they are subject to performance conditions (compared with EUR 15.36 and EUR 14.03, respectively, for stock subscription options granted in 2006). Stock subscription options granted on 6 April 2007 were valued at EUR 16.68 and EUR 14.47, respectively.

	Year to 31 Dec. 2007		Year to 31 Dec. 2006
	8 March 2007 Plan	6 April 2007 Plan	5 April 2006 Plan
BNP Paribas share price on the grant date (in euros)	79.31	80.60	76.85
Option exercise price (in euros)	82.70	75.50	75.25
Implied volatility of BNP Paribas shares	23.3%	23.3%	22.4%
Expected option holding period	7 years	7 years	7 years
Expected dividend on BNP Paribas shares (1)	4.0%	4.0%	3.5%
Risk-free interest rate	4.1%	4.3%	4.0%
Expected proportion of options that will be forfeited	1.5%	1.5%	1.5%

(1) The dividend rate shown above is an average of the estimated annual dividends over the life of the option.

- Measurement of share awards

The unit value used to measure shares awarded free of consideration is the value at the end of the compulsory holding period plus dividends paid since the date of acquisition, discounted at the grant date.

The value of shares awarded free of consideration by BNP Paribas in 2007 was EUR 72.43 for the shares whose holding period expires on 10 March 2011, and EUR 65.48 for shares whose holding period expires on 29 June 2012.

SHARES SUBSCRIBED OR PURCHASED BY EMPLOYEES UNDER THE COMPANY SAVINGS PLAN

	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Date plan announced	15 May 2007	18 May 2006
Quoted price of BNP Paribas shares at date plan announced (in euros)	92.77	72.25
Number of shares issued or transfered	5,971,476	4,670,388
Purchase or subscription price (in euros)	69.20	60.50
Five-year risk-free interest rate	4.16%	3.88%
Five-year borrowing cost	8.00%	7.20%
Borrowing cost during the holding period	16.56%	14.54%

The Group did not recognise an expense in relation to the Company Savings Plan in 2006 as the discount granted to employees subscribing or purchasing shares under this plan represents a non-material financial expense for BNP Paribas when valued taking into account the five-year compulsory holding period applicable to the shares purchased. Of the total number of BNP Paribas Group employees who were offered the opportunity of buying shares under the Plan in 2007, 52% accepted the offer and 48% turned it down.

8 ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

- Management of regulatory capital

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 controlled by the relevant supervisory authorities. These ratios mainly address the issues of capital adequacy, risk concentration, liquidity and asset/liability mismatches.

The capital adequacy ratio corresponds to total regulatory capital expressed as a percentage of the sum of:

- Risk-weighted assets, and
- The regulatory capital requirement for market risks, multiplied by 12.5.

Regulatory capital is determined in accordance with *Comité de la Réglementation Bancaire et Financière* (CRBF) regulation 90-02 dated 23 February 1990. It comprises three components – Tier One capital, Tier Two capital and Tier Three capital – determined as follows:

- Tier One capital corresponds to consolidated equity (excluding unrealised or deferred gains and losses), adjusted for certain items. 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 preferred shares and undated super subordinated notes.

- Tier Two capital consists of subordinated debt (see Note 5.f) and part of unrealised gains on variable-income securities. A discount is applied to subordinated debt due in less than five years, and dated subordinated debt included in Tier Two capital is capped at the equivalent of 50% of Tier One capital. Total Tier Two capital is capped at the equivalent of 100% of Tier One capital.

- Tier Three capital comprises subordinated debt with shorter maturities and can only be allocated to covering a certain proportion of market risks.

- The carrying amount of investments in associates (accounted for by the equity method), subordinated debt towards credit institutions and finance companies and the regulatory capital of companies subject to banking regulations that are more than 10% owned by the Group are deducted for the purpose of calculating regulatory capital.

The following table shows the main items taken into account in the calculation of regulatory capital:

In millions of euros at	31 December 2007	31 December 2006
Tier One capital	37,601	33,346
Shareholders' equity	53,799	49,512
Minority interests	5,594	5,312
Regulatory deductions (1)	(21,792)	(21,478)
Tier Two capital	19,224	18,344
Deductions	(3,254)	(3,784)
Tier Three capital	1,013	1,519
Total regulatory capital	54,584	49,425

(1) Including the dividend to be recommended at the Annual General Meeting.

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 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 2006 and 2007, BNP Paribas' 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, share buyback programmes, planned issues of hybrid capital instruments and exchange rate assumptions. Changes in ratios are reviewed by the Group's executive management at quarterly intervals and whenever an event occurs or a decision is made that will materially affect consolidated ratios.

- Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2005	838,247,872	2		
Increase in share capital by exercise of stock subscription options on 23 January 2006	1,369,623	2	(1)	(1)
Increase in share capital by exercise of stock subscription options on 27 March 2006	971,037	2	(1)	(1)
Increase in share capital by issue of new shares on 31 March 2006	84,058,853	2	28 May 04	14 Febr 06
Increase in share capital by issue of new shares on 6 June 2006	945	2	23 May 06	27 March 06
Increase in share capital by exercise of stock subscription options on 26 July 2006	1,148,759	2	(1)	(1)
Capital increase reserved for members of the Company Savings Plan on 26 July 2006	4,670,388	2	14 May 03	14 Febr 06
Number of shares outstanding at 31 December 2006	930,467,477	2		
Increase in share capital by exercise of stock subscription options on 22 january 2007	2,411,013	2	(1)	(1)
Increase in share capital by exercise of stock subscription options on 20 July 2007	3,820,865	2	(1)	(1)
Increase in capital resulting from the merger with BNL on 1 October 2007	439,358	2	15 May 07	31 July 07
Reduction in share capital by cancellation of treasury shares on 4 October 2007	(32,111,135)	2	15 May 07	31 July 07
Increase in share capital by exercise of stock subscription options on 5 October 2007	232,730	2	(1)	(1)
Number of shares outstanding at 31 Decembre 2007	905,260,308	2		

(1) Various resolutions voted in Shareholders' General Meetings and decisions of the Board of Directors authorising the granting of stock subscription options that were exercised during the period.

At 31 December 2007, the share capital of BNP Paribas SA consisted of 905,260,308 fully-paid ordinary shares with a par value of EUR 2 (compared with 930,467,477 ordinary shares at 31 December 2006). During the fourth quarter of 2007, under BNP Paribas stock option plans, employees subscribed 435,137 new shares with a par value of EUR 2 each, carrying dividend rights from 1 January 2007. The corresponding capital increase was placed on record on 28 January 2008 .

Authorisations to carry out operations affecting share capital that were in force during 2007 resulted from the following resolutions of Shareholders' General Meetings:

The 16th and 17th resolutions of the Shareholders' General Meeting of 23 May 2006 authorised the Board of Directors to increase the share capital by up to EUR 1 billion (representing 500 million shares) with pre-emptive rights, and up to EUR 320 million (representing 160 million shares) without pre-emptive rights. The aggregate nominal value of debt securities giving immediate and/or future access to BNP Paribas shares issued under these authorisations is limited to EUR 10 billion in the case of securities with pre-emptive rights, and EUR 7 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months.

The 19th resolution of the Shareholders' General Meeting of 23 May 2006 authorised the Board of Directors to increase the share capital by up to EUR 1 billion by capitalising, successively or simultaneously, some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital and issuing and allotting consideration-free shares, or raising the par value of the shares, or applying a combination of these two methods. This authorisation was granted for a period of 26 months.

The 20th resolution of the Shareholders' General Meeting of 23 May 2006 set the maximum par value of capital increases liable to be carried out immediately and/or in the future under the authorisations granted under the 16th, 17th and 19th resolutions at EUR 1 billion and the maximum par value of debt securities liable to be issued under the authorisations granted under the sixteenth and seventeenth resolutions at EUR 10 billion.

The 22nd resolution of the Shareholders' General Meeting of 23 May 2006, as amended by the 10th resolution of the Shareholders' General Meeting of 15 May 2007, authorised the Board of Directors to increase the Bank's capital, on one or more occasions at its own discretion, by a maximum par value of EUR 36 million, via the issue of shares reserved for the members of the Corporate Savings Plan. The authorisation may also be used to sell existing shares to Plan members. This authorisation was granted for a period of 26 months from 23 May 2006.

During 2007, 5,971,476 shares were sold to members of the Corporate Savings Plan pursuant to this authorisation.

The 11th resolution of the Shareholders' General Meeting of 15 May 2007 authorised the Board of Directors to cancel, on one or several occasions, some or all of the BNP Paribas shares that the Bank currently holds or that it may acquire pursuant to the authorisation granted at the same Meeting, provided that the number of shares cancelled in any twenty-four month period does not exceed 10% of the total number of shares outstanding. The resolution also authorised the Board of Directors to cancel the 2,638,403 own shares acquired at the time of the 23 May 2006 merger with Société Centrale d'Investissments and to charge the difference between the carrying amount of the cancelled shares and their par value against additional paid-in capital and distributable reserves, including the legal reserve provided that the amount charged against this reserve does not exceed 10% of the par value of the cancelled shares. These authorisations were granted for a period of 18 months from 15 May 2007.

On 4 October 2007, 32,111,135 shares were cancelled under this resolution.

The 12th resolution of the Shareholders' General Meeting of 15 May 2007 approving the merger of BNL into BNP Paribas, authorised the Board of Directors to issue BNP Paribas shares with a par value of EUR 2 each to BNL shareholders in payment for their BNL shares. A total of between 402,735 and 1,539,740 shares were to be issued, depending on the number of BNL shares held by outside shareholders on the merger completion date, which would be no later than 31 December 2007.

On 1 October 2007, 439,358 shares were issued under this resolution.

- Preferred shares and equivalent instruments

- Preferred shares issued by Group companies

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the laws of the United States, which did not dilute BNP Paribas ordinary shares. The shares paid a fixed rate dividend for a period of ten years. Thereafter, the shares were redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The issuer had the option of not paying dividends on these preferred shares if no dividends were paid on BNP Paribas SA ordinary shares and no coupons were paid on preferred share equivalents (Undated Super Subordinated Notes) in the previous year. Unpaid dividends were not carried forward. The preferred shares were redeemed by the issuer in December 2007 at the end of the contractual ten-year period.

In October 2000, a USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a fixed rate dividend for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue paid a fixed rate dividend over five years minimum, and shares in the second issue pay a fixed rate dividend over ten years. Shares in the first issue were redeemed by the issuer in October 2006 at the end of the contractual five-year period. Shares in the second issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, two undated non-cumulative preferred share issues, of EUR 660 million and USD 650 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a fixed rate annual dividend over ten years, and shares in the second issue paid a fixed rate quarterly dividend over five years. Shares in the first issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend. Shares in the second issue were redeemed by the issuer in June 2007 at the end of the contractual five-year period.

In January 2003, a non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. The shares pay an annual fixed rate dividend. They are redeemable at the end of a 10-year period and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed quarterly dividend.

In 2003 and 2004, the LaSer-Cofinoga sub-group – which is proportionately consolidated by BNP Paribas – carried out three issues of undated non-voting preferred shares through special purpose entities governed by UK law and exclusively controlled by the LaSer-Cofinoga sub-group. These shares pay a non-cumulative preferred dividend for a ten-year period, at a fixed rate for those issued in 2003 and an indexed rate for the 2004 issue. After this ten-year period, they will be redeemable at par at the issuer's discretion at the end of each quarter on the coupon date, and the dividend payable on the 2003 issue will become Euribor-indexed.

Issuer	Date of issue	Currency	Amount	Rate and term before 1st call date		Rate after 1st call date
BNPP Capital Trust	October 2000	USD	500 millions	9.003%	10 years	3-month Libor + 3.26%
BNPP Capital Trust III	October 2001	EUR	500 millions	6.625%	10 years	3-month Euribor + 2.6%
BNPP Capital Trust IV	January 2002	EUR	660 millions	6.342%	10 years	3-month Euribor + 2.33%
BNPP Capital Trust VI	January 2003	EUR	700 millions	5.868%	10 years	3-month Euribor + 2.48%
Cofinoga Funding I LP	March 2003	EUR	100 millions (1)	6.820%	10 years	3-month Euribor + 3.75%
Cofinoga Funding II LP	January and May 2004	EUR	80 millions (1)	TEC 10 (2) + 1.35%	10 years	TEC 10 (2) + 1.35%

(1) Before application of the proportionate consolidation rate
(2) TEC 10 is the daily long-term government bond index, corresponding to the yield to maturity of a ficticious 10-year Treasury note

The proceeds of these issues are recorded under "Minority interests" in the balance sheet, and the dividends are reported under "Minority interests" in the profit and loss account.

- Undated Super Subordinated Notes (preferred share equivalents) issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing USD 1,350 million. The notes pay a semi-annual fixed rate coupon. They are redeemable at the end of a 10-year period and thereafter at each coupon date. If the notes are not redeemed in 2015, they will pay a quarterly Libor-indexed coupon.

In October 2005, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes representing EUR 1,000 million and USD 400 million respectively. The notes in both issues pay an annual fixed rate coupon. They are redeemable at the end of a 6-year period and thereafter at each coupon date. If the notes are not redeemed in October 2011, they will continue to pay the fixed-rate coupon.

In April 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes representing EUR 750 million and

GBP 450 million respectively. The notes in both issues pay an annual fixed rate coupon. They are redeemable at the end of a 10-year period and thereafter at each coupon date. If the notes are not redeemed in 2016, they will pay a quarterly Euribor-indexed coupon in the case of the first issue, and a Libor-indexed coupon in the case of the second issue.

In July 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes. The notes in the first issue - representing EUR 150 million - pay an annual fixed rate coupon. These euro-denominated notes are redeemable at the end of a 20-year period and thereafter at each coupon date. If the notes are not redeemed in 2026, they will pay a quarterly Euribor-indexed coupon. The notes in the second issue - representing GBP 325 million - pay an annual fixed rate coupon. These sterling-denominated notes are redeemable at the end of a 10-year period and thereafter at each coupon date. If the notes are not redeemed in 2016, they will pay a quarterly Libor-indexed coupon.

In April 2007, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing EUR 750 million. The notes pay an annual fixed rate coupon. They are redeemable at the end of a 10-year period and thereafter at each coupon date. If the notes are not redeemed in 2017, they will pay a quarterly Euribor-indexed coupon.

In June 2007, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes. The notes in the first issue - representing USD 600 million - pay a quarterly fixed rate coupon and are redeemable at the end of a 5-year period. The notes in the second issue - representing USD 1,100 million - pay a semi-annual fixed rate coupon. They are redeemable at the end of a 30-year period and thereafter at each coupon date. If the notes are not redeemed in 2037, they will pay a quarterly Libor-indexed coupon.

In October 2007, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing GBP 200 million. The notes pay an annual fixed rate coupon. They are redeemable at the end of a 10-year period and thereafter at each coupon date. If the notes are not redeemed in 2017, they will pay a quarterly Libor-indexed coupon.

BNP Paribas has the option of not paying interest due on these Undated Super Subordinated Notes if no dividends were paid on BNP Paribas SA ordinary shares or on preferred shares in the previous year. Unpaid interest is not carried forward.

The contracts relating to these Undated Super Subordinated Notes contain a loss absorption clause. Under the terms of this clause, in the event of insufficient regulatory capital – which is not fully offset by a capital increase or any other equivalent measure – the nominal value of the notes may be reduced in order to serve as a new basis for the calculation of the related coupons until the capital deficiency is made up and the nominal value of the notes is increased to its original amount. However, in the event of the liquidation of BNP Paribas, the amount due to the holders of these notes will represent their original nominal value irrespective of whether or not their nominal value has been reduced.

Issuer	Date of issue	Currency	Amount	Rate and term before 1st call date		Rate after 1st call date
BNP Paribas SA	June 2005	USD	1 350 millions	5.186%	10 years	USD 3-month Libor + 1.68%
BNP Paribas SA	October 2005	EUR	1 000 millions	4.875%	6 years	4.875%
BNP Paribas SA	October 2005	USD	400 millions	6.250%	6 years	6.250%
BNP Paribas SA	April 2006	EUR	750 millions	4.730%	10 years	3-month Euribor + 1.69%
BNP Paribas SA	April 2006	GBP	450 millions	5.945%	10 years	GBP 3-month Libor + 1.13%
BNP Paribas SA	July 2006	EUR	150 millions	5.450%	20 years	3-month Euribor + 1.92%
BNP Paribas SA	July 2006	GBP	325 millions	5.945%	10 years	GBP 3-month Libor + 1.81%
BNP Paribas SA	April 2007	EUR	750 millions	5.019%	10 years	3-month Euribor + 1.72%
BNP Paribas SA	June 2007	USD	600 millions	6.500%	5 years	6.50%
BNP Paribas SA	June 2007	USD	1 100 millions	7.195%	30 years	USD 3-month Libor + 1.29%
BNP Paribas SA	October 2007	GBP	200 millions	7.436%	10 years	GBP 3-month Libor + 1.85%

The proceeds raised by these issues are recorded in equity under "Retained earnings". In accordance with IAS 21, issues denominated in foreign currencies are recognised at their historical value based on their translation into euros at the issue date. Interest on the instruments is treated in the same way as dividends.

- Own equity instruments (shares issued by BNP Paribas and held by the Group)

The 5th resolution of the Shareholders' General Meeting of 23 May 2006 authorised BNP Paribas to buy back shares representing up to 10% of the Bank's issued capital at a maximum purchase price of EUR 100. The shares could be acquired for the following purposes: for subsequent cancellation, on a basis to be determined by the shareholders in Extraordinary Meeting; to fulfil the Bank's obligations relative to the issue of shares or share equivalents, stock option plans, the award of consideration-free shares to employees, directors or corporate officers, and the allocation or sale of shares to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans; to be held in treasury stock for subsequent remittance in exchange or payment for external growth transactions; within the scope of a liquidity agreement; or for asset and financial management purposes.

This authorisation, which was given for a period of 18 months, was cancelled and replaced by the authorisation granted under the 5th resolution of the Shareholders' General Meeting of 15 May 2007, which authorised the Board of Directors to buy back shares representing up to 10% of the Bank's issued capital for the same purposes as under the previous resolution, but at a maximum purchase price of EUR 105 per share. This latter authorisation was granted for a period of eighteen months.

In addition, a BNP Paribas subsidiary involved in market index trading and arbitrage activities carries out, as part of these activities, short selling of shares issued by BNP Paribas SA.

At 31 December 2007, the Group held 8,972,652 BNP Paribas shares representing an amount of EUR 619 million, deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165
Acquisitions	12,512,868	945			12,512,868	945
Other movements	(2,327,379)	(114)	10,302,138	790	7,974,759	676
Shares held at 31 December 2006	19,245,508	1,292	5,966,401	494	25,211,909	1,786
Acquisitions	26,776,958	2,223			26,776,958	2,223
Reduction in share capital	(32,111,135)	(2,428)			(32,111,135)	(2,428)
Other movements	(4,775,217)	(457)	(6,129,863)	(505)	(10,905,080)	(962)
Shares held at 31 December 2007	9,136,114	630	(163,462)	(11)	8,972,652	619

- Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec. 2007	Year to 31 Dec. 2006
Net income used to calculate basic and diluted earnings per share (in millions of euros) (1)	7,629	7,180
Weighted average number of ordinary shares outstanding during the year	898,407,216	893,811,947
Effect of potentially dilutive ordinary shares	7,629,130	9,518,828
Weighted average number of ordinary shares used to calculate diluted earnings per share	906,036,346	903,330,775
Basic earnings per share (in euros)	8.49	8.03
Diluted earnings per share (in euros)	8.42	7.95

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (qualified as preferred share equivalents), which for accounting purposes is treated as dividends.

A dividend of EUR 3.10 per share was paid in 2007 out of 2006 net income (compared with a dividend EUR 2.60 per share paid in 2006 out of 2005 net income).

8.b Scope of consolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Consolidating company								
BNP Paribas SA					France	Full	100.00%	100.00%
French Retail Banking								
Banque de Bretagne *					France	Full	100.00%	100.00%
BNP Paribas Developpement SA *					France	Full	100.00%	100.00%
BNP Paribas Factor *					France	Full	100.00%	100.00%
Compagnie pour le Financement des Loisirs - Cofiloisirs		2			France	Equity	33.33%	33.33%
Retail Banking - Italy (BNL Banca Commerciale)								
Artigiancassa SPA	1				Italy	Full	73.86%	73.86%
Artigiansoa - Org. Di Attestazione SPA	1		7		Italy	Equity	80.00%	59.08%
Banca Nazionale del Lavoro SPA	1			5	Italy			
BNL Broker Assicurazioni SPA	1		8		Italy	Full	100.00%	100.00%
BNL Direct Services SPA	1			5	Italy			
BNL Edizioni SRL	1		7		Italy	Equity	100.00%	100.00%
BNL Finance SPA	1				Italy	Full	100.00%	100.00%
BNL Partecipazioni SPA	1				Italy	Full	100.00%	100.00%
BNL Positivity SRL	1				Italy	Full	51.00%	51.00%
BNL Progetto SPA			2		Italy	Full	100.00%	100.00%
Creaimpresa SPA (Groupe)	1		7		Italy	Equity	76.90%	56.80%
Elep SPA	1				Italy	Equity	49.03%	27.85%
International Factors Italia SPA - Ifitalia	1				Italy	Full	99.65%	99.65%
Serfactoring SPA	1				Italy	Equity	27.00%	26.94%
S								
Vela ABS	1				Italy	Full		
Vela Home SRL	1				Italy	Full		
Vela Public Sector SRL	1				Italy	Full		
International Retail and Financial Services								
Retail Banking - United States of America								
1897 Services Corporation					U.S.A	Full	100.00%	100.00%
AmerUS Leasing, Incorporated.					U.S.A	Full	100.00%	100.00%
BancWest Corporation					U.S.A	Full	100.00%	100.00%
Bancwest Investment Services, Incorporated					U.S.A	Full	100.00%	100.00%
Bank of the West Business Park Association LLC					U.S.A	Full	53.49%	47.60%
Bank of the West					U.S.A	Full	100.00%	100.00%
Bishop Street Capital Management Corporation					U.S.A	Full	100.00%	100.00%
BW Insurance Agency, Incorporated					U.S.A	Full	100.00%	100.00%
BW Leasing, Incorporated					U.S.A	Full	100.00%	100.00%
Center Club, Incorporated					U.S.A	Full	100.00%	100.00%
CFB Community Development Corporation					U.S.A	Full	100.00%	100.00%
Commercial Federal Affordable Housing, Incorporated.					U.S.A	Full	100.00%	100.00%
Commercial Federal Community Development Corporation					U.S.A	Full	100.00%	100.00%
Commercial Federal Insurance Corporation					U.S.A	Full	100.00%	100.00%
Commercial Federal Investments Services, Incorporated					U.S.A	Full	100.00%	100.00%
Commercial Federal Realty Investors Corporation					U.S.A	Full	100.00%	100.00%
Commercial Federal Service Corporation					U.S.A	Full	100.00%	100.00%
Community First Home Mortgage					U.S.A	Full	100.00%	100.00%
Community First Insurance, Incorporated					U.S.A	Full	100.00%	100.00%
Community Service, Incorporated					U.S.A	Full	100.00%	100.00%
Contractors Insurance Services					U.S.A	Full	100.00%	100.00%

* French subsidiaries whose regulatory supervision falls within the scope of the consolidated Group, in accordance with article 4.1 of CRBF regulation 2000.03.

(A) Movements for 6 months to 30 June 2006	
(B) Movements for 6 months to 31 December 2006	
(C) Movements for 6 months to 30 June 2007	
(D) Movements for 6 months to 31 December 2007	
(1) Acquisition	(8) Change of method - Equity method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(9) Change of method - Full consolidation to proportionate method
(3) Disposal	(10) Change of method - Equity method to proportionate method
(4) Deconsolidation	(11) Reconsolidation
(5) Merger between consolidated entities	(12) Entities consolidated using a simplified equity method (non-material)
(6) Change of method - Proportionate method to full consolidation	(13) Business transfers due to the creation of Italian retail banking segment
(7) Change of method - Full consolidation to equity method	

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Retail Banking - United States of America (cont'd)								
Equity Lending Incorporated					U.S.A	Full	100.00%	100.00%
Essex Crédit Corporation					U.S.A	Full	100.00%	100.00%
FHL Lease Holding Company Incorporated					U.S.A	Full	100.00%	100.00%
FHL SPC One, Incorporated					U.S.A	Full	100.00%	100.00%
First Bancorp					U.S.A	Full	100.00%	100.00%
First Hawaïan Bank					U.S.A	Full	100.00%	100.00%
First Hawaiian Leasing, Incorporated					U.S.A	Full	100.00%	100.00%
First National Bancorp, Incorporated				4	U.S.A			
First National Bancorporation					U.S.A	Full	100.00%	100.00%
First Santa Clara Corporation					U.S.A	Full	100.00%	100.00%
First Savings Investment Corporation					U.S.A	Full	100.00%	100.00%
HBC Aviation, LLC					U.S.A	Prop.	40.48%	36.61%
KIC Technology1, Incorporated					U.S.A	Full	100.00%	100.00%
KIC Technology2, Incorporated					U.S.A	Full	100.00%	100.00%
KIC Technology3, Incorporated					U.S.A	Full	100.00%	100.00%
Liberty Leasing Company					U.S.A	Full	100.00%	100.00%
Mountain Fall Acquisition					U.S.A	Full	100.00%	100.00%
Nabity - Perry Insurance, Incorporated				5	U.S.A			
ORE, Incorporated					U.S.A	Full	100.00%	100.00%
Roxborough Acquisition Corporation					U.S.A	Full	100.00%	100.00%
St Paul Agency Incorporated					U.S.A	Full	100.00%	100.00%
The Bankers Club, Incorporated					U.S.A	Full	100.00%	100.00%
The Voyager HR Group					U.S.A	Full	100.00%	100.00%
Special Purpose Entities								
CFB Capital 4					U.S.A	Full		
Commercial Federal Capital Trust 1					U.S.A	Full		
Commercial Federal Capital Trust 2					U.S.A	Full		
Commercial Federal Capital Trust 3					U.S.A	Full		
First Hawaiian Capital 1					U.S.A	Full		
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100.00%	100.00%
All In One Allemagne					Germany	Full	100.00%	100.00%
All In One Vermietung GmbH		12	8		Austria	Full	100.00%	100.00%
Antin Bail *					France	Full	100.00%	100.00%
Aprolis Finance					France	Full	51.00%	51.00%
Avelingen Finance BV		4			Netherlands			
Barloword Heftruck BV					Netherlands	Equity	50.00%	50.00%
BNP Paribas Lease Group *					France	Full	100.00%	100.00%
BNP Paribas Lease Group BV					Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group GmbH & Co KG			2		Austria	Full	100.00%	100.00%
BNP Paribas Lease Group Holding SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group KFT	2				Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group Netherlands BV					Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Polska SP z.o.o		12	8		Poland	Full	100.00%	100.00%
BNP Paribas Lease Group RT	2				Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group UK PLC					UK	Full	100.00%	100.00%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100.00%	100.00%
BNP Paribas Lease Group SPA					Italy	Full	100.00%	100.00%
BNP Paribas Leasing Gmbh					Germany	Full	100.00%	100.00%
Bureau Services Limited					UK	Full	100.00%	100.00%
Centro Leasing SPA				3	Italy			
Claas Financial Services					France	Full	60.11%	60.11%
Claas Financial Services Limited			2		UK	Full	51.00%	51.00%
Claas Leasing Gmbh					Germany	Full	100.00%	60.11%

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Name		(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Leasing - Finance Leases (cont'd)									
CNH Capital Europe	*					France	Full	50.10%	50.10%
CNH Capital Europe Limited						UK	Full	100.00%	50.10%
Cofiplan	*		2			France	Full	99.99%	99.99%
Commercial Vehicle Finance Limited						UK	Full	100.00%	100.00%
Cooperleasing SPA		1		13	3	Italy			
Diamond Finance UK Limited						UK	Full	60.00%	60.00%
Equipment Lease BV						Netherlands	Full	100.00%	100.00%
Geveke Rental BV			4			Netherlands			
H.F.G.L Limited						UK	Full	100.00%	100.00%
HIH Management Limited			4			UK			
Humberclyde Commercial Investments Limited						UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N°1 Limited						UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N° 4 Limited						UK	Full	100.00%	100.00%
Humberclyde Finance Limited						UK	Full	100.00%	100.00%
Humberclyde Industrial Finance Limited						UK	Full	100.00%	100.00%
Humberclyde Investments Limited						UK	Full	100.00%	100.00%
Humberclyde Management Services Limited			4			UK			
Humberclyde Spring Leasing Limited			4			UK			
JCB Finance (ex SA Finance et Gestion)	*					France	Full	70.00%	70.00%
Leaseco International BV						Netherlands	Full	100.00%	100.00%
Leasing J. Van Breda & Cie		1	5			Belgium			
Locafit SPA		1		13		Italy	Full	100.00%	100.00%
Locatrice Italiana SPA		1		13		Italy	Full	100.00%	100.00%
Locatrice Strumentale SRL		1		13	5	Italy			
Manitou Finance Limited			2			UK	Full	51.00%	51.00%
Natiobail 2	*					France	Full	100.00%	100.00%
Natiocrédibail	*					France	Full	100.00%	100.00%
Natiocrédimurs	*					France	Full	100.00%	100.00%
Natioénergie	*					France	Full	100.00%	100.00%
Paricomi	*					France	Full	100.00%	100.00%
SAS MFF	*					France	Full	51.00%	51.00%
Same Deutz-Fahr Finance						France	Full	100.00%	100.00%
Same Deutz Fahr Finance Limited						UK	Full	100.00%	100.00%
UFB Asset Finance Limited						UK	Full	100.00%	100.00%
United Care Group Limited						UK	Full	100.00%	100.00%
United Care (Cheshire) Limited						UK	Full	100.00%	100.00%
United Corporate Finance Limited			4			UK			
United Inns Management Limited			4			UK			
Consumer Credit									
Axa Banque Financement			2			France	Equity	35.00%	35.00%
Banco Cetelem Argentina				11		Argentina	Full	60.00%	60.00%
Banco Cetelem Portugal						Portugal	Full	100.00%	100.00%
Banco Cetelem SA						Spain	Full	100.00%	100.00%
Bieffe 5 SPA				2		Italy	Equity	100.00%	50.00%
Carrefour Administration Cartos de Creditos - CACC						Brazil	Equity	40.00%	40.00%
Cetelem						France	Full	100.00%	100.00%
Cetelem Algérie			12	8		Algeria	Full	100.00%	100.00%
Cetelem America						Brazil	Full	100.00%	100.00%
Cetelem Asia				2		Hong-Kong	Full	100.00%	100.00%
Cetelem Bank SA						Poland	Full	100.00%	100.00%
Cetelem Belgium						Belgium	Full	100.00%	100.00%
Cetelem Benelux BV						Netherlands	Full	100.00%	100.00%
Cetelem Brésil						Brazil	Full	100.00%	100.00%
Cetelem CR						Czech Rep.	Full	100.00%	100.00%
Cetelem IFN SA		1				Romania	Full	100.00%	100.00%

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Consumer Credit (cont'd)								
Cetelem Maroc					Morocco	Full	99.79%	92.64%
Cetelem Mexico SA de CV		12	8		Mexico	Full	100.00%	100.00%
Cetelem Polska Expansion SA					Poland	Full	100.00%	100.00%
Cetelem Processing Services (Shanghai) Limited		12	8		China	Full	100.00%	100.00%
Cetelem Serviços Limitada			2		Brazil	Equity	100.00%	100.00%
Cetelem Slovensko	2				Slovakia	Full	100.00%	100.00%
Cetelem Thailande					Thailand	Full	100.00%	100.00%
Cetelem UK					UK	Full	100.00%	100.00%
Cofica Bail *					France	Full	100.00%	100.00%
Cofidis France					France	Equity	15.00%	15.00%
Cofinoga					France	Prop.	100.00%	50.00%
Cofiparc SNC					France	Full	100.00%	100.00%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce *					France	Full	100.00%	100.00%
Credial Italie SPA	2				Italy	Prop.	50.00%	50.00%
Credirama SPA				2	Italy	Equity	51.00%	25.50%
Credisson Holding Limited	1				Cyprus	Full	100.00%	100.00%
Crédit Moderne Antilles *					France	Full	100.00%	100.00%
Crédit Moderne Guyane *					France	Full	100.00%	100.00%
Crédit Moderne Océan Indien *					France	Full	97.81%	97.81%
Dresdner-Cetelem Kreditbank (ex Cetelem Bank Gmbh)					Germany	Full	50.10%	50.10%
Effico Iberia					Spain	Full	100.00%	100.00%
Effico Soreco					France	Full	99.95%	99.95%
Eurocredito					Spain	Full	100.00%	100.00%
Facet *					France	Full	100.00%	100.00%
Fidem *					France	Full	51.00%	51.00%
Fimestic Expansion SA					Spain	Full	100.00%	100.00%
Findomestic					Italy	Prop.	50.00%	50.00%
Findomestic Banka a.d		12			Serbia	Equity	49.88%	49.88%
Findomestic Leasing SPA				2	Italy	Equity	50.00%	50.00%
JetFinance International				1	Bulgaria	Equity	100.00%	100.00%
KBC Pinto Systems		2			Belgium	Equity	39.99%	39.99%
Laser (Groupe)	10				France	Prop.	50.00%	50.00%
Loisirs Finance *					France	Full	51.00%	51.00%
Magyar Cetelem					Hungary	Full	100.00%	100.00%
Métier Regroupement de Crédits *		12	8		France	Full	100.00%	100.00%
Monabank		2			France	Equity	34.00%	34.00%
Natixis Financement (ex Caisse d'Epargne Financement - CEFI) *					France	Equity	33.00%	33.00%
Norrsken Finance					France	Full	51.00%	51.00%
Novacrédit		2		5	France			
Prestacomer SA de CV				2	Mexico	Equity	50.00%	50.00%
Projeo *		2			France	Full	51.00%	51.00%
SA Domofinance	9				France	Prop.	55.00%	55.00%
Servicios Financieros Carrefour EFC					Spain	Equity	44.08%	40.00%
Société de Paiement Pass					France	Equity	40.01%	40.01%
Submarino Finance Promotora de Credito Limitada		2			Brazil	Prop.	50.00%	50.00%
Including Debt Investment Fund								
FCC Findomestic	4				Italy			
FCC Master Dolphin					Italy	Prop.	50.00%	0.00%
FCC Master Noria	4				France			
FCC Retail ABS Finance					France	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Property Loans								
Banca UCB SPA					Italy	Full	100.00%	100.00%
BNP Paribas Invest Immo *					France	Full	100.00%	100.00%
SAS Prêts et Services *					France	Full	100.00%	100.00%
Sundaram Home Finance Limited				1	India	Equity	49.90%	49.90%
UCB *					France	Full	100.00%	100.00%
UCB Hypotheken					Netherlands	Full	100.00%	100.00%
UCB Suisse		12	8		Switzerland	Full	100.00%	100.00%
Union de Creditos Immobiliarios - UCI (Groupe)					Spain	Prop.	50.00%	50.00%
Including Debt Investment Fund								
FCC Domos 2003					France	Full	100.00%	100.00%
FCC Master Domos					France	Full	100.00%	100.00%
FCC Master Domos 4					France	Full	100.00%	100.00%
FCC Master Domos 5					France	Full	100.00%	100.00%
FCC U.C.I 4-17 (ex FCC 4-16)					Spain	Prop.	50.00%	50.00%
Contract Hire and Fleet Management								
Arius SA					France	Full	100.00%	100.00%
Arma Beheer BV					Netherlands	Full	100.00%	100.00%
Artegy Limited					UK	Full	100.00%	100.00%
Artegy SAS					France	Full	100.00%	100.00%
Arval Austria GmbH				2	Austria	Equity	100.00%	100.00%
Arval Belgium					Belgium	Full	100.00%	100.00%
Arval Brasil Limitada		12			Brazil	Equity	100.00%	100.00%
Arval Business Services Limited					UK	Full	100.00%	100.00%
Arval BV					Netherlands	Full	100.00%	100.00%
Arval Deutschland GmbH					Germany	Full	100.00%	100.00%
Arval ECL SAS					France	Full	100.00%	100.00%
Arval India Private Limited				12	India	Equity	100.00%	100.00%
Arval Limited					UK	Full	100.00%	100.00%
Arval Luxembourg					Luxembourg	Full	100.00%	100.00%
Arval NV					Belgium	Full	100.00%	100.00%
Arval PHH Holding SAS					France	Full	100.00%	100.00%
Arval PHH Holdings Limited					UK	Full	100.00%	100.00%
Arval PHH Holdings UK Limited					UK	Full	100.00%	100.00%
Arval PHH Service Lease CZ		12	8		Czech Rep.	Full	100.00%	100.00%
Arval Portugal					Portugal	Full	100.00%	100.00%
Arval Russie		12			Russia	Equity	100.00%	99.99%
Arval Schweiz AG					Switzerland	Full	100.00%	100.00%
Arval Service Lease					France	Full	100.00%	100.00%
Arval Service Lease Espagne					Spain	Full	99.98%	99.97%
Arval Service Lease Italia					Italy	Full	100.00%	100.00%
Arval Service Lease Polska SP					Poland	Full	100.00%	100.00%
Arval Service Lease Romania SRL				12	Romania	Equity	100.00%	100.00%
Arval Trading	2				France	Full	100.00%	100.00%
Arval UK Group Limited					UK	Full	100.00%	100.00%
Arval UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Fleet Holdings Limited					UK	Full	100.00%	100.00%
Dialcard Fleet Information Services Limited					UK	Full	100.00%	100.00%
Dialcard Limited					UK	Full	100.00%	100.00%
Gestion et Location Holding					France	Full	100.00%	100.00%
Harpur UK Limited					UK	Full	100.00%	100.00%
Overdrive Business Solutions Limited					UK	Full	100.00%	100.00%
Overdrive Credit Card Limited					UK	Full	100.00%	100.00%
PHH Financial services Limited					UK	Full	100.00%	100.00%
PHH Holdings (1999) Limited					UK	Full	100.00%	100.00%
PHH Investment Services Limited					UK	Full	100.00%	100.00%

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Contract Hire and Fleet Management (cont'd)								
PHH Leasing (N°9) Limited					UK	Full	100.00%	100.00%
PHH Treasury Services Limited					UK	Full	100.00%	100.00%
PHH Truck Management Services Limited					UK	Full	100.00%	100.00%
Pointeuro Limited					UK	Full	100.00%	100.00%
The Harpur Group UK Limited					UK	Full	100.00%	100.00%
Emerging and overseas markets								
Bank of Nanjing (ex Nanjing City Commercial Bank Corp Limited)	1				China	Equity	12.61%	12.61%
Banque Internationale du Commerce et de l'Industrie Burkina Faso					Burkina Faso	Full	51.00%	51.00%
Banque Internationale du Commerce et de l'Industrie Cote d'Ivoire					Ivory Coast	Full	67.49%	67.49%
Banque Internationale du Commerce et de l'Industrie Gabon					Gabon	Full	46.67%	46.67%
Banque Internationale du Commerce et de l'Industrie Guinée		2			Guinea	Equity	30.83%	30.83%
Banque Internationale du Commerce et de l'Industrie Mali		12	8		Mali	Full	85.00%	85.00%
Banque Internationale du Commerce et de l'Industrie Senegal					Senegal	Full	54.11%	54.11%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75.00%	75.00%
Banque Marocaine du Commerce et de l'Industrie					Morocco	Full	63.85%	63.85%
Banque Marocaine du Commerce et de l'Industrie Crédit Conso			2		Morocco	Full	100.00%	77.96%
Banque Marocaine du Commerce et de l'Industrie Gestion		12			Morocco	Equity	100.00%	63.85%
Banque Marocaine du Commerce et de l'Industrie Leasing					Morocco	Full	72.03%	46.00%
Banque Marocaine du Commerce et de l'Industrie Offshore					Morocco	Full	100.00%	63.85%
Banque pour le Commerce et l'Industrie de la Mer Rouge				3	Djibouti			
BNP Intercontinentale - BNPI *					France	Full	100.00%	100.00%
BNP Paribas BDDI Participations					France	Full	100.00%	100.00%
BNP Paribas Cyprus Limited					Cyprus	Full	100.00%	100.00%
BNP Paribas El Djazair					Algeria	Full	100.00%	100.00%
BNP Paribas Guadeloupe *					France	Full	100.00%	100.00%
BNP Paribas Guyane *					France	Full	100.00%	100.00%
BNP Paribas Le Caire					Egypt	Full	95.19%	95.19%
BNP Paribas Martinique *					France	Full	100.00%	100.00%
BNP Paribas Nouvelle Caledonie *					France	Full	100.00%	100.00%
BNP Paribas Réunion *					France	Full	100.00%	100.00%
BNP Paribas Vostok Holdings	2				France	Full	100.00%	100.00%
Sahara Bank LSC				1	Libya	Equity	19.00%	19.00%
SIFIDA			4		Luxembourg			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Groupe)					Turkey	Prop.	50.00%	50.00%
Ukranian Insurance Alliance		12			Ukraine	Equity	49.99%	25.50%
Ukrsib Asset Management				2	Ukraine	Equity	99.94%	50.97%
Ukrsib Asset Management PI Fund				2	Ukraine	Equity	99.97%	50.98%
UkrSibbank		1			Ukraine	Full	51.00%	51.00%
BNP Paribas Vostok LLC (ex UkrSibbank LLC)		12	8		Russia	Full	100.00%	100.00%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50.00%	50.00%
Union Bancaire pour le Commerce et l'Industrie Leasing					Tunisia	Full	75.40%	37.70%
Special Purpose Entities								
Vela Lease SRL	1		13		Italy	Full		

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Asset Management & Services								
Insurance								
Assu-Vie SA		12			France	Equity	50.00%	50.00%
Banque Financiere Cardif	5				France			
BNL Vita SPA	1		13		Italy	Equity	49.00%	49.00%
BNP Paribas Assurance				5	France			
BNP Paribas Assurance (ex Cardif SA)					France	Full	100.00%	100.00%
Cardif Assicurazioni SPA					Italy	Full	100.00%	100.00%
Cardif Assurance Vie					France	Full	100.00%	100.00%
Cardif Assurance Vie Polska					Poland	Full	100.00%	100.00%
Cardif Compania de Seguros				2	Perou	Equity	100.00%	100.00%
Cardif Compania de Seguros de Vida				11	Argentina	Equity	100.00%	100.00%
Cardif do Brasil Seguros					Brazil	Full	100.00%	100.00%
Cardif do Brasil Seguros e Garantias		12			Brazil	Equity	100.00%	100.00%
Cardif Holdings Incorporation				2	U.S.A	Full	99.89%	99.89%
Cardif Leven					Belgium	Full	100.00%	100.00%
Cardif Levensverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardif Life Insurance Company Corporation				2	U.S.A	Full	100.00%	99.89%
Cardif Mexico Seguros de Vida		12			Mexico	Equity	100.00%	100.00%
Cardif Mexico Seguros Generales SA		12			Mexico	Equity	100.00%	100.00%
Cardif Nederland Holding BV					Netherlands	Full	100.00%	100.00%
Cardif Nordic				2	Sweden	Equity	100.00%	100.00%
Cardif Pinnacle Insurance Holding Limited (ex Pinnafrica Holding Limited)		12		8	South Africa	Full	100.00%	100.00%
Cardif RD					France	Full	100.00%	100.00%
Cardif Retraite Assurance Vie	11				France	Full	100.00%	100.00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardivida Correduria de Seguros		12			Spain	Equity	100.00%	100.00%
Centro Vita Assicurazioni SPA					Italy	Prop.	49.00%	49.00%
Compagnie Bancaire Uk Fonds C					UK	Full	100.00%	100.00%
Compania de Seguros Generales					Chile	Full	100.00%	100.00%
Compania de Seguros Vida SA	11				Chile	Full	100.00%	100.00%
Cybele RE			5		Luxembourg			
Darnell Limited					Ireland	Full	100.00%	100.00%
European Reinsurance Limited				11	UK	Equity	100.00%	100.00%
Financial Telemarketing Services				11	UK	Equity	100.00%	100.00%
GIE BNP Paribas Assurance					France	Full	100.00%	99.00%
Global Euro			2		France	Full	100.00%	99.83%
Investlife Luxembourg SA					Luxembourg	Full	100.00%	100.00%
Natio Assurance					France	Prop.	50.00%	50.00%
Natio Fonds Athenes Investissement 5			2		France	Full	100.00%	100.00%
Natio Fonds Collines Investissement 1			2		France	Full	100.00%	100.00%
Natio Fonds Collines Investissement 3			2		France	Full	100.00%	100.00%
Patrimoine Management & Associés	1				France	Full	67.00%	67.00%
Pinnacle Insurance Holding PLC					UK	Full	100.00%	100.00%
Pinnacle Insurance Management Services PLC					UK	Full	100.00%	100.00%
Pinnacle Insurance PLC					UK	Full	100.00%	100.00%
Pinnafrica Insurance Company Limited		12			South Africa	Equity	100.00%	100.00%
Pinnafrica Insurance Life Limited		12			South Africa	Equity	100.00%	100.00%
Pojistovna Cardif Pro Vita		12			Czech Rep.	Equity	100.00%	100.00%
Pojistovna Cardif Slovakia A.S				11	Czech Rep.	Equity	100.00%	100.00%
SARL Carma Grand Horizon			2		France	Full	100.00%	100.00%
SARL Reumal Investissements					France	Full	100.00%	100.00%
SAS Hibernia France				1	France	Full	100.00%	99.87%
SCA Capital France Hotel				1	France	Full	99.87%	99.87%
SCI 104-106 rue Cambronne					France	Full	100.00%	100.00%

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Insurance (cont'd)								
SCI 14 rue Vivienne					France	Full	100.00%	100.00%
SCI 24-26 rue Duranton			3		France			
SCI 25 rue Abbe Carton			3		France			
SCI 25 rue Gutenberg			3		France			
SCI 40 rue Abbe Groult			3		France			
SCI 100 rue Lauriston					France	Full	100.00%	100.00%
SCI 6 Square Foch					France	Full	100.00%	100.00%
SCI 8-10 place du Commerce					France	Full	100.00%	100.00%
SCI Asnieres 1					France	Full	100.00%	100.00%
SCI Beausejour					France	Full	100.00%	100.00%
SCI BNP Paribas Pierre 2					France	Full	100.00%	100.00%
SCI Boulevard Malesherbes					France	Full	100.00%	100.00%
SCI Boulogne Centre					France	Full	100.00%	100.00%
SCI Boulogne Nungesser					France	Full	100.00%	100.00%
SCI Corosa					France	Full	100.00%	100.00%
SCI Courbevoie					France	Full	100.00%	100.00%
SCI Defense Etoile					France	Full	100.00%	100.00%
SCI Defense Vendome					France	Full	100.00%	100.00%
SCI Etoile					France	Full	100.00%	100.00%
SCI Immeuble Demours					France	Full	100.00%	100.00%
SCI Le Chesnay 1			3		France			
SCI Levallois 2					France	Full	100.00%	100.00%
SCI Maisons 1			3		France			
SCI Malesherbes Courcelles					France	Full	100.00%	100.00%
SCI Montrouge 2			3		France			
SCI Montrouge 3			3		France			
SCI Paris Cours de Vincennes			2		France	Full	100.00%	100.00%
SCI Moussorgski					France	Full	100.00%	100.00%
SCI Residence le Chatelard					France	Full	100.00%	100.00%
SCI rue Mederic					France	Full	100.00%	100.00%
SCI Rueil 1			3		France			
SCI Rueil Ariane					France	Full	100.00%	100.00%
SCI Rueil Caudron					France	Full	100.00%	100.00%
SCI Saint Maurice 2			3		France			
SCI Suresnes 2			3		France			
SCI Suresnes 3					France	Full	100.00%	100.00%
Shinan et Life Corée		2			South Korea	Prop.	50.00%	50.00%
State Bank India Life Cy		2			India	Equity	26.00%	26.00%
Thai Cardif Insurance Life Company Limited		2			Thailand	Equity	25.00%	25.00%
Valtitres			2		France	Full	100.00%	100.00%
Private Banking								
Banque Privée Anjou (ex Dexia Banque Privée) *			1	5	France			
Bergues Finance Holding					Bahamas	Full	100.00%	99.99%
BNL International Luxembourg	1		5		Luxembourg			
BNP Paribas Bahamas Limited (ex United European Bank Trust Nassau)					Bahamas	Full	100.00%	99.99%
BNP Paribas Espana SA					Spain	Full	99.57%	99.57%
BNP Paribas Investment Services LLC					U.S.A	Full	100.00%	100.00%
BNP Paribas Private Bank *					France	Full	100.00%	100.00%
BNP Paribas Private Bank Monaco *					France	Full	100.00%	99.99%
BNP Paribas Private Bank Switzerland	5				Switzerland			
Conseil Investissement					France	Full	100.00%	100.00%
Lavoro Bank Ag Zurigo	1		5		Switzerland			
Nachenius, Tjeenk et Co NV					Netherlands	Full	100.00%	100.00%
Servizio Italia SPA	1		4		Italy			
United European Bank Switzerland		5			Switzerland			

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Personal Investisor								
B*Capital *					France	Full	99.96%	99.96%
Cortal Consors France *					France	Full	100.00%	100.00%
FundQuest					France	Full	100.00%	100.00%
Geojit Financial Services Limited (Groupe)			1	10	India	Prop.	27.18%	27.18%
Asset Management								
Antin Participation 23				2	France	Equity	100.00%	100.00%
BNL Fondi Immobiliari	1		13		Italy	Full	100.00%	100.00%
BNL Gestioni SGR	1		13		Italy	Full	100.00%	100.00%
BNP PAM Group					France	Full	100.00%	100.00%
BNP Paribas Asset Management					France	Full	100.00%	100.00%
BNP Paribas Asset Management Asia				2	Hong-Kong	Equity	100.00%	100.00%
BNP Paribas Asset Management Brasil Limitada					Brazil	Full	100.00%	100.00%
BNP Paribas Asset Management GmbH		12			Germany	Equity	100.00%	100.00%
BNP Paribas Asset Management Japan Limited	11				Japan	Full	100.00%	100.00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99.66%	99.66%
BNP Paribas Asset Management Singapore Limited				2	Singapore	Equity	100.00%	100.00%
BNP Paribas Asset Management SGR Milan SPA		12		5	Italy			
BNP Paribas Asset Management UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Asset Management Uruguay SA		12			Uruguay	Equity	100.00%	100.00%
BNP Paribas Epargne et Retraite Entreprise		5			France			
BNP Paribas Financière AMS (Fin'AMS) *		2			France	Full	100.00%	100.00%
BNP Paribas Fund Services France					France	Full	100.00%	100.00%
BNP Paribas Private Equity		12			France	Equity	100.00%	100.00%
BNP Paribas SGIIC		12			Spain	Equity	100.00%	99.57%
Cardif Asset Management					France	Full	100.00%	100.00%
Cardif Gestion d'Actifs	11				France	Full	100.00%	100.00%
Charter Atlantic Corporation (ex Fischer Francis Trees & Watts)			8		U.S.A	Full	100.00%	100.00%
Charter Atlantic Capital corporation			8		U.S.A	Full	100.00%	100.00%
Charter Atlantic Securities Incorporation			8		U.S.A	Full	100.00%	100.00%
Cooper Neff Alternative Managers		12	8		France	Full	71.51%	71.51%
Fauchier Partners Management Limited (Groupe)					UK	Prop.	50.00%	50.00%
Fischer Francis Trees & Watts Incorporation			8		U.S.A	Full	100.00%	100.00%
Fischer Francis Trees & Watts Kabushiki Kaisha			8		Japan	Full	100.00%	100.00%
Fischer Francis Trees & Watts Limited			8		UK	Full	100.00%	100.00%
Fischer Francis Trees & Watts Pte Limited			8		Singapore	Full	100.00%	100.00%
Fischer Francis Trees & Watts UK			8		UK	Full	100.00%	100.00%
Fund Quest Incorporation					U.S.A	Full	100.00%	100.00%
Overlay Asset Management		12			France	Equity	100.00%	100.00%
Shinhan BNP Paribas Investment Trust Management Co Ltd		12	10		South Korea	Prop.	50.00%	50.00%
Sundaram BNP Paribas Asset Management Company Limited		2			India	Equity	49.90%	49.90%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100.00%	100.00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100.00%	100.00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100.00%	100.00%
BNP Paribas Fund Services Holdings					UK	Full	100.00%	100.00%
BNP Paribas Fund Services UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Securities Services - BP2S *					France	Full	100.00%	100.00%
BNP Paribas Securities Services International Holding SA				5	France			
Banco Excel Bank SA			1	5	Spain			
Royal Bank of Scotland International Trustee (Guernesey Ltd)				1	Guernsey	Equity	100.00%	100.00%
Royal Bank of Scotland International Custody Bank Ltd				1	Jersey	Full	100.00%	100.00%
Royal Bank of Scotland International Securities Services (Holdings) Ltd				1	Jersey	Full	100.00%	100.00%

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(7) Change of method - Full consolidation to equity method	

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Property services								
Asset Partenaires					France	Full	100.00%	96.77%
Atisreal Expertise					France	Full	100.00%	100.00%
Atisreal Auguste-Thouard					France	Full	95.84%	95.84%
Atisreal Auguste-Thouard Habitat Foncier		5			France			
Atisreal Belgium SA					Belgium	Full	100.00%	100.00%
Atisreal Benelux SA					Belgium	Full	100.00%	100.00%
Atisreal Consult			5		France			
Atisreal Consult (ex SAS Astrim)					France	Full	100.00%	100.00%
Atisreal Consult GmbH					Germany	Full	100.00%	100.00%
Atisreal Espana SA					Spain	Full	100.00%	100.00%
Atisreal GmbH					Germany	Full	100.00%	100.00%
Atisreal Holding Belgium SA		5			Belgium			
Atisreal Holding France					France	Full	100.00%	100.00%
Atisreal Holding GmbH					Germany	Full	100.00%	100.00%
Atisreal International					France	Full	100.00%	100.00%
Atisreal Irlande			1		Ireland	Full	100.00%	100.00%
Atisreal Italia			1		Italy	Full	100.00%	100.00%
Atisreal Limited					UK	Full	100.00%	100.00%
Atisreal Luxembourg SA					Luxembourg	Full	100.00%	100.00%
Atisreal Netherlands BV	4				Netherlands			
Atisreal Property Management GmbH					Germany	Full	100.00%	100.00%
Atisreal Property Management Services					Belgium	Full	100.00%	100.00%
Atisreal Proplan GmbH					Germany	Full	87.59%	87.59%
Atisreal Services		4			France			
Atisreal USA Incorporated					U.S.A	Full	100.00%	100.00%
BNP Paribas Immobilier (ex Meunier Promotion)					France	Full	100.00%	100.00%
BNP Paribas Immobilier		5			France			
BNP Paribas Immobilier Property Management					France	Full	100.00%	100.00%
BNP Paribas Participations Finance Immobilier					France	Full	100.00%	100.00%
BNP Paribas Real Estate Investment Management					France	Full	96.77%	96.77%
BNP Paribas Real Estate Investments services Ltd (ex Atisreal Weatheralls Financial Limited)					UK	Full	100.00%	100.00%
BNP Paribas Real Estate Property Developpement Italia				2	Italy	Full	100.00%	100.00%
BNP Paribas Real Estate Property Management Italia			1		Italy	Full	100.00%	100.00%
BSA Immobilier					France	Full	100.00%	100.00%
Cabinet Claude Sanchez			1		France	Full	100.00%	100.00%
Chancery Lane Management Services Limited					UK	Full	100.00%	100.00%
Compagnie Tertiaire	1		5		France			
F G Ingenierie et Promotion Immobilière					France	Full	100.00%	100.00%
Genisar Servicios Immobiliarios		1		5	Spain			
Immobiliere des Bergues					France	Full	100.00%	100.00%
Partner's & Services			1		France	Full	100.00%	100.00%
Partenaires Gerance Soprofinance				5	France			
SA Comadim Hispania			1		Spain	Full	100.00%	100.00%
SA Gerer					France	Full	100.00%	100.00%
SA Meunier Hispania			1		Spain	Full	100.00%	100.00%
SA Procodis			5		France			
SAS BNP Paribas Real Estate Property Management (ex SA Comadim)					France	Full	100.00%	100.00%
SAS BRSI			1		France	Full	100.00%	100.00%
SAS ECM Real Estate			1		France	Full	100.00%	100.00%
SAS Meunier Developpements					France	Full	100.00%	100.00%
SAS Meunier Habitat					France	Full	100.00%	100.00%
SAS Meunier Habitat Sud Ouest				2	France	Full	100.00%	100.00%
SAS Meunier Immobilière d'Entreprises					France	Full	100.00%	100.00%
SAS Meunier Méditerranée					France	Full	100.00%	100.00%
SAS Meunier Rhône Alpes					France	Full	100.00%	100.00%
SAS Multi Vest (France) 4			1		France	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Property services (cont'd)								
SAS Newport Management			1		France	Full	100.00%	100.00%
SAS Sofiane					France	Full	100.00%	100.00%
SAS Studelites (ex SNC Comadim Résidences Services)					France	Full	100.00%	100.00%
SNC Espaces Immobiliers					France	Full	100.00%	100.00%
SNC Lot 2 Porte d'Asnières					France	Full	100.00%	100.00%
SNC Meunier Gestion					France	Full	100.00%	100.00%
Sifonte SL		1		5	Spain			
Soprofinance		5			France			
SP & Partners				2	France	Full	95.84%	95.84%
Tasaciones Hipotecarias SA		1			Spain	Full	100.00%	100.00%
Valuation Consulting Limited		1			UK	Full	100.00%	100.00%
Weatheralls Consultancy Services Limited					UK	Full	100.00%	100.00%

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Corporate & Investment Banking									
France									
BNP Paribas Arbitrage	*					France	Full	100.00%	100.00%
BNP Paribas Equities France	*					France	Full	99.96%	99.96%
BNP Paribas Equity Strategies France						France	Full	100.00%	100.00%
BNP Paribas Peregrine Group					5	France			
BNP Paribas Stratégies Actions						France	Full	100.00%	100.00%
Capstar Partners SAS France						France	Full	100.00%	100.00%
Harewood Asset Management			12			France	Equity	100.00%	100.00%
Paribas Dérivés Garantis Snc						France	Full	100.00%	100.00%
Parifergie	*					France	Full	100.00%	100.00%
SAS Esomet						France	Full	100.00%	100.00%
SAS Parilease	*					France	Full	100.00%	100.00%
Europe									
BNP Capital Finance Limited		4				Ireland			
BNP Factor Portugal						Portugal	Full	100.00%	100.00%
BNP Paribas Ireland						Ireland	Full	100.00%	100.00%
BNP Paribas (Bulgaria) AD						Bulgaria	Full	100.00%	100.00%
BNP Paribas Bank (Hungaria) RT						Hungary	Full	100.00%	100.00%
BNP Paribas Bank (Polska) SA						Poland	Full	100.00%	100.00%
BNP Paribas Bank NV						Netherlands	Full	100.00%	100.00%
BNP Paribas Capital Investments Limited						UK	Full	100.00%	100.00%
BNP Paribas Capital Markets Group Limited						UK	Full	100.00%	100.00%
BNP Paribas Commodity Futures Limited						UK	Full	100.00%	100.00%
BNP Paribas E & B Limited						UK	Full	100.00%	100.00%
BNP Paribas Finance PLC						UK	Full	100.00%	100.00%
BNP Paribas Fixed Assets Limited		4				UK			
BNP Paribas Luxembourg SA						Luxembourg	Full	100.00%	100.00%
BNP Paribas Net Limited						UK	Full	100.00%	100.00%
BNP Paribas Services		5				Switzerland			
BNP Paribas Sviluppo				4		Italy			
BNP Paribas Suisse SA						Switzerland	Full	99.99%	99.99%
BNP Paribas UK Holdings Limited						UK	Full	100.00%	100.00%
BNP Paribas UK Limited						UK	Full	100.00%	100.00%
BNP PUK Holding Limited						UK	Full	100.00%	100.00%
BNP Paribas ZAO						Russia	Full	100.00%	100.00%
Calilux SARL					2	Luxembourg	Full	60.00%	60.00%
Capstar Partners Limited						UK	Full	100.00%	100.00%
Dealremote Limited		4				UK			
Delta Reinsurance Limited		2		8		Ireland	Full	100.00%	100.00%
Harewood Holdings Limited			2			UK	Full	100.00%	100.00%
ISIS Factor SPA				4		Italy			
Landspire Limited					2	UK	Full	100.00%	100.00%
Paribas Management Service Limited		4				UK			
Paribas Trust Luxembourg SA						Luxembourg	Full	100.00%	100.00%
Utexam Limited						Ireland	Full	100.00%	100.00%
Americas									
BNP Paribas Andes				4		Perou			
BNP Paribas Asset Management Incorporated						U.S.A	Full	100.00%	100.00%
BNP Paribas Brasil SA						Brazil	Full	100.00%	100.00%
BNP Paribas Canada						Canada	Full	100.00%	100.00%
BNP Paribas Capstar Partners Incorporated						U.S.A	Full	100.00%	100.00%
BNP Paribas Commodities Futures Incorporated						U.S.A	Full	100.00%	100.00%
BNP Paribas Leasing Corporation						U.S.A	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Americas (cont'd)								
BNP Paribas North America Incorporated					U.S.A	Full	100.00%	100.00%
BNP Paribas Principal Incorporated					U.S.A	Full	100.00%	100.00%
BNP Paribas RCC Incorporation					U.S.A	Full	100.00%	100.00%
BNP Paribas Securities Corporation					U.S.A	Full	100.00%	100.00%
Capstar Partners LLC					U.S.A	Full	100.00%	100.00%
Cooper Neff Advisors Incorporated					U.S.A	Full	100.00%	100.00%
Cooper Neff Group Incorporated					U.S.A	Full	100.00%	100.00%
French American Banking Corporation - F.A.B.C					U.S.A	Full	100.00%	100.00%
Paribas North America					U.S.A	Full	100.00%	100.00%
Petits Champs Participaçoes e Servicios SA					Brazil	Full	100.00%	100.00%
Asia - Oceania								
BNP Equities Asia Limited					Malaysia	Full	100.00%	100.00%
BNP Paribas (China) Limited					China	Full	100.00%	100.00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Asia Pacific) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Singapore) Limited					Singapore	Full	100.00%	100.00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas GRS (Hong Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas India Solutions Private Limited	2				India	Full	100.00%	100.00%
BNP Paribas Japan Limited			2		Japan	Full	100.00%	100.00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100.00%	100.00%
BNP Paribas Peregrine Securities (Thailande) Limited	3				Thailand			
BNP Paribas Principal Investments Japan Limited			2		Japan	Full	100.00%	100.00%
BNP Paribas Securities (Asia) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Japan) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Taiwan) Co Limited					Taiwan	Full	100.00%	100.00%
BNP Paribas Securities Korea Company Limited					South Korea	Full	100.00%	100.00%
BNP Paribas Secutities (Singapore) Pte Limited					Singapore	Full	100.00%	100.00%
BNP Paribas Services (Hong Kong) Limited					Hong-Kong	Full	100.00%	100.00%
Credit Agricole Indosuez Securities Limited	4				Japan			
Paribas Asia Equities Limited					Hong-Kong	Full	100.00%	100.00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100.00%	99.99%
PT BNP Paribas Securities Indonesia					Indonesia	Full	99.00%	99.00%
Special Purpose Entities								
54 Lombard Street Investments Limited					UK	Full		
Alectra Finance PLC		2			Ireland	Full		
Altels Investments Limited					Ireland	Full		
APAC Finance Limited					New Zealand	Full		
APAC Investments Limited					New Zealand	Full		
APAC NZ Holdings Limited					New Zealand	Full		
ARV International Limited					Cayman Islands	Full		
Austin Finance	2				France	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A	Full		
BNP Paribas New Zealand Limited	4				New Zealand			
BNP Paribas Singapore Funding Partnership				2	Singapore	Full		
Bougainville BV					Netherlands	Full		
China Jenna Finance 1 à 3		2			France	Full		
China Lucie Finance 1 à 3					France	Full		
China Marie Finance 1 et 2				2	France	Full		
China Newine Finance 1 à 4				2	France	Full		
China Samantha Finance 1 à 10					France	Full		
Crisps Limited					Cayman Islands	Full		

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Special Purpose Entities (cont'd)								
Epimetheus Investments Limited			4		Cayman Islands			
Epping Funding Limited				2	Cayman Islands	Full		
Epsom Funding Limited					Cayman Islands	Full		
Euroliberté PLC			4		Ireland			
European Hedged Equity Limited					Cayman Islands	Full		
Fidex PLC					UK	Full		
Financière Paris Haussmann	2				France	Full		
Financière Taitbout	2				France	Full		
Forsete Investments SA				4	Luxembourg			
Global Guaranteed Cliquet Investment Limited	4				Cayman Islands			
Global Guaranteed Equity Limited					Cayman Islands	Full		
Global Hedged Equity Investment Limited			4		Cayman Islands			
Global Liberté		2			France	Full		
Global Protected Alternative Investments Limited					Cayman Islands	Full		
Global Protected Equity Limited					Cayman Islands	Full		
Grenache et Cie SNC				2	Luxembourg	Full		
Harewood Investments N°1 à 6 Limited					Cayman Islands	Full		
Henaross Property Limited					Australia	Full		
Highbridge Limited (ex Carleton Court Investments Limited)				2	Cayman Islands	Full		
Iliad Investments PLC					Ireland	Full		
Joconde Investments SA				4	Luxembourg			
Laffitte Participation 2					France	Full		
Laffitte Participation 10					France	Full		
Laffitte Participation 12					France	Full		
Liquidity Trust				4	Cayman Islands			
Lock-In Global equity Limited					Cayman Islands	Full		
Marc Finance Limited					Cayman Islands	Full		
Mexita Limited N° 3	4				Cayman Islands			
Mexita Limited N° 4	4				Cayman Islands			
Muscat Investments Limited				2	Jersey	Full		
Olan 2 Enterprises PLC	4				Ireland			
Omega Capital Investments Plc	2				Ireland	Full		
Omega Investments Cayman Limited	2			4	Cayman Islands			
Omega Capital Europe PLC				2	Ireland	Full		
Omega Capital Funding Limited				2	Ireland	Full		
Optichamps					France	Full		
Paregof			4		France			
Parritaye Property Limited					Australia	Full		
Participations Opéra	2				France	Full		
Robin Flight Limited					Ireland	Full		
Royal Neuve I Sarl	2				Luxembourg	Full		
Royal Neuve V Sarl				2	Luxembourg	Full		
Royal Neuve VI Sarl				2	Luxembourg	Full		
SAS Esra 1 à 3			2		France	Full		
SAS Financière des Italiens			2		France	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS					France	Full		
Sirocco Investments SA				4	Luxembourg			
SNC Atargatis					France	Full		
SNC Compagnie Investissement Italiens			2		France	Full		
SNC Compagnie Investissement Opéra			2		France	Full		
SNC Méditerranéa					France	Full		
St Maarten CDO Limited				4	Cayman Islands			
Sunny Funding Limited					Cayman Islands	Full		
Swallow Flight Limited					Ireland	Full		
Tender Option Bond Municipal program					U.S.A	Full		
Thunderbird Investments PLC					Ireland	Full		

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Other Business Units								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque		5			France			
Clairville					Belgium	Full	100.00%	100.00%
Cobema					Belgium	Full	100.00%	100.00%
Cobepa Technology					Belgium	Full	100.00%	100.00%
Compagnie Financière Ottomane					Luxembourg	Full	96.79%	96.79%
Erbe					Belgium	Equity	47.01%	47.01%
Evialis	7		4		France			
Gepeco					Belgium	Full	100.00%	100.00%
Paribas Participation Limitee					Canada	Full	100.00%	100.00%
Property companies (property used in operations)								
Capefi			5		France			
Compagnie Immobiliere de France			5		France			
Ejesur					Spain	Full	100.00%	100.00%
SAS 5 Avenue Kleber					France	Full	100.00%	100.00%
SAS Foncière de la Compagnie Bancaire					France	Full	100.00%	100.00%
SAS Noria		1			France	Full	100.00%	100.00%
SCI Immobilière Marché Saint-Honoré					France	Full	100.00%	100.00%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100.00%	100.00%
Antin Participation 4				5	France			
Antin Participation 5					France	Full	100.00%	100.00%
Investment companies and other subsidiaries								
Antin Participation 15	2			5	France			
BNL International Investment SA	1				Luxembourg	Full	100.00%	100.00%
BNL Multiservizi SPA	1		7		Italy	Equity	100.00%	100.00%
BNP Paribas Covered Bonds *		2			France	Full	100.00%	100.00%
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100.00%	100.00%
BNP Paribas Emergis		5			France			
BNP Paribas International BV					Netherlands	Full	100.00%	100.00%
BNP Paribas Mediterranée Innovation & Technologies				2	Morocco	Full	100.00%	96.39%
BNP Paribas Partners for Innovation (Groupe)					France	Equity	50.00%	50.00%
BNP Paribas UK Treasury Limited					UK	Full	100.00%	100.00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer	5				France			
Compagnie Bancaire Uk Fonds B					UK	Full	100.00%	100.00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100.00%	100.00%
Financière BNP Paribas					France	Full	100.00%	100.00%
Financière Marché Saint Honoré					France	Full	100.00%	100.00%
GIE Groupement Auxiliaire et de Moyens - GAM					France	Full	100.00%	100.00%
Kle 65		5			France			
Kle 66	5				France			
Le Sphinx Assurances Luxembourg SA		12			Luxembourg	Equity	100.00%	100.00%
Luxpar-Ré		3			Luxembourg			
Omnium Gestion Developpement Immobilier					France	Full	100.00%	100.00%
Paribas International	5				France			
Placement, Gestion & Finance Holding - Plagefin					Luxembourg	Full	99.99%	99.99%
Quatch	5				France			
Sagip					Belgium	Full	100.00%	100.00%
SAS Klefinances		5			France			
Société Auxiliaire de Construction Immobilière - SACI					France	Full	100.00%	100.00%
Société Centrale d'Investissement		5			France			
Societe Française Auxiliaire - S.F.A.			5		France			

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(A) Movements for 6 months to 30 June 2006	
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(7) Change of method - Full consolidation to equity method	

Name		(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Investment companies and other subsidiaries (cont'd)									
Société Jovacienne de Participations			5			France			
Société Orbaisienne de Participations				2		France	Full	100.00%	100.00%
UCB Bail	*					France	Full	100.00%	100.00%
UCB Entreprises	*					France	Full	100.00%	100.00%
UCB Locabail immobilier	*					France	Full	100.00%	100.00%
Verner Investissements (Groupe)						France	Equity	48.40%	48.40%
Special Purpose Entities									
Antin Participation 7					5	France			
Antin Participation 13					5	France			
BNP Paribas Capital Trust LLC 1 - 3 -4 - 6						U.S.A	Full		
BNP Paribas Capital Trust LLC 2			4			U.S.A			
BNP Paribas Capital Trust LLC 5				4		U.S.A			
BNP Paribas US Medium Term Notes Program						U.S.A	Full		
BNP Paribas US Structured Medium Term Notes LLC						U.S.A	Full		
BNP US Funding LLC					4	U.S.A			
Klépierre									
Akciova Spolocnost Arcol						Slovakia	Full	100.00%	51.17%
AMAC SRO		2				Slovakia	Full	100.00%	51.17%
AMC - Prague SRO		2			5	Czech Rep.			
Besloten Vennotschap Capucine BV						Netherlands	Full	100.00%	51.17%
Bestes		1				Czech Rep.	Full	99.00%	50.65%
Corvin Office					1	Hungary	Full	100.00%	51.17%
Duna Plaza Offices z.o.o				2		Hungary	Full	100.00%	51.17%
Entertainment Plaza		1				Czech Rep.	Full	100.00%	51.17%
GIE Klepierre Services						France	Full	100.00%	51.17%
I G C SPA						Italy	Prop.	50.00%	25.58%
ICD SPA						Italy	Full	85.00%	43.49%
Klecar Italia SPA						Italy	Full	100.00%	42.47%
Klefin Italia SPA						Italy	Full	100.00%	51.17%
Klepierre Corvin					2	Hungary	Full	100.00%	51.17%
Klepierre CZ SRO						Czech Rep.	Full	100.00%	51.17%
Klepierre Galiera Krakow					2	Poland	Full	100.00%	51.17%
Klepierre Galiera Poznan					2	Poland	Full	100.00%	51.17%
Klepierre Krakow SP z.o.o						Poland	Prop.	100.00%	51.17%
Klepierre Larissa Limited				2		Greece	Full	100.00%	51.17%
Klepierre Lublin				2		Poland	Full	100.00%	51.17%
Klepierre Luxembourg				2		Luxembourg	Full	100.00%	51.17%
Klepierre Novo		2				Czech Rep.	Full	100.00%	51.17%
Klepierre Poznan SP z.o.o						Poland	Prop.	100.00%	51.17%
Klepierre Sadyba SP z.o.o						Poland	Full	100.00%	51.17%
Klepierre Sosnowiec				2		Poland	Full	100.00%	51.17%
Klepierre Rybnik				2		Poland	Full	100.00%	51.17%
Klepierre Warsaw Sp z.o.o				2		Poland	Full	100.00%	51.17%
Krakow Plaza SP z.o.o						Poland	Full	100.00%	51.17%
La Marquaysonne					1	France	Full	100.00%	38.79%
Leg II Hellenic Holdings				2		Luxembourg	Full	100.00%	51.17%
Les Boutiques de Saint Maximin				1		France	Full	43.00%	22.00%
Movement Poland SA					1	Poland	Full	100.00%	51.17%
Noblespecialiste					1	France	Full	100.00%	38.79%
Progest				1		France	Full	100.00%	51.17%
Restorens					1	France	Full	100.00%	38.79%
Ruda Slaska Plaza SP z.o.o						Poland	Full	100.00%	51.17%
Rybnik Plaza SP z.o.o				2		Poland	Full	100.00%	51.17%
SA Brescia			5			France			

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(7) Change of method - Full consolidation to equity method	

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Klépierre (cont'd)								
SA Cap Nord			1		France	Full	100.00%	42.98%
SA Cinéma de l'Esplanade					Belgium	Full	100.00%	51.17%
SA Coimbra					Belgium	Full	100.00%	51.17%
SA Delcis CR					Czech Rep.	Full	100.00%	51.17%
SA Devimo Consult					Belgium	Equity	35.00%	17.91%
SA Finascente				6	Portugal	Full	100.00%	51.17%
SA Foncière de Louvain la Neuve					Belgium	Full	100.00%	51.17%
SA Galiera Parque Nascente				6	Portugal	Full	100.00%	51.17%
SA Gondobrico				6	Portugal	Full	100.00%	51.17%
SA Klecar Foncier Espana					Spain	Full	100.00%	42.47%
SA Klecar Foncier Iberica					Spain	Full	100.00%	42.47%
SA Klelou Immobiliare					Portugal	Full	100.00%	51.17%
SA Kleminho	2				Portugal	Full	100.00%	51.17%
SA Klenor Immobiliaria					Portugal	Full	100.00%	51.17%
SA Klepierre					France	Full	51.27%	51.17%
SA Klepierre Athinon AE					Greece	Full	100.00%	42.47%
SA Klépierre Foncier Makedonia					Greece	Full	100.00%	42.47%
SA Klepierre NEA Efkarpia AE					Greece	Full	100.00%	42.47%
SA Klepierre Peribola Patras AE					Greece	Full	100.00%	42.47%
SA Klepierre Portugal SGPS					Portugal	Full	100.00%	51.17%
SA Klepierre Vallecas					Spain	Full	100.00%	51.17%
SA Klepierre Vinaza					Spain	Full	100.00%	51.17%
SA Kletel Immobiliaria					Portugal	Full	100.00%	51.17%
SA Place de l'acceuil					Belgium	Full	100.00%	51.17%
SA Poznan Plaza					Poland	Full	100.00%	51.17%
SA Reze Sud			1		France	Equity	15.00%	7.67%
SA Sadyba Center					Poland	Full	100.00%	51.17%
SA Sogecaec					Portugal	Full	100.00%	51.17%
SARL Belvedere Invest			1		France	Full	62.00%	31.72%
SARL Bois des Fenêtres				1	France	Equity	20.00%	10.23%
SARL Csepel 2002					Hungary	Full	100.00%	51.17%
SARL Debrecen 2002					Hungary	Full	100.00%	51.17%
SARL Duna Plaza					Hungary	Full	100.00%	51.17%
SARL Effe Kappa					Italy	Prop.	50.00%	25.58%
SARL Forwing			1		France	Full	90.00%	46.05%
SARL Galiera Commerciale Assago					Italy	Full	100.00%	51.17%
SARL Galiera Commerciale Cavallino					Italy	Full	100.00%	51.17%
SARL Galiera Commerciale Collegno					Italy	Full	100.00%	51.17%
SARL Galiera Commerciale Klepierre					Italy	Full	100.00%	51.17%
SARL Galiera Commerciale Seravalle					Italy	Full	100.00%	51.17%
SARL Galiera Commerciale Solbiate					Italy	Full	100.00%	51.17%
SARL Gyor 2002					Hungary	Full	100.00%	51.17%
SARL Immobiliare Magnolia					Italy	Full	85.00%	43.49%
SARL Kanizsa 2002					Hungary	Full	100.00%	51.17%
SARL Kaposvar 2002					Hungary	Full	100.00%	51.17%
SARL Miskolc 2002					Hungary	Full	100.00%	51.17%
SARL Novate					Italy	Full	85.00%	43.49%
SARL Nyiregyhaza Plaza					Hungary	Full	100.00%	51.17%
SARL Proreal			1		France	Full	51.00%	26.09%
SARL Szeged Plaza					Hungary	Full	100.00%	51.17%
SARL Szolnok Plaza					Hungary	Full	100.00%	51.17%
SARL Uj Alba					Hungary	Full	100.00%	51.17%
SARL Zalaegerszeg Plaza					Hungary	Full	100.00%	51.17%
SAS 192 avenue Charles De Gaulle	5				France			
SAS 21 Kleber	5				France			
SAS 21 la Perouse	5				France			

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(10) Change of method - Equity method to proportionate method
(11) Reconsolidation
(12) Entities consolidated using a simplified equity method (non-material)
(13) Business transfers due to the creation of Italian retail banking segment

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SAS 43 Grenelle	5				France			
SAS 43 Kleber		5			France			
SAS 46 Notre-Dame des victoires	5				France			
SAS 5 Turin				5	France			
SAS Cande	5				France			
SAS CB Pierre					France	Full	100.00%	51.17%
SAS Cecobil					France	Prop.	50.00%	25.58%
SAS Cecoville					France	Full	100.00%	51.17%
SAS Centre Jaude Clermont					France	Full	100.00%	51.17%
SAS Concorde Puteaux	5				France			
SAS Doumer Caen	5				France			
SAS du 23 avenue Marignan	5				France			
SAS Espace Cordeliers				3	France			
SAS Espace Dumont D'Urville	5				France			
SAS Espace Kleber	5				France			
SAS Flandre	5				France			
SAS Holding Gondomar 1					France	Full	100.00%	51.17%
SAS Holding Gondomar 2				1	France	Full	100.00%	51.17%
SAS Holding Gondomar 3					France	Full	100.00%	51.17%
SAS Holding Gondomar 4				1	France	Full	100.00%	51.17%
SAS Issy Desmoulins	5				France			
SAS Kle Projet 1			1		France	Full	100.00%	51.17%
SAS Kle Projet 2			2		France	Full	100.00%	51.17%
SAS Klecapnor			2		France	Full	100.00%	42.98%
SAS KLE 1					France	Full	100.00%	51.17%
SAS Kleber Levallois	5				France			
SAS Klecar Participations Italie					France	Full	83.00%	42.47%
SAS Klemurs					France	Full	84.00%	42.98%
SAS Klepierre Finance					France	Full	100.00%	51.17%
SAS Klepierre Participations et Financements (ex SAS Klepierre Hongrie)					France	Full	100.00%	51.17%
SAS Klepierre Pologne					Poland	Full	100.00%	51.17%
SAS Le Havre Capelet				5	France			
SAS Le Havre Tourneville				5	France			
SAS Leblanc Paris 15		5			France			
SAS LP7					France	Full	100.00%	51.17%
SAS Marseille Le Merlan	5				France			
SAS Melun Saint-Peres	5				France			
SAS Odysseum Place de France					France	Prop.	50.00%	25.58%
SAS Opale				5	France			
SAS Poitiers Alienor					France	Full	100.00%	51.17%
SAS Saint-Andre Pey berland	5				France			
SAS Soaval					France	Prop.	50.00%	25.58%
SAS Socoseine			4		France			
SAS Strasbourg La Vigie	5				France			
SAS Suffren Paris 15		5			France			
SAS Tours Nationale	5				France			
SAS Vannes Coutume				2	France	Full	100.00%	51.17%
SC Centre Bourse					France	Full	100.00%	51.17%
SC Solorec					France	Full	80.00%	40.93%
SCI Acheres 2000			1		France	Equity	30.00%	15.35%
SCI Aulnes Développement			1		France	Full	50.00%	13.30%
SCI Bassin Nord					France	Prop.	50.00%	25.58%
SCI Beausevran					France	Full	100.00%	42.47%
SCI Bègles Papin					France	Full	100.00%	51.17%
SCI Besançon Chalezeule				1	France	Full	76.00%	38.89%
SCI Champs de Mais			2		France	Equity	25.00%	12.79%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SCI Champs des Haies			2		France	Prop.	50.00%	25.58%
SCI Combault	2				France	Full	100.00%	51.17%
SCI Des Dunes			1		France	Prop.	50.00%	25.58%
SCI Des Salines			1		France	Prop.	50.00%	25.58%
SCI Du Plateau			1		France	Equity	27.00%	9.21%
SCI Girardin			1		France	Prop.	33.00%	16.88%
SCI Haies Hautes Pommeraie			1		France	Equity	43.00%	22.00%
SCI Halles Plerin			1		France	Equity	25.00%	12.79%
SCI Immobilière de la Pommeraie			2		France	Prop.	50.00%	25.58%
SCI l'Emperi			1		France	Equity	15.00%	7.67%
SCI La Française			1		France	Prop.	50.00%	25.58%
SCI La Plaine du Moulin à vent					France	Prop.	50.00%	25.58%
SCI La Rive			1		France	Full	47.00%	24.05%
SCI La Rocade			1		France	Equity	38.00%	19.44%
SCI La Rocade Ouest			1		France	Equity	37.00%	18.93%
SCI La Roche Invest				2	France	Equity	33.00%	16.88%
SCI LC			2		France	Full	60.00%	16.88%
SCI Le Grand Pré			1		France	Prop.	50.00%	25.58%
SCI Le Mais			2		France	Full	55.00%	28.14%
SCI Les Bas Champs			1		France	Prop.	50.00%	25.58%
SCI Les Boutiques d'Osny			1		France	Full	67.00%	19.44%
SCI Les Roseaux			2	5	France			
SCI Maximeuble			1		France	Full	100.00%	51.17%
SCI Osny Invest			1		France	Full	57.00%	29.16%
SCI Plateau de Plerin			1		France	Equity	25.00%	12.79%
SCI Plateau des Haies			1		France	Full	90.00%	46.05%
SCI Pommeraie Parc			2		France	Prop.	50.00%	25.58%
SCI Rebecca			1		France	Full	70.00%	35.82%
SCI Saint Maximin Construction			1		France	Prop.	50.00%	25.58%
SCI Sandri-Rome			1		France	Equity	15.00%	7.67%
SCI Secovalde					France	Full	55.00%	28.14%
SCI Sogegamar			1		France	Equity	33.00%	16.88%
SCI Tour Marcel Brot		4			France			
SCS Begles Arcins					France	Prop.	50.00%	25.58%
SCS Klecar Europe Sud					France	Full	83.00%	42.47%
SCS Ségécé					France	Full	100.00%	51.17%
Ségécé Ceska Republika (ex SRO FMC Central Europe)					Czech Rep.	Full	100.00%	51.17%
Ségécé Espana (ex SL Centros Shopping Gestion)					Spain	Full	100.00%	51.17%
Ségécé Hellas Réal Estate Management					Greece	Full	100.00%	51.17%
Ségécé Italia (ex SARL P S G)	6				Italy	Full	100.00%	51.17%
Ségécé Magyarorszag (ex SARL Plaza Center Management)					Hungary	Full	100.00%	51.17%
Ségécé Polska (ex Plaza Center Management Poland SP z.o.o)					Poland	Full	100.00%	51.17%
SNC Angoumars					France	Full	100.00%	51.17%
SNC Fonciere Saint Germain					France	Full	100.00%	51.17%
SNC Galae					France	Full	100.00%	51.17%
SNC General Leclerc 11-11bis Levallois					France	Full	100.00%	51.17%
SNC Gier Services Entreprises - GSE			2	5	France			
SNC Jardins des Princes					France	Full	100.00%	51.17%
SNC KC 1 à 12					France	Full	100.00%	42.47%
SNC KC20					France	Full	100.00%	42.47%
SNC Kleber la Perouse					France	Full	100.00%	51.17%
SNC Klecar France					France	Full	83.00%	42.47%
SNC Klegestion					France	Full	100.00%	51.17%
SNC Klepierre Conseil					France	Full	100.00%	51.17%
SNC Kletransactions					France	Full	100.00%	51.17%
SNC Le Barjac Victor					France	Full	100.00%	51.17%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SNC Le Havre Lafayette					France	Prop.	50.00%	25.58%
SNC Le Havre Vauban					France	Prop.	50.00%	25.58%
SNC Parc de Coquerelles			1		France	Prop.	50.00%	25.58%
SNC Pasteur	11				France	Full	100.00%	51.17%
SNC Ségécé Loisirs Transactions					France	Full	100.00%	51.17%
SNC Soccendre					France	Full	100.00%	51.17%
SNC Société des Centres d'Oc et d'Oil - SCOO					France	Full	80.00%	40.93%
SNC Sodevac					France	Full	100.00%	51.17%
SNC Sodirev				1	France	Full	100.00%	38.79%
Sosnowiec Plaza z.o.o			2		Poland	Full	100.00%	51.17%
Société des Centres Toulousains				1	France	Full	75.81%	38.79%

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8.c BUSINESS COMBINATIONS

- Business combinations in the year ended 31 December 2007

Acquired subsidiaries	Segment	Country	Acquired percentage	In millions of euros						
				Acquisition price	Goodwill	Net cash inflow	Balance sheet key figure at the acquisition date (1)			
							Assets		Liabilities	
Sahara Bank LSC										
	IRBFS	Libya	19%	146	106	(146)	Loans to customers and loans due from credit institutions and amounts due from central banks	3,255 (2)	Customers demand accounts	2,525 (2)
JetFinance International										
	IRBFS	Bulgaria	100%	172	172	(172)	Loans to customers	73	Bond issues	79
Banque Privée Anjou										
	AMS and French Retail Banking	France	100%	183	68	(78)	Loans due from credit institutions	124	Amounts due to credit institutions	38
							and loans to customers	273	and customers demand accounts	277
RBS International Securities Services Limited										
	AMS	United Kingdom	100%	174	124	(174)	Loans due from credit institutions	2,580	Customers demand accounts	2,811
Exelbank										
	AMS	Spain	100%	65	39	(65)	Loans due from credit institutions	413	Customers demand accounts	391

(1) recognised at fair value

- Sahara Bank LSC

In September 2007, BNP Paribas SA acquired 19% of the capital of Sahara Bank, a full-service bank with 1,500 employees and a market share of 17% in loans and 22% in deposits in Libya.

This subsidiary has been consolidated since the fourth quarter of 2007. Sahara Bank's contribution to BNP Paribas' net income was not material in 2007.

The main shareholder of Sahara Bank LSC, the Social and Economic Development Fund, transferred operational control of the bank to BNP Paribas at the date BNP Paribas acquired its 19% interest. Under the shareholders' agreement between the Social and Economic Development Fund and BNP Paribas, the Group may appoint the majority of the members of the Board of Directors, thereby granting it control over the management of Sahara Bank. BNP Paribas also has a call option exercisable after three to five years on 32% of Sahara Bank's capital. If exercised, BNP Paribas would own a majority stake of 51%.

Sahara Bank LSC is accounted for by the equity method in the Group's 2007 consolidated financial statements and will be fully consolidated in 2008 upon completion of the action plan that has been implemented to allow the bank to produce financial data in line with Group financial reporting standards.

- JetFinance International

In November 2007, Cetelem S.A. acquired all of the shares of JetFinance International, the leading supplier of consumer credit, with a network of 3,600 outlets and a portfolio of 500,000 customers.

This subsidiary has been consolidated since the acquisition date. The contribution of JetFinance International to the BNP Paribas Group's net income was not material in 2007.

JetFinance International is accounted for by the equity method in the Group's 2007 consolidated financial statements and will be fully consolidated in 2008 upon completion of the action plan that has been implemented to allow the bank to produce financial data in line with Group financial reporting standards.

- Banque Privée Anjou

In May 2007, BNP Paribas SA acquired the entire capital of Dexia Banque Privée France, subsequently renamed Banque Privée Anjou. Banque Privée Anjou manages over EUR 2.2 billion in assets, mainly for individual clients and not-for-profit organisations.

This subsidiary has been consolidated since the acquisition date. The contribution of Banque Privée Anjou to the BNP Paribas Group's net income was not material in 2007.

As Banque Privée Anjou transferred all of its assets and liabilities to BNP Paribas SA on 28 December 2007, from that date it was no longer recognised as a consolidated subsidiary of BNP Paribas.

- RBS International Securities Services Limited

In June 2007, BNP Paribas acquired the entire capital of RBS International Securities Services Limited. RBS International Securities Services Limited offers global custody, fund administration and corporate trustee services to fund managers and private asset managers in the offshore markets of Jersey, Guernsey and the Isle of Man. It has over EUR 44 billion of assets in custody and EUR 9 billion in assets under administration.

RBS International Security Services was consolidated in the second half of 2007. Its contribution to the BNP Paribas Group's net income was not material in 2007.

- Exelbank

In June 2007, BNP Paribas Securities Services, a subsidiary of BNP Paribas, acquired the entire capital of Exelbank. This Spanish bank offers settlement-delivery, custody and depositary services and private banking outsourcing services.

This subsidiary has been consolidated since the second half of 2007. Exelbank's contribution to the BNP Paribas Group's net income was not material in 2007.

Exelbank merged with the Spanish branch of BNP Paribas Securities Services on 23 October 2007, the retrospective value date with regard to its acquisition by the BNP Paribas Group.

- Business combinations in the year ended 31 December 2006

- Acquisition of Banca Nazionale del Lavoro (BNL)

On 3 February 2006, BNP Paribas announced that it had entered into several conditional agreements with a group of BNL shareholders, including Unipol, to acquire a 48% stake in BNL. As of 5 April 2006, BNP Paribas held a 50.4% interest in BNL, and had effectively obtained control of the company. BNP Paribas subsequently launched a public tender offer for the remaining shares held by minority shareholders. On 16 May 2006, BNP Paribas held 95.5% of BNL's ordinary shares further to the tender offer, representing a holding in excess of the 91.5% threshold set by the Italian securities regulator for a residual offer on outstanding shares. The residual offer for the outstanding shares ran from 30 June 2006 to 20 July 2006. BNL's ordinary shares were delisted on 26 July 2006. The acquisition of BNL therefore took place in several stages: the acquisition of a 50.4%

controlling interest, followed by subsequent acquisitions of minority interests, resulting in BNP Paribas owning BNL's entire share capital. At 1 October 2007, BNL was merged into BNP Paribas SA.

BNL is Italy's sixth largest bank in terms of deposit and loan volumes. Its network spans across the whole of the country, with 17,000 employees and around 800 branches and outlets located in all major Italian cities. BNL has some 3 million private individual customers, 39,000 corporate clients, and 16,000 public-sector clients. BNL is particularly active in specialised financing solutions such as factoring and leasing, and also offers consumer credit, asset management services (EUR 26 billion in assets under management), private banking and life insurance solutions.

The cost of BNL's entire share capital held by BNP Paribas SA at the date of the merger amounted to EUR 9,083 million, of which EUR 9,065 million was paid in cash and EUR 18 million was paid in shares.

The BNP Paribas Group restated BNL's balance sheet at 31 March 2006 in order to bring BNL's accounting methods into line with those applied by the BNP Paribas Group and to comply with the purchase accounting rules prescribed by IFRS (see Note 1.b.4, "Business combinations and measurement of goodwill").

These adjustments represented a negative EUR 877 million after the tax impact. They primarily concerned the following:

- the measurement of provisions for credit risk on individual loans and loan portfolios – mainly including the effect of reclassifying loans more than 90 days past due as doubtful – as well as provisions for litigation and contingent liabilities (negative impact of EUR 536 million);
- employee benefit obligations (negative impact of EUR 325 million), primarily relating to contingent liabilities;
- the measurement of property, plant and equipment (EUR 144 million positive impact), the BNL brand (EUR 50 million positive impact) and the application of the Group's rules relating to depreciation/amortisation of assets (EUR 113 million negative impact), representing in all a net positive impact of EUR 81 million;
- the valuation of market transactions in accordance with the rules applicable within the BNP Paribas Group (EUR 112 million negative impact);
- the fair value measurement of loans, securities and other assets, as well as debt, other liabilities and insurance contracts (EUR 40 million positive impact);
- the tax effect of the above adjustments (EUR 293 million net deferred tax asset) and of contingent liabilities (EUR 318 million negative impact, including EUR 260 million recognised in the first half of 2007), representing a net negative impact of EUR 25 million.

As part of the purchase price allocation, the BNL brand was recognised separately from goodwill. It was measured on initial recognition using standard practices in the banking industry for valuing this type of asset and by comparisons with other listed banks of a comparable size. The calculation also took into account the recent changes in BNL brand recognition during the years preceding the acquisition.

BNP Paribas did not recognise an intangible asset for BNL's contractual customer relationships corresponding to account and deposit agreements entered into with customers. In addition, other than business combinations, no transactions were identified in Italy relating to similar assets which could be used as a basis of estimation. In accordance with paragraph 16 of IAS 38, these contractual customer relationships cannot be identified separately from BNL's goodwill as the bank does not have any legal or contractual rights to control the future relationships with its customers, or the loyalty of the customers to the bank. In any event, the value of this asset is not material as the interest rates on the vast majority of the bank's demand deposits do not result in material economic benefits. The economic benefit compared with alternative refinancing in the market is minimal due to the management costs and regulatory restrictions concerning the management of said deposits.

These adjustments reduced the Group share of BNL's equity at 31 March 2006 by the same amount, and gave rise to residual goodwill of EUR 2,295 million at 5 April 2006, the date BNP Paribas obtained effective control of BNL.

In accordance with the accounting policies described in note 1.c.7, "Own equity instruments and own equity instrument derivatives", the difference between the acquisition cost and the Group's equity in BNL's net assets held by minority shareholders and acquired after the date of acquisition (i.e. between 5 April 2006 and 31 December 2006) was recorded as a deduction from retained earnings attributable to BNP Paribas shareholders in an amount of EUR 2,224 million at 31 December 2007.

BNP Paribas financed the BNL acquisition by means of (i) a EUR 5,467 million issue of shares with pre-emptive subscription rights for existing shareholders; (ii) a EUR 2,023 million issue of undated super subordinated notes; and (iii) its own funds.

Details of these issues are provided in note 8.a, “Changes in share capital and earnings per share”.

The table below shows (i) BNL’s consolidated balance sheet at 31 March 2006 prepared in accordance with IFRS before taking into account the controlling interest acquired by the Group in its capital; and (ii) BNL’s balance sheet at the same date after adjustments recorded to comply with applicable rules on business combinations as prescribed by IFRS and with BNP Paribas Group accounting policies.

In millions of euros	31 March 2006 After acquisition-related adjustments	31 March 2006 Prior to acquisition
ASSETS		
Financial assets at fair value through profit or loss	7,730	7,541
Available-for-sale financial assets	1,160	1,157
Loans and receivables due from credit institutions	8,705	8,705
Loans and receivables due from customers	63,860	63,763
Property, plant & equipment and intangible assets	2,682	2,600
Non-current assets held for sale	-	850
Other assets	5,318	4,284
TOTAL ASSETS	89,455	88,900
LIABILITIES		
Financial liabilities at fair value through profit or loss	8,303	8,007
Due to credit institutions	10,549	10,549
Due to customers	37,085	37,100
Debt securities	20,509	20,199
Non-current liabilities held for sale	-	784
Other liabilities	8,534	6,909
TOTAL LIABILITIES	84,980	83,548
CONSOLIDATED EQUITY		
Shareholders' equity	4,434	5,311
Minority interests	41	41
Total consolidated equity	4,475	5,352
TOTAL LIABILITIES AND EQUITY	89,455	88,900

The BNL sub-group has been fully consolidated as from the acquisition date. For the last three quarters of 2006 BNL contributed EUR 294 million to the BNP Paribas Group's net income and EUR 248 million to net income attributable to equity holders.
If the acquisition had taken place on 1 January 2006, the BNL sub-group would have contributed EUR 3,036 million to net banking income and EUR 395 million to net income for the full year. This acquisition led to a net cash outflow of EUR 11,490 million for the BNP Paribas Group in 2006.

The Extraordinary General Meeting of BNP Paribas SA shareholders on 15 May 2007 approved BNL’s merger into the Group, to be carried out by BNL transferring to BNP Paribas all of its assets in return for BNP Paribas assuming all of BNL’s liabilities (twelfth resolution). This transaction was completed on 1 October 2007, and involved a link-up between the branches owned by BNL outside Italy and any BNP Paribas branches located in these countries. In the United States, the Group obtained an agreement in principle from the US tax authorities allowing the transaction to benefit from tax neutrality. Under the agreement, BNP Paribas may allocate tax losses carried forward by BNL New York against future taxable profits of its New York branch. In view of the conditions set out in the agreement and the US tax rules governing utilizations of loss carryforwards resulting from a merger and change in control, the Group recognised EUR 124 million in tax assets.

- Acquisition of UkrSibbank (IRBFS)

On 14 April 2006, BNP Paribas acquired 51% of UkrSibbank. Existing shareholders of UkrSibbank signed a long-term agreement with BNP Paribas and will retain a 49% interest in the Ukrainian entity.

UkrSibbank offers a wide range of services in the retail, corporate and investment banking arenas. At the acquisition date it was Ukraine's fifth-largest bank in terms of assets and had a network of 830 branches and outlets, employing close to 9,500 people.

The UkrSibbank Group's assets and liabilities – which were recognised at fair value at the acquisition date – primarily comprised customer loans amounting to EUR 1,423 million and customer deposits representing EUR 929 million.

Goodwill representing the local currency equivalent of EUR 201 million at 31 December 2006 was recorded on the consolidation of the UkrSibbank Group.

UkrSibbank has been consolidated since the acquisition date and its contribution to the BNP Paribas Group's net income for 2006 was not material. This acquisition led to a net cash outflow of EUR 161 million for the BNP Paribas Group in 2006.

8.d RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees (except for multi-employer and multi-industry schemes), and key management personnel of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

RELATIONS BETWEEN CONSOLIDATED COMPANIES

A list of companies consolidated by BNP Paribas is provided in Note 8.b "Scope of consolidation". As transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

- Related-party balance sheet items:

In millions of euros	31 December 2007		31 December 2006	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans, advances and securities				
Demand accounts	12	-	4	4
Loans	7,132	1,268	3,955	1,008
Securities	54	-	54	-
Finance leases	-	-	-	-
Other assets	8	13	1	10
Total	7,206	1,281	4,014	1,022
LIABILITIES				
Deposits				
Demand accounts	44	412	4	202
Other borrowings	12	217	-	2
Debt securities	8	293	12	-
Other liabilities	30	77	-	40
Total	94	999	16	244
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	84	3	10	37
Guarantee commitments given	12	1	10	1
Total	96	4	20	38

Within the scope of its International Retail Banking and Financial Services business, the Group also carries out trading transactions with related parties involving derivatives (swaps, options and forwards) and financial instruments (equities, bonds etc.). These transactions are carried out on an arm's length basis.

- Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2007		Year to 31 Dec 2006	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	236	40	115	43
Interest expense	(2)	(24)	(1)	(1)
Commission income	22	21	3	21
Commission expense	(6)	(53)	(26)	(38)
Services provided	2	117	1	29
Services received	-	(308)	-	(255)
Lease income	2	-	2	-
Total	254	(207)	94	(201)

ENTITIES MANAGING POST-EMPLOYMENT BENEFIT PLANS OFFERED TO GROUP EMPLOYEES

The main post-employment benefits of the BNP Paribas Group are retirement bonus plans, and top-up defined-benefit and defined-contribution pension plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds *(Caisses de retraite)* and the BNP welfare benefit fund *(Caisse de Prévoyance)*. As from 1 January 2006, the obligations concerning pension benefits paid by the BNP pension fund have been assumed in full by BNP Paribas SA. The BNP pension fund was liquidated in the first half of 2007. Furthermore, over the six months to 30 June 2007, all of the pension benefits provided by the Paribas pension fund as well as the provisions for retirement bonuses existing within the BNP welfare benefit fund were transferred to an external insurance company.

In other countries, post-employment benefit plans are generally managed by independent fund managers or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank). In Switzerland, a dedicated foundation manages benefit plans for BNP Paribas Switzerland's employees.

At 31 December 2006, the value of plan assets managed by Group companies was EUR 991 million (EUR 1,174 million at 31 December 2006). Amounts received relating to services provided by Group companies in the year to 31 December 2007 totalled EUR 1.1 million, and mainly comprised management and custody fees (2006: EUR 1.4 million).

At 31 December 2007, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a credit balance of EUR 44,040 in the Group's accounting books (compared with a credit balance of EUR 216,767 at 31 December 2006).

RELATIONS WITH KEY MANAGEMENT PERSONNEL

- Remuneration and benefits awarded to the Group's corporate officers

- Remuneration and benefits policy relating to the Group's corporate officers

-Remuneration paid to the Group's corporate officers

The remuneration paid to the Group's corporate officers is determined by the method recommended by the Compensation Committee and approved by the Board of Directors.

This remuneration comprises both a fixed and a variable component, the levels of which are determined using market benchmarks established by firms specialised in surveys of executive remuneration in the European banking sector.

The variable component is determined by reference to a basic bonus which is calculated as a proportion of the officer's fixed remuneration and varies in line with Group performance criteria as well as the attainment of personal objectives.

Group performance criteria account for 70% of the basic bonus and comprise parameters including earnings per share, core business pre-tax net income, and the fulfilment of gross operating income targets at consolidated and core business level.

Personnel objective-based criteria concern managerial performance as assessed by the Board of Directors. The Board's assessment is made in view of the foresight, decision-making and leadership skills shown by the officer in implementing the Group's strategy and preparing its future. These criteria are clearly defined and account for 30% of the basic bonus.

The variable component of corporate officers' remuneration is capped at a level set in proportion to the basic remuneration, and since 2005 has been paid in full during the following year.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers do not receive any remuneration from Group companies except BNP Paribas SA.

-Post-employment benefits

Compensation on termination of office

Corporate officers are not entitled to any contractual compensation on termination of office.

Retirement bonuses

Michel Pébereau is not entitled to a retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers) are entitled under their employment contracts to the standard retirement bonus benefits awarded to all BNP Paribas employees. Under this standard scheme, employees receive a bonus on retirement from the Group of up to 11.66 months' basic salary, depending on their initial contractual position and length of service at their retirement date.

Pension plans

- The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

  A similar procedure was applied to Michel Pébereau (Chairman of the Board of Directors), Baudouin Prot (Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers). Pursuant to articles L 137.11 and R 137.16 of the French Social Security Code, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being part of the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of acquiring any subsequent rights.

  The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes, is capped at 50% of the above-mentioned remuneration amounts.

  These retirement benefits will be revalued from 1 January 2002 until their actual payment date, based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

These obligations were covered by provisions recorded by BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an external insurance company.

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code.

Welfare benefit plans

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees.
- They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the supplementary plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent disability.
- If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive compensation under an insurance policy. The premium applicable under this policy is paid by the Group and treated in accordance with the social security rules applicable to employers' contributions to top-up welfare schemes in France.

- Amount of remuneration and benefits awarded to the Group's corporate officers

The tables below show (i) gross remuneration payable to the Group's corporate officers for the year to 31 December 2007, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2007, including benefits in kind and directors' fees.

- Remuneration payable to the Group's corporate officers for 2007

Remuneration payable for 2007 In euros	Remuneration		Directors' fees (3)	Benefits in kind (4)	TOTAL Remuneration
	Fixed (1)	Variable (2)			
Michel Pébereau Chairman of the Board of Directors					
2007	700,000	875,000	29,728	2,490	1,607,218
(2006)	(700,000)	(1,051,070)	(29,728)	(4,609)	(1,785,407)
Baudouin Prot Chief Executive Officer					
2007	900,000	2,272,608	142,278	5,362	3,320,248
(2006)	(883,333)	(2,324,348)	(129,551)	(5,227)	(3,342,459)
Georges Chodron de Courcel Chief Operating Officer					
2007	545,833	1,772,120	147,977	4,271	2,470,201
(2006)	(500,000)	(1,631,593)	(125,189)	(4,274)	(2,261,056)
Jean Clamon Chief Operating Officer					
2007	460,000	702,255	139,690	4,703	1,306,648
(2006)	(460,000)	(796,130)	(130,637)	(4,703)	(1,391,470)
		Total remuneration payable to the Group's corporate officers for 2007			8,704,315
				(for 2006)	(8,780,392)

(1) Remuneration actually paid in 2007.
(2) Variable remuneration payable for 2006 and 2007, paid the following year. The amount due to Michel Pébereau in respect of 2007 has been capped in accordance with the provisions on restrictions placed on the variable remuneration payable to corporate officers.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than from BNP Paribas SA, and from Erbé and BNL in the case of the Chief Executive Officer. Directors' fees received in 2007 by the Chief Executive Officer from Erbé and BNL will be deducted from the variable remuneration paid to him in 2008.
Georges Chodron de Courcel receives fees in his capacity as a director of BNP Paribas Suisse, BNL and Erbé. Jean Clamon receives fees in his capacity as a director of Cetelem, BNP Paribas Lease Group, Paribas International, Erbé, CNP and BNL. The fees received by Georges Chodron de Courcel and Jean Clamon in their capacity as directors of these companies will be deducted from the variable remuneration paid to them in 2008.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

- Remuneration paid to the Group's corporate officers in 2007

Remuneration paid in 2007 In euros	Remuneration Fixed	Remuneration Variable	Remuneration Deferred (1)	Directors' fees	Benefits in kind	TOTAL Remuneration (5)
Michel Pébereau Chairman of the Board of Directors						
2007	700,000	1,051,070	247,940	29,728	2,490	2,031,228
(2006)	(700,000)	(1,081,601)	(385,414)	(29,728)	(4,609)	(2,201,352)
Baudouin Prot Chief Executive Officer						
2007 (2)	900,000	2,233,999	277,830	143,418	5,362	3,560,609
(2006)	(883,333)	(1,817,599)	(325,940)	(120,078)	(5,227)	(3,152,177)
Georges Chodron de Courcel Chief Operating Officer						
2007 (3)	545,833	1,519,045	249,030	149,117	4,271	2,467,296
(2006)	(500,000)	(1,316,247)	(323,920)	(112,548)	(4,274)	(2,256,989)
Jean Clamon Chief Operating Officer						
2007 (4)	460,000	704,122	89,030	172,393	4,703	1,430,248
(2006)	(460,000)	(567,370)	(120,130)	(92,008)	(4,703)	(1,244,211)
Total remuneration payable to the Group's corporate officers for 2007 (for 2006)						9,489,381 (8,854,729)

(1) Corresponding to the transfer of the final third of the deferred bonus awarded in 2003 in the form of BNP Paribas shares and to the second third of the 2004 deferred bonus in cash.
(2) Baudoin Prot's variable remuneration in respect of 2006 paid in 2007 was reduced by EUR 90,349, corresponding to directors' fees received in 2006.
(3) Georges Chodron de Courcel's variable remuneration in respect of 2006 paid in 2007, was reduced by EUR 112,548 corresponding to directors' fees received in 2006.
(4) Jean Clamon's variable remuneration in respect of 2006 paid in 2007, was reduced by EUR 92,008, corresponding to directors' fees received in 2006.
(5) The average payroll tax rate on this remuneration was 31.6% in 2007 (30.7% in 2006).

- Benefits awarded to the Group's corporate officers

Benefits awarded to the Group's corporate officers	2007	2006
Post-employment benefits		
Retirement bonuses		
Present value of the benefit obligation	524,901 €	499,556 €
Contingent collective defined-benefit top-up pension plan		
Total present value of the benefit obligation	30,5 M€	30,9 M€
Defined contribution pension plan		
Contributions paid by the company during the year	1,416 €	1,367 €
Welfare benefits		
Flexible personal risk plan		
Premiums paid by the company during the year	10,312 €	9,954 €
Garantie Vie Professionnelle Accidents death/disability cover plan		
Premiums paid by the company during the year	9,365 €	9,366 €
Supplementary personal risk plan		
Premiums paid by the company during the year	229,924 €	224,219 €

- Stock subscription option plans

Under the authorisation granted by the Extraordinary General Meeting of 18 May 2005, BNP Paribas set up a Global Share-based Incentive Plan, which combines stock options with share awards. The provisions of this plan were approved by the Board of Directors and apply in full to the corporate officers.

In principle, the Board of Directors grants stock options to the Group's corporate officers on an annual basis. The options do not carry a discount. The plans are subject to vesting conditions under which a portion of the options granted is conditional upon the performance of the BNP Paribas share relative to the Euro Stoxx Bank index. This relative performance is measured at the end of the second, third and fourth years of the compulsory holding period. Depending on the results of this measurement, the exercise price of the portion of the options subject to this performance-related condition may be increased or their exercise may be deemed null and void.

Stock options are granted to corporate officers as a long-term incentive, in accordance with shareholders' interests. The number of options granted to corporate officers is determined by the Board of Directors using market benchmarks established by firms specialised in surveys of executive remuneration in the European banking sector.

Corporate officers are not entitled to share awards.

The table below shows the number and the valuation of stock subscription options granted to and/or exercised by the Group's corporate officers in 2007.

Stock subscription options granted to and/or exercised by the Group's corporate officers	Number of options granted/exercised	Exercise price (in euros)	Grant date	Plan expiry date	Individual allocation valuation		
					in euros (1)	as a % of the recognised expense (2)	as a % of share capital
OPTIONS GRANTED IN 2007							
Michel Pébereau	50,000	82.70	08/03/2007	06/03/2015	703,450	0.600%	0.005%
Baudouin Prot	170,000	82.70	08/03/2007	06/03/2015	2,403,420	2.100%	0.018%
Georges Chodron de Courcel	90,000	82.70	08/03/2007	06/03/2015	1,266,210	1.100%	0.010%
Jean Clamon	65,000	82.70	08/03/2007	06/03/2015	914,485	0.800%	0.007%
Aggregate					5,287,565	4.600%	0.040%
OPTIONS EXERCISED IN 2007							
Michel Pébereau	60,000	36.95	13/05/1998	13/05/2008			
Baudouin Prot	40,000	36.95	13/05/1998	13/05/2008			
Baudouin Prot	36,000	18.29	22/05/1997	22/05/2007			
Baudouin Prot	14,438	18.29	22/05/1997	22/05/2007			
Georges Chodron de Courcel	56,000	36.78	21/03/2003	20/03/2013			
Georges Chodron de Courcel	8,069	38.62	21/03/2003	20/03/2013			
Georges Chodron de Courcel	8,069	38.62	21/03/2003	20/03/2013			
Jean Clamon	1,266	48.57	15/05/2001	14/05/2011			
Jean Clamon	15,000	48.57	15/05/2001	14/05/2011			
OPTIONS GRANTED IN 2006							
Michel Pébereau	100,000	75.25	05/04/2006	04/04/2014	1,496,100	1.600%	0.011%
Baudouin Prot	180,000	75.25	05/04/2006	04/04/2014	2,692,980	2.800%	0.019%
Georges Chodron de Courcel	90,000	75.25	05/04/2006	04/04/2014	1,346,490	1.400%	0.010%
Jean Clamon	65,000	75.25	05/04/2006	04/04/2014	972,465	1.000%	0.007%
Aggregate					6,508,035	6.800%	0.047%
OPTIONS EXERCISED IN 2006							
Michel Pébereau	20,000	18.45	22/05/1997	22/05/2007			
Michel Pébereau	30,263	18.29	22/05/1997	22/05/2007			
Georges Chodron de Courcel	5,000	37.64	03/05/1999	03/05/2009			
Georges Chodron de Courcel	80,710	48.57	15/05/2001	14/05/2011			
Jean Clamon	60,523	44.77	22/12/1999	22/12/2009			
Jean Clamon	70,623	20.23	17/11/1998	17/11/2006			

(1) The stock options granted in 2007 which were not subject to performance conditions have been valued for accounting purposes at EUR 14.57 each (EUR 15.36 in 2006)
The stock options granted in 2007 which were subject to performance conditions have been valued for accounting purposes at EUR 12.90 each (EUR 14.03 in 2006)
(2) % of the expense recognised for the Global Share-based Incentive Plan, which combines stock options with share awards

The table below shows the number of outstanding options held by the Group's corporate officers at 31 December 2007.

Originating company	BNP	BNP	BNP Paribas	BNP Paribas	BNP Paribas	BNP Paribas	BNP Paribas
Date of grant	13/05/1998	22/12/1999	15/05/2001	21/03/2003	25/03/2005	05/04/2006	08/03/2007
Number of options outstanding at end-2007	91,698	353,050	407,454	492,738	353,081	435,000	375,000

- Compulsory share ownership – Holding period for shares received on exercise of stock options

As from 1 January 2007, the Group's corporate officers are required to own a minimum number of shares for the duration of their term of office, calculated based on both the opening BNP Paribas share price and their fixed remuneration at 2 January 2007. The number of shares must correspond to seven years' fixed remuneration for Michel Pébereau (58,700 shares) and Baudouin Prot (75,500 shares) and five years' fixed remuneration for Georges Chodron de Courcel (30,000 shares) and Jean Clamon (27,600 shares). This obligation must be complied with by 13 February 2010 at the latest.

The Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers are also required to hold a quantity of shares issued following the exercise of stock options for the duration of their term of office. This holding requirement represents 50% of the net gain realised on the purchase of shares under options granted as from 1 January 2007, and will be considered as satisfied once the threshold defined for compulsory share ownership has been reached based on shares resulting from the exercise of options as of said date.

- Remuneration and benefits awarded to employee-elected directors

Total remuneration paid in 2007 to employee-elected directors – calculated based on their actual attendance – amounted to EUR 81,045 in 2007 (EUR 89,942 in 2006), excluding directors' fees. The total amount of directors' fees paid in 2007 to employee-elected directors was EUR 69,103 (EUR 76,551 in 2006). These sums were paid directly to the trade union bodies of the directors concerned.

Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2007 on behalf of the employee-elected directors was EUR 1,026 (EUR 989 in 2006).

The employee-elected directors belong to the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The total amount of contributions paid into this plan by BNP Paribas in 2007 on behalf of the employee-elected directors was EUR 649 (EUR 639 in 2006). Employee-elected directors are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

- Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2007, total outstanding loans granted directly or indirectly to the Group’s corporate officers amounted to EUR 6,340,882 (EUR 4,095,895 at 31 December 2006).

8.e BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

The maturities of financial assets and liabilities measured at fair value through profit or loss within the trading portfolio are regarded as undetermined insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates. The maturities of variable-income financial assets classified as available for sale, derivative hedging instruments, remeasurement adjustments on interest-rate risk hedged portfolios and undated subordinated debt are also deemed to be undetermined. Since the majority of technical reserves of insurance companies are considered as demand deposits, they are not presented in this table.

In millions of euros, at 31 December 2007	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		18,542						18,542
Financial assets at fair value through profit or loss	931,706							931,706
Derivatives used for hedging purposes	2,154							2,154
Available-for-sale financial assets	21,869		2,971	5,034	9,611	21,558	51,551	112,594
Loans and receivables due from credit institutions		20,636	16,222	12,656	5,323	8,871	7,408	71,116
Loans and receivables due from customers		36,679	44,959	32,278	57,154	144,893	129,140	445,103
Remeasurement adjustment on interest-rate risk hedged portfolios	(264)							(264)
Held-to-maturity financial assets			4	513	625	1,450	12,216	14,808
Financial assets by maturity	955,465	75,857	64,156	50,481	72,713	176,772	200,315	1,595,759
Due to central banks and post office banks		1,724						1,724
Financial liabilities at fair value through profit or loss	722,099		1,704	2,718	17,399	32,295	19,910	796,125
Derivatives used for hedging purposes	1,261							1,261
Due to credit institutions		23,210	75,262	36,816	11,706	14,249	8,939	170,182
Due to customers		199,009	96,352	36,984	9,858	2,484	2,017	346,704
Debt securities			37,632	39,169	27,606	23,442	13,207	141,056
Subordinated debt	1,226		15	534	862	3,416	12,588	18,641
Remeasurement adjustment on interest-rate risk hedged portfolios	20							20
Financial liabilities by maturity	724,606	223,943	210,965	116,221	67,431	75,886	56,661	1,475,713

In millions of euros, at 31 December 2006	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		9,642						9,642
Financial assets at fair value through profit or loss	744,858							744,858
Derivatives used for hedging purposes	2,803							2,803
Available-for-sale financial assets	18,706		5,665	6,983	10,587	15,128	39,670	96,739
Loans and receivables due from credit institutions		18,498	25,527	12,437	4,598	4,726	9,384	75,170
Loans and receivables due from customers		30,245	35,535	36,572	49,738	129,113	111,930	393,133
Remeasurement adjustment on interest-rate risk hedged portfolios	(295)							(295)
Held-to-maturity financial assets			7	505	353	788	13,496	15,149
Financial assets by maturity	766,072	58,385	66,734	56,497	65,276	149,755	174,480	1,337,199
Due to central banks and post office banks		939						939
Financial liabilities at fair value through profit or loss	597,990		636	2,406	8,523	25,381	18,392	653,328
Derivatives used for hedging purposes	1,335							1,335
Due to credit institutions		23,950	63,049	25,324	14,102	11,802	5,423	143,650
Due to customers		175,874	76,265	26,725	9,115	2,895	7,778	298,652
Debt securities			28,771	21,680	25,971	20,892	24,245	121,559
Subordinated debt	1,558		968	320	773	2,159	12,182	17,960
Remeasurement adjustment on interest-rate risk hedged portfolios	367							367
Financial liabilities by maturity	601,250	200,763	169,689	76,455	58,484	63,129	68,020	1,237,790

8.f FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2007. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 December 2007		31 December 2006	
	Carrying value (1)	Estimated fair value	Carrying value (1)	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	71,116	70,846	75,170	75,439
Loans and receivables due from customers	445,103	441,939	393,133	392,600
Held-to-maturity financial assets	14,808	15,083	15,149	15,628
FINANCIAL LIABILITIES				
Due to credit institutions	170,182	169,919	143,650	143,906
Due to customers	346,704	346,645	298,652	298,678
Debt securities	141,056	140,495	121,559	121,429
Subordinated debt	18,641	18,100	17,960	18,127

(1) The carrying amount does not include the remeasurement of portfolios of financial instruments in fair value hedging relationships. At 31 December 2007, this is included within "Remeasurement adjustment on interest-rate risk hedged portfolios" under assets in a negative amount of EUR 264 million, and under liabilities for a positive amount of EUR 20 million (respectively, a negative amount of EUR 295 million and a positive amount of EUR 367 million at 31 December 2006).

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 1, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.

In 2006, the valuation techniques implemented to comply with IFRS disclosure requirements and to measure the financial instruments comprising the banking intermediation book are based on assumption of stable credit spreads. In 2007, the change in market conditions over the year revealed a widening of spreads on bank financing and investment activities from approximately 10 basis points for clients having the three highest ratings in the bank's internal rating system to approximately 200 basis points for clients having the lowest rating. These observed changes were taken into account in the fair value estimated for financial assets at 31 December 2007. Debt securities with residual maturities of more than one year were measured assuming a widening in the Bank's spread of approximately 10 basis points, which is consistent with the change in spread taken into account in the measurement of the debt at fair value through profit and loss; in the case of subordinated debt, the widening in the Bank's spread taken into account in the valuation was approximately 60 basis points.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2006

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PricewaterhouseCoopers Audit
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This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

The Group management's report referred to in the final paragraph of the Statutory Auditors' report is not included in this information statement.

BNP Paribas
16, boulevard des Italiens
75009 Paris

Following our appointment as Statutory Auditors by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas for the year ended 31 December 2006.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2006, and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments:

- BNP Paribas records provisions to cover the credit risks inherent to its business (notes 1 and 4.a to the consolidated financial statements). We examined the control procedures applicable for monitoring and provisioning credit risks, assessing irrecoverability risks and determining the related individual and portfolio-based provisions;

- BNP Paribas uses internal models and methodologies to value its positions on financial instruments which are not traded on an active market, as well as to determine certain provisions and assess whether the hedging designation is appropriate. We examined the control procedures applicable to the verification of these models and the determination of the parameters used.

During the year, BNP Paribas acquired Banca Nazionale del Lavoro (BNL, note 8.c to the consolidated financial statements) and provisionally allocated the purchase price by applying the purchase method prescribed by IFRS 3 (note 1.b to the consolidated financial statements). In the context of the BNL acquisition, we reviewed the methods used to identify and value the assets, liabilities and contingent liabilities recognised at the acquisition date, and to measure goodwill at that date.

BNP Paribas raises provisions to cover its employee benefit obligations (notes 1 and 7.b to the consolidated financial statements). We examined the method adopted to measure these obligations, as well as the assumptions and parameters used.

We assessed whether these estimates were reasonable.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 1 March 2007

The Statutory Auditors

Deloitte & Associés	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Pascal Colin	Etienne Boris	Hervé Hélias

BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2006

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CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

In millions of euros	Note	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Interest income	2.a	44,582	32,087
Interest expense	2.a	(35,458)	(24,354)
Commission income		10,395	8,701
Commission expense		(4,291)	(4,154)
Net gain/loss on financial instruments at fair value through profit or loss	2.b	7,573	5,212
Net gain/loss on available-for-sale financial assets	2.c	1,367	1,353
Income from other activities	2.d	23,130	21,607
Expense on other activities	2.d	(19,355)	(18,598)
NET BANKING INCOME		27,943	21,854
Operating expense		(16,137)	(12,627)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.k	(928)	(742)
GROSS OPERATING INCOME		10,878	8,485
Cost of risk	2.e	(783)	(610)
OPERATING INCOME		10,095	7,875
Share of earnings of associates		293	352
Net gain on non-current assets		195	211
Change in value of goodwill		(13)	(14)
PRE-TAX NET INCOME		10,570	8,424
Corporate income tax	2.f	(2,762)	(2,138)
NET INCOME		7,808	6,286
Net income attributable to minority interests		500	434
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		7,308	5,852
Basic earnings per share	8.a	8.03	6.96
Diluted earnings per share	8.a	7.95	6.90

BALANCE SHEET AT 31 DECEMBER 2006

In millions of euros	Note	31 December 2006	31 December 2005
ASSETS			
Cash and amounts due from central banks and post office banks		9,642	7,115
Financial assets at fair value through profit or loss	5.b	744,858	700,525
Derivatives used for hedging purposes	5.c	2,803	3,087
Available-for-sale financial assets	5.d	96,739	92,706
Loans and receivables due from credit institutions	5.a	75,170	45,009
Loans and receivables due from customers	5.e	393,133	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios		(295)	(61)
Held-to-maturity financial assets	5.g	15,149	15,445
Current and deferred tax assets	5.h	3,443	2,135
Accrued income and other assets	5.i	66,915	65,327
Investments in associates	5.j	2,772	1,823
Investment property	5.k	5,813	5,255
Property, plant and equipment	5.k	12,470	9,213
Intangible assets	5.k	1,569	1,225
Goodwill	5.l	10,162	8,079
TOTAL ASSETS		1,440,343	1,258,079
LIABILITIES			
Due to central banks and post office banks		939	742
Financial liabilities at fair value through profit or loss	5.b	653,328	610,681
Derivatives used for hedging purposes	5.c	1,335	1,015
Due to credit institutions	5.a	143,650	118,893
Due to customers	5.e	298,652	247,494
Debt securities	5.f	121,559	84,629
Remeasurement adjustment on interest-rate risk hedged portfolios		367	901
Current and deferred tax liabilities	5.h	2,306	2,206
Accrued expenses and other liabilities	5.i	53,661	48,446
Technical reserves of insurance companies	5.m	87,044	76,523
Provisions for contingencies and charges	5.n	4,718	3,850
Subordinated debt	5.f	17,960	16,706
TOTAL LIABILITIES		1,385,519	1,212,086
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*15,589*	*9,701*
Retained earnings		*21,590*	*19,694*
Net income for the period attributable to shareholders		*7,308*	*5,852*
Total capital and retained earnings attributable to shareholders		44,487	35,247
Unrealised or deferred gains and losses attributable to shareholders		5,025	5,471
Shareholders' equity		49,512	40,718
Minority interests		5,312	5,275
Total consolidated equity		54,824	45,993
TOTAL LIABILITIES AND EQUITY		1,440,343	1,258,079

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 1 JANUARY 2005 AND 31 DECEMBER 2006

	Shareholders' equity				
In millions of euros	Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 1 January 2005 before appropriation of net income	12,109	-	(2,661)	19,270	28,718
Appropriation of net income for 2004				(1,659)	(1,659)
Consolidated equity at 1 January 2005 after appropriation of net income	12,109	-	(2,661)	17,611	27,059
Movements arising from relations with shareholders					
Increase in share capital	286				286
Reduction in share capital	(2,694)		2,694		-
Issue of preferred shares		2,424			2,424
Movements in own equity instruments			(235)	(63)	(298)
Share-based payment plans			37	35	72
Dividends on preferred shares				(19)	(19)
Interim dividends paid out of net income for the period					-
Transaction carried out with minority interests				(92)	(92)
	(2,408)	2,424	2,496	(139)	2,373
Other movements				(37)	(37)
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial intruments through shareholders' equity					-
Changes in fair value of financial intruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2005				5,852	5,852
Consolidated equity at 31 December 2005 before appropriation of net income	9,701	2,424	(165)	23,287	35,247
Appropriation of net income for 2005				(2,163)	(2,163)
Consolidated equity at 31 December 2005 after appropriation of net income	9,701	2,424	(165)	21,124	33,084
Movements arising from relations with shareholders					
Increase in share capital	5,905				5,905
Issue and redemption of preferred shares		2,023			2,023
Movements in own equity instruments			(1,706)	(70)	(1,776)
Share-based payment plans			85	30	115
Dividends on preferred shares				(80)	(80)
Interim dividends paid out of net income for the period					-
Impact of the acquisition of a controlling interest in BNL					-
Impact of acquisitions carried out subsequently to the acquisition of a controlling interest in BNL				(2,090)	(2,090)
Other transactions carried out with minority interests				16	16
	5,905	2,023	(1,621)	(2,194)	4,113
Other movements	(17)			(1)	(18)
Unrealised or deferred gains and losses for the period :					
Changes in fair value of financial instruments through shareholders' equity					-
Changes in fair value of financial instruments through profit or loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2006				7,308	7,308
Consolidated equity at 31 December 2006	15,589	4,447	(1,786)	26,237	44,487

(1) The portion of net income for the period attributable to minority shareholders in respect of whose shares the Group has granted a put option has been transferred to retained earnings attributable to BNP Paribas shareholders, on the "Other movements" line. The corresponding amount for the year ended 31 December 2006 was EUR 10 million, compared with EUR 3 million in the year ended 31 December 2005.

Shareholders' equity (cont'd)					Minority interests			Total consolidated equity
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	
(172)	3,329	436	3,593	32,311	4,925	(111)	4,814	37,125
			-	(1,659)	(106)		(106)	(1,765)
(172)	3,329	436	3,593	30,652	4,819	(111)	4,708	35,360
			-	286			-	286
			-	-			-	-
			-	2,424	163		163	2,587
			-	(298)			-	(298)
			-	72			-	72
			-	(19)	(259)		(259)	(278)
			-	-			-	-
			-	(92)	22		22	(70)
-	-	-	-	2,373	(74)	-	(74)	2,299
			-	(37)	6		6	(31)
	2,018	(190)	1,828	1,828		1	1	1,829
	(702)		(702)	(702)			-	(702)
545			545	545		203	203	748
(7)	212	2	207	207			-	207
538	1,528	(188)	1,878	1,878	-	204	204	2,082
			-	5,852	431 (1)		431	6,283
366	4,857	248	5,471	40,718	5,182	93	5,275	45,993
				(2,163)	(125)		(125)	(2,288)
366	4,857	248	5,471	38,555	5,057	93	5,150	43,705
			-	5,905			-	5,905
			-	2,023	(369)		(369)	1,654
			-	(1,776)			-	(1,776)
			-	115			-	115
			-	(80)	(225)		(225)	(305)
			-	-	(13)		(13)	(13)
			-	-	2,368		2,368	2,368
			-	(2,090)	(2,360)		(2,360)	(4,450)
			-	16	390		390	406
-	-	-	-	4,113	(209)	-	(209)	3,904
			-	(18)	13		13	(5)
	1,103	(262)	841	841		26	26	867
	(553)	(99)	(652)	(652)			-	(652)
(663)			(663)	(663)		(158)	(158)	(821)
(1)	24	5	28	28			-	28
(664)	574	(356)	(446)	(446)	-	(132)	(132)	(578)
				7,308	490 (1)		490	7,798
(298)	5,431	(108)	5,025	49,512	5,351	(39)	5,312	54,824

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006

In millions of euros	Note	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Pre-tax net income		10,570	8,424
Non-monetary items included in pre-tax net income and other adjustments		12,949	(2,723)
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,542	2,240
Impairment of goodwill and other non-current assets		20	(25)
Net addition to provisions		8,336	4,947
Share of earnings of associates		(293)	(352)
Net (income) from investing activities		(194)	(205)
Net loss (income) from financing activities		(249)	25
Other movements		2,787	(9,353)
Net decrease in cash related to assets and liabilities generated by operating activities		(8,153)	(8,439)
Net increase in cash related to transactions with credit institutions		4,308	15,493
Net increase (decrease) in cash related to transactions with customers		11,485	(13,991)
Net decrease in cash related to transactions involving other financial assets and liabilities		(19,576)	(6,044)
Net decrease in cash related to transactions involving non-financial assets and liabilities		(2,424)	(2,406)
Taxes paid		(1,946)	(1,491)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		15,366	(2,738)
Net decrease in cash related to acquisitions and disposals of consolidated entities	8.c	(11,661)	(733)
Net decrease related to property, plant and equipment and intangible assets		(1,348)	(981)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		(13,009)	(1,714)
Increase (decrease) in cash and equivalents related to transactions with shareholders		1,750	(2,050)
Increases in cash and equivalents generated by other financing activities		3,875	7,320
NET INCREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		5,625	5,270
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		(473)	401
NET INCREASE IN CASH AND EQUIVALENTS		7,509	1,219
Balance of cash and equivalent accounts at the start of the period		8,565	7,346
Net balance of cash accounts and accounts with central banks and post office banks		6,642	6,634
Net balance of demand loans and deposits - credit institutions		1,923	712
Balance of cash and equivalent accounts at the end of the period		16,074	8,565
Net balance of cash accounts and accounts with central banks and post office banks		8,712	6,642
Net balance of demand loans and deposits - credit institutions		7,362	1,923
NET INCREASE IN CASH AND EQUIVALENTS		7,509	1,219

NOTES TO THE FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS GROUP

1.a APPLICABLE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS) were applied to the consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards adopted within the European Union.

Upon first-time adoption of international financial reporting standards at 1 January 2005, the BNP Paribas Group continued classifying undated subordinated debt and other undated subordinated notes as a component of debt (see note 5f). Since the date of first-time adoption, the International Financial Reporting Interpretations Committee (IFRIC) has been asked to consider the classification of such instruments under IAS 32 "Financial Instruments: Disclosure and Presentation". The IFRIC rejected the request for an interpretation in November 2006, but comments received regarding this issue will be examined by the International Accounting Standard Board (IASB). Pending a formal opinion from the IASB, BNP Paribas continues to classify these instruments as debt rather than equity. The impacts of reclassifying the instruments as equity would not be material.

The Group has applied those standards, amendments and interpretations endorsed by the European Union and applicable as of 1 January 2006. It has not early-adopted standards, amendments and interpretations whose application in 2006 is optional, in particular IFRS 7 – Financial Instruments: Disclosures, which has no impact on the measurement and recognition of transactions.

1.b CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to the Group. The consolidation of an entity is regarded as immaterial if it fails to meet any of the following thresholds: a contribution of more than EUR 8 million to consolidated net banking income, more than EUR 1 million to consolidated gross operating income or net income before tax (versus EUR 4 million in 2005), or more than EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

The Group also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where the Group has no equity interest in the entity, provided that the substance of the relationship indicates that the Group exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of the Group, such that the Group obtains benefits from those activities;

- the Group has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);

- the Group has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings, to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation;

- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the risk exposure of outside investors is significantly reduced as a result of a guarantee from a Group company.

CONSOLIDATION METHODS

Enterprises under the exclusive control of the Group are fully consolidated. The Group has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when the BNP Paribas Group owns, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when the Group has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

Jointly-controlled companies are consolidated by the proportional method. The Group exercises joint control when under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

Changes in the net assets of associates (companies accounted for under the equity method) are recognised in "Investments in associates" on the assets side of the balance sheet, and in the relevant component of shareholders' equity. Goodwill on associates is also included in "Investments in associates".

If the Group's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is reported at nil value.

Additional losses of the associate are provided for only to the extent that the Group has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet. The calculation of minority interests takes account of outstanding cumulative preferred shares classified as equity instruments and issued by subsidiaries, and held outside the Group.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under “Net gain on non-current assets”.

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of BNP Paribas are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising on the translation of balance sheet items and profit and loss items are recorded in shareholders’ equity under “Cumulative translation adjustment” for the portion attributable to shareholders, and in “Minority interests” for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, the Group has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders’ equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell. The Group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, and negative goodwill is recognised immediately in profit or loss, on the acquisition date.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

The BNP Paribas Group tests goodwill for impairment on a regular basis.

As permitted under IFRS 1, business combinations that took place before 1 January 2004 and were recorded in accordance with the previously applicable accounting standards (French GAAP), have not been restated in accordance with the principles set out above.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units[4], representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

[4] As defined by IAS 36.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management and from analyses of long-term trends of the market positioning of the unit's activities. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*Comptes Épargne-Logement* – "CEL") and home savings plans (*Plans d'Épargne Logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;
  - for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

– Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss comprise:

  – financial assets held for trading purposes;

  – financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39.

  Securities in this category are measured at fair value at the balance sheet date. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

  Income earned on fixed-income securities classified in this category is shown under "Interest income" in the profit and loss account.

Fair value incorporates an assessment of the counterparty risk on these securities.

– Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

– Available-for-sale financial assets

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

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the balance sheet date, they are remeasured to fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity, "Unrealised or deferred gains or losses". On disposal, or on recognition of an impairment loss, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets".

Gains and losses realised on disposal of available-for-sale financial assets are taken to the profit and loss account under "Net gain/loss on available-for-sale financial assets". Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised in "Net gain/loss on available-for-sale financial assets" when the Group's right to receive payment is established.

- Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the Group's balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category in the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in "Financial liabilities at fair value through profit or loss".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in "Financial assets at fair value through profit or loss".

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity is recognised in the balance sheet under "Financial liabilities at fair value through profit or loss".

- Date of recognition for securities transactions

Accounting classification	*Date of recognition*
- At fair value through profit or loss	Trade date

- Held-to-maturity financial assets	Trade date
- Available-for-sale financial assets	Trade date
- Repurchase agreements at fair value through profit or loss	Settlement date
- Repurchase agreements in loans & receivables and debt	Settlement date
- Sale of borrowed securities	Settlement date

Securities transactions are carried on the balance sheet until the Group's rights to receive the related cash flows expire, or until the Group has transferred substantially all the risks and rewards incident to ownership of the securities.

FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities5 expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified in "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified in "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

IMPAIRMENT OF FINANCIAL ASSETS

- Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

[5] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are taken to the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under "Cost of risk".

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition. In the case of variable-income securities quoted in an active market, a prolonged or significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Impairment losses taken against fixed-income securities are recognised in "Cost of risk", and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

ISSUES OF DEBT SECURITIES

Financial instruments issued by the Group qualify as debt instruments if the Group company issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group may be obliged to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group's own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Bonds redeemable for or convertible into equity instruments of the Group are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

The term “own equity instruments” refers to shares issued by the parent company (BNP Paribas SA) or by its fully-consolidated subsidiaries.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders’ equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

When the Group acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued ;
- as debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares;
- as derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in “Financial assets at fair value through profit or loss” when their fair value is positive, and in “Financial liabilities at fair value through profit or loss” when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line “Net gain/loss on financial instruments at fair value through profit or loss”.

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are used in particular to hedge interest rate risk on fixed-rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed-rate loans).

Cash flow hedges are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign currency revenues.

At the inception of the hedge, the Group prepares formal documentation of the hedging relationship identifying the instrument (or portion of the instrument or portion of risk) that is being hedged; the hedging strategy and the type of risk covered; the hedging instrument; and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, consistently with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under IAS 39 adopted by the European Union, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

– the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);

– the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings;

– the hedging instruments used consist exclusively of "plain vanilla" swaps;

– prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, "Unrealised or deferred gains or losses". The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

Cash flow hedges contracted to protect the Group against foreign currency risk qualified for cash flow hedge accounting up to 31 December 2005, whenever the currency hedged was a currency other than the euro. In an amendment to IAS 39 effective 1 January 2006, transactions carried out in the functional currency of the entity initiating the transaction may no longer be designated as the hedged item in a foreign currency cash flow hedge. Any such hedges existing at that date were therefore disqualified from hedge accounting.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss".

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders' equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part.

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

DETERMINATION OF FAIR VALUE

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value, defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e., the value of the consideration paid or received).

Method of determining fair value

Fair value is determined:

- on the basis of quoted prices in an active market; or,
- using valuation techniques involving :
    - mathematical calculation methods based on accepted financial theories; and
    - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods.

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market, bids and offers are matched, or instruments are traded that are very similar to the instrument being valued.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is applied to the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

- Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

  Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

  These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity risk and credit risk.

  The margin generated when these financial instruments are traded is taken to the profit and loss account immediately.

- Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

  Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques or techniques that are based on data only partially observable on active markets.

  In the absence of observable data, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

  The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated by comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

- Unlisted equity securities

  The fair value of unquoted equity securities is measured by comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such reference is available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Group's share of net assets as calculated using the most recently available information.

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

– hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;
– where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
– where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

The method used by the Group to recognise service-related commission income and expenses depends upon the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Net commission income". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Net commission income".

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in net banking income.

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

NETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.d INSURANCE

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully-consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the Group's assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

Financial assets and non-current assets are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in "Financial assets at fair value through profit or loss", and are stated at the realisable value of the underlying assets at the balance sheet date.

LIABILITIES

The Group's obligations to policyholders and beneficiaries are shown in "Technical reserves of insurance companies", and comprise:

- liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive, as a supplement to guaranteed benefits, a share of actual profits;
- liabilities relating to other financial contracts, which are covered by IAS 39, are shown in "Due to customers".

Unit-linked contract liabilities are measured by reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to “Policyholders’ surplus” on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders’ surplus reserve resulting from the application of shadow accounting. This represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under “Income from other activities” and “Expenses on other activities”.

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders’ surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

1.e PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Group as lessor under operating leases.

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by the BNP Paribas Group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. The BNP Paribas Group has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Net gain on non-current assets”.

Gains and losses on disposals of investment property are recognised in the profit and loss account in “Income from other activities” or “Expenses on other activities”.

1.f LEASES

Group companies may be either the lessee or the lessor in a lease agreement.

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

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

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

- Operating leases:

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor's balance sheet and depreciated on a straight-line basis over the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expense are taken to the profit and loss account under "Income from other activities" and "Expenses on other activities".

LESSEE ACCOUNTING:

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payment, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

- Operating leases:

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.

1.g NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.
All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

1.h EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

– short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
– long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
– termination benefits;
– post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no "corridor" is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

Termination benefits are employee benefits payable as a result of a decision by the Group to terminate a contract of employment before the legal retirement age or a decision by an employee to accept voluntary redundancy in exchange for a benefit. Termination benefits falling due more than twelve months after the balance sheet date are discounted.

- Post-employment benefits

In accordance with IFRS, the BNP Paribas Group draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation for the Group and consequently do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes account of various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. The Group applies the "corridor" method in accounting for actuarial gains and losses. Under this method, the Group is allowed to recognise, as from the following period and over the average remaining service lives of employees, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined-benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period.

At the date of first-time adoption, BNP Paribas elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits" in respect of defined-benefit plans comprises the current service cost (the rights vested in each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

1.i SHARE-BASED PAYMENT

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or cash of which the amount is based on trends in the value of BNP Paribas shares.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment made to the employee.

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment. This expense, the credit entry for which is posted to shareholders' equity, is calculated on the basis of the overall plan value, determined at the grant date by the Board of Directors.

In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions offered to employees under the company savings plan

Share subscriptions offered to employees under the company savings plan (*Plan d'Épargne Entreprise*) at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account in measuring the benefit to the employees, which is reduced accordingly. The benefit equals the difference between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee at the subscription date, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

1.j PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

1.k CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and there is a legal right of offset.

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under "Corporate income tax".

1.l STATEMENT OF CASH FLOWS

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks and post office banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

1.m USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the financial statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the financial statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” or “Financial liabilities at fair value through profit or loss”, and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

2 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

2.a NET INTEREST INCOME

The BNP Paribas Group includes in “Interest income” and “Interest expense” all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of derivative instruments. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised in “Net gain/loss on financial instruments at fair value through profit or loss”.

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

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

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005		
	Income	Expense	Net	Income	Expense	Net
Customer items	20,255	(8,481)	11,774	14,269	(5,916)	8,353
Deposits, loans and borrowings	18,984	(8,339)	10,645	13,279	(5,794)	7,485
Repurchase agreements	12	(90)	(78)	7	(83)	(76)
Finance leases	1,259	(52)	1,207	983	(39)	944
Interbank items	4,412	(6,329)	(1,917)	3,548	(5,389)	(1,841)
Deposits, loans and borrowings	4,202	(5,924)	(1,722)	3,378	(5,210)	(1,832)
Repurchase agreements	210	(405)	(195)	170	(179)	(9)
Debt securities issued	-	(5,634)	(5,634)	-	(3,535)	(3,535)
Cash flow hedge instruments	2,805	(1,455)	1,350	1,801	(891)	910
Interest rate portfolio hedge instruments	452	(92)	360	424	(310)	114
Trading book	12,724	(13,467)	(743)	8,051	(8,313)	(262)
Fixed-income securities	2,686	-	2,686	1,994	-	1,994
Repurchase agreements	9,946	(11,234)	(1,288)	6,022	(6,649)	(627)
Loans / Borrowings	92	(124)	(32)	35	(99)	(64)
Debt securities	-	(2,109)	(2,109)	-	(1,565)	(1,565)
Available-for-sale financial assets	3,184	-	3,184	3,213	-	3,213
Held-to-maturity financial assets	750	-	750	781	-	781
Total interest income/(expense)	44,582	(35,458)	9,124	32,087	(24,354)	7,733

Interest income on individually impaired loans amounted to EUR 309 million at 31 December 2006, compared with EUR 201 million at 31 December 2005.

2.b NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

"Net gain/loss on financial instruments at fair value through profit or loss" includes all profit and loss items relating to financial instruments managed in the trading book and financial instruments that the Group has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (Note 2.a).

Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005
	Trading book	Assets designated at fair value through profit or loss	Total	Total
Fixed-income securities	266	273	539	145
Variable-income securities	9,888	276	10,164	10,398
of which dividends	*2,008*	*52*	*2,060*	*1,722*
Derivative instruments	(3,935)	-	(3,935)	(5,962)
Repurchase agreements	(20)	12	(8)	27
Loans	(3)	(133)	(136)	42
Borrowings	29	32	61	(13)
Remeasurement of interest-rate risk hedged portfolios	185	-	185	59
Remeasurement of currency positions	703	-	703	516
Total	7,113	460	7,573	5,212

2.c NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

"Net gain/loss on available-for-sale financial assets" includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments.

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Fixed-income securities [(1)]	38	93
Disposal gains and losses	38	93
Equities and other variable-income securities	1,329	1,260
Dividend income	452	293
Additions to impairment provisions	(77)	(71)
Net disposal gains	954	1,038
Total	1,367	1,353

(1) Interest income from available-for-sale fixed-income securities is included in "Net interest income" (Note 2.a), and impairment losses related to potential issuer default are included in "Cost of risk" (Note 2.e).

Unrealised gains and losses – previously recorded under "Unrealised or deferred gains and losses" – and taken to the profit and loss account amounted to EUR 725 million during the year ended 31 December 2006, compared with EUR 861 million for the year ended 31 December 2005.

2.d NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec. 2006			Year to 31 Dec. 2005		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	18,066	(15,767)	2,299	16,875	(15,117)	1,758
Net income from investment property	735	(225)	510	695	(229)	466
Net income from assets held under operating leases	3,586	(3,018)	568	3,433	(2,919)	514
Net income from property development activities	136	(34)	102	121	(35)	86
Other	607	(311)	296	483	(298)	185
Total net income from other activities	23,130	(19,355)	3,775	21,607	(18,598)	3,009

Net income from insurance activities

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Gross premiums written	14,701	11,527
Movement in technical reserves	(8,470)	(7,329)
Claims and benefits expense	(6,462)	(5,442)
Reinsurance ceded, net	(22)	(7)
Change in value of admissible investments related to unit-linked business	2,509	2,953
Other income and expense	43	56
Total net income from insurance activities	2,299	1,758

"Claims and benefits expense" includes expenses arising from surrenders, maturities and claims relating to insurance contracts. "Movement in technical reserves" reflects changes in the value of financial contracts, in particular unit-linked contracts. Interest paid on such contracts is recognised in "Interest expense".

Operating leases

In millions of euros	31 December 2006	31 December 2005
Future minimum lease payments receivable under non-cancellable leases	3,404	2,972
Payments receivable within 1 year	1,584	1,229
Payments receivable after 1 year but within 5 years	1,781	1,654
Payments receivable beyond 5 years	39	89

Future minimum lease payments receivable under non-cancellable leases comprise payments that the lessee is required to make during the lease term.

2.e Cost of risk and impairment losses recognised for credit and counterparty risk

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Additions to impairment provisions	(3,085)	(2,166)
Reversals of impairment provisions	2,310	1,651
Recoveries on loans and receivables previously written off	247	129
Irrecoverable loans and receivables not covered by impairment provisions	(255)	(224)
Total cost of risk for the period	(783)	(610)

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Loans and receivables due from credit institutions	2	10
Loans and receivables due from customers	(810)	(540)
Available-for-sale financial assets	6	9
Other assets	(7)	(2)
Off-balance sheet commitments and other items	26	(87)
Total cost of risk for the period	(783)	(610)

- Provisions for impairment: credit and counterparty risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Total impairment provisions at start of period	11,094	11,328
Additions to impairment provisions	3,085	2,166
Reversals of impairment provisions	(2,310)	(1,651)
Utilisation of impairment provisions	(1,429)	(1,468)
Impact of the consolidation of Banca Nazionale del Lavoro	4,143	-
Effect of exchange rate movements and other items	(128)	719
Total impairment provisions at end of period	14,455	11,094

Impairment provisions by asset type, in millions of euros	31 December 2006	31 December 2005
Impairment of assets		
Loans and receivables due from credit institutions	92	163
Loans and receivables due from customers	13,525	10,459
Available-for-sale financial assets	133	152
Other assets	27	20
Total impairment provisions against financial assets	13,777	10,794
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions (Note 4.b)	3	2
- to customers (Note 4.b)	235	242
Other items subject to provisions	440	56
Total provisions recognised as liabilities	678	300
Total impairment provisions	14,455	11,094

2.f CORPORATE INCOME TAX

- Net corporate income tax expense

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Current tax expense for the period	(2,304)	(1,773)
Net deferred tax expense for the period (Note 5.h)	(458)	(365)
Net corporate income tax expense	(2,762)	(2,138)

The tax saving arising from the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 71 million for the year ended 31 December 2006, compared with EUR 45 million for the year ended 31 December 2005.

- Analysis of effective tax rate

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net income	7,808	6,286
Corporate income tax expense	(2,762)	(2,138)
Average effective tax rate	26.1%	25.4%
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-3.4%	-3.7%
Items taxed at reduced rate in France	-2.0%	-3.6%
Permanent differences	0.1%	0.1%
Other items	-1.9%	-0.7%
Average effective tax rate	26.1%	25.4%

3 SEGMENT INFORMATION

The Group is composed of four core businesses:

- French Retail Banking;
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets;
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services;
- Corporate and Investment Banking (CIB), comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing).

In addition to these four core businesses are the operations conducted by Banca Nazionale del Lavoro (BNL), which was acquired by the Group in the second quarter of 2006 (see Note 8.c). BNL's contribution to income since the acquisition date is set out below.

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented comprises agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance sheet. Segment assets are determined by extracting accounting data allocated for each segment. Segment liabilities are determined on the basis of normalised equity by core business used for capital allocation purposes.

This capital allocation is carried out on the basis of risk exposure, taking into account various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

The geographical split of assets and income is based on the country/region in which the relevant activity is recognised for accounting purposes.

- Information by business segment

\- Income by business segment

In millions of euros	French Retail Banking		BNL		IRBFS		AMS	
	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec 2005	Year to 31 Dec. 2006	Year to 31 Dec 2005(1)	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net banking income	5,633	5,270	2,294	-	7,296	5,968	4,350	3,552
Operating expense	(3,711)	(3,605)	(1,476)	-	(4,173)	(3,385)	(2,763)	(2,331)
Cost of risk	(153)	(195)	(240)	-	(708)	(559)	(2)	(8)
Operating income	1,769	1,470	578	-	2,415	2,024	1,585	1,213
Share of earnings of associates	1	-	19	-	54	112	15	1
Other non-operating items	-	-	(9)	-	45	39	(4)	52
Pre-tax net income	1,770	1,470	588	-	2,514	2,175	1,596	1,266

(1) As a result of the organisational changes implemented within the CIB and the IRBFS divisions during the first half of 2006, a number of activities were transferred between the Advisory & Capital Markets and Financing businesses, and between IRBFS and Other Activities. In order to facilitate year-on-year comparisons of cost accounting figures, the data for 2005 have been restated to reflect the new organisational structure. The resulting adjustments had the following impacts:

- no effect on total earnings reported by the CIB division. The adjustments amounted to EUR 168 million in respect of net banking income for the two CIB sub-groups, EUR 106 million in respect of operating expense, EUR 19 million for other non-operating items and EUR 81 million for pre-tax net income;
- a EUR 12 million decrease in net banking income, operating income and pre-tax net income for the IRBFS division, with a corresponding increase relating to net banking income, operating income and pre-tax net income of "Other Activities".

(2) "Other Activities" includes operations conducted by BNP Paribas Capital.

(3) In 2006, restructuring costs incurred in connection with the acquisition of BNL were included in operating expense of "Other Activities" in an amount of EUR 151 million.

\- Assets and liabilities by business segment

In millions of euros	French Retail Banking		BNL		IRBFS		AMS	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 december 2005	31 December 2006	31 December 2005
Total segment assets	123,495	106,717	81,955	-	154,945	145,585	142,520	134,486
- of which goodwill on acquisitions during the period	-	25	*2,165*	-	*341*	*994*	*73*	*175*
- of which investments in associates	5	-	*229*	-	*750*	*534*	*249*	*46*
Total segment liabilities	117,908	101,376	75,623	-	141,090	132,511	136,391	128,913

- Information by geographic area

\- Net banking income by geographic area

In millions of euros	France		Other European countries		Americas	
	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net banking income	13,658	12,154	8,281	4,776	3,975	3,365

\- Assets and liabilities by geographic area

In millions of euros	France		Other European countries		Americas	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Total segment assets	834,373	738,366	291,870	226,454	199,799	153,439
Goodwill on acquisitions during the period	69	173	2,508	67	3	835

Corporate & Investment Banking				Other Activities [2]		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec. 2006	Year to 31 Dec 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec 2005 [1]	Year to 31 Dec 2006 [3]	Year to 31 Dec 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec. 2005
5,274	3,890	2,585	2,532	511	642	27,943	21,854
(3,284)	(2,683)	(1,113)	(1,028)	(545)	(337)	(17,065)	(13,369)
(16)	(1)	269	131	67	22	(783)	(610)
1,974	1,206	1,741	1,635	33	327	10,095	7,875
10	3	-	-	194	236	293	352
44	42	(12)	4	118	60	182	197
2,028	1,251	1,729	1,639	345	623	10,570	8,424

Corporate & Investment Banking		Other Activities [2]		Total	
31 December 2006	31 December 2005	31 December 2006	31 december 2005	31 December 2006	31 December 2005
900,445	827,919	36,983	43,372	1,440,343	1,258,079
-	*7*	*1*	*3*	*2,580*	*1,204*
29	*11*	*1,510*	*1,232*	*2,772*	*1,823*
890,818	818,607	31,484	39,307	1,393,314	1,220,714

Asia - Oceania		Other countries		Total	
Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005	Year to 31 Dec. 2006	Year to 31 Dec. 2005
1,291	927	738	632	27,943	21,854

Asia - Oceania		Other countries		Total	
31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
99,286	127,450	15,015	12,370	1,440,343	1,258,079
-	8	-	121	2,580	1,204

4 RISK EXPOSURE AND HEDGING STRATEGIES

ORGANISATION OF RISK MANAGEMENT

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring, approving and controlling risks at Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM has a vocation to cover all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures, defining and/or validating risk-measurement methods, and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

The GRM function is organised based on a differentiated approach by risk-type: Credit and Counterparty Risk, split into three sections (France, International, and Banks and Financial Institutions); Market and Liquidity Risk; and Operational Risk. The GRM function also has specialist units involved in the analysis, summarising and reporting of data.

4.a CREDIT RISK

Credit risk is the risk of incurring a financial loss on loans and receivables (existing or potential due to commitments given) as a result of credit quality migration of the Bank's debtors, which can result in default. Credit quality is primarily measured based on the probability of default, combined with expected recovery of the loan or receivable in the event of default. Credit risk is measured at portfolio level based on groups of loans and/or receivables with similar credit risk characteristics, taking into account correlations between the values of the loans and receivables making up the portfolio concerned.

Credit risk arises in relation to lending operations as well as market, investing and/or payment transactions that potentially expose the Bank to the risk of counterparty default.

Counterparty risk is the bilateral credit risk relating to the third party with which a transaction is entered into. The amount of this risk varies over time in line with market parameters that impact the value of the transaction.

MANAGEMENT OF CREDIT RISK

- General credit policy and credit control and provisioning procedures

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, chaired by the Chief Executive Officer. The purpose of the Committee is to determine the Group's risk management strategy. The key principles governing the policy include compliance with the Group's ethical standards, clear definition of responsibilities, and strict application of risk analysis procedures. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

- Decision-making procedures

A system of delegated lending limits has been established and all lending decisions must be approved by a formally designated member of GRM. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may require consultation of an industry expert or of designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

- Monitoring procedures

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of delegated lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. This Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- Impairment procedures

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the realisation of collateral.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the head of GRM meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but where the customers in question have not been identified as in default (in which case, they would be covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the rating system described below.

- Internal rating system

The Bank has a comprehensive rating system that has been updated in order to comply with the future requirements of banking supervisors for determining risk-weighted assets used to compute capital adequacy ratios. The Bank periodically checks that this system is appropriate and is being correctly implemented. In addition, the French Banking Commission is in the process of ensuring that the system complies with the regulatory framework. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are twelve counterparty ratings. Ten cover "sound" clients, which include a range of credit quality levels from "excellent" to "very concerning", and two relate to clients deemed to be in default, as per the definition by the banking supervisor. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. Adapted quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

- Portfolio policy

In addition to careful selecting and evaluating individual risks, BNP Paribas follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and guidelines. As part of this policy, BNP Paribas uses credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses related to crisis scenarios. BNP Paribas also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

- Risk reduction techniques

- Collateral and other security

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to reduce risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

- Netting agreements

Netting is a technique used by the Bank to attenuate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

- Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitisations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks. As part of this process, the protected loans remain on the consolidated balance sheet and are hedged by credit derivatives. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applicable to derivatives used for other purposes.

For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches which are generally junior or mezzanine.

CREDIT RISK EXPOSURE

The table below shows the credit risk exposure of all financial assets held by the BNP Paribas Group. Credit risk exposure, determined without taking account of unrecognised netting or collateral, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	31 December 2006	31 December 2005
Financial assets at fair value through profit or loss (excluding variable-income securities) *(Note 5.b)*	607,541	582,201
Derivatives used for hedging purposes	2,803	3,087
Available-for-sale financial assets (excluding variable-income securities) *(Note 5.d)*	78,033	77,608
Loans and receivables due from credit institutions	75,170	45,009
Loans and receivables due from customers	393,133	301,196
Held-to-maturity financial assets	15,149	15,445
Balance sheet commitment exposure, net of impairment provisions	1,171,829	1,024,546
Financing commitments given *(Note 6.a)*	235,736	209,679
Guarantee commitments given *(Note 6.b)*	80,945	67,154
Provisions for off balance sheet commitments *(Note 2.e)*	(238)	(244)
Off-balance sheet commitment exposure, net of provisions	316,443	276,589
Total net exposure	1,488,272	1,301,135

This exposure does not take into account the effect of master netting agreements in force at 31 December 2006 or collateral on over-the-counter forward financial instruments. Based on calculations prepared using the prudential method the impact of these items would reduce the Group's credit risk exposure by EUR 123 billion at 31 December 2006 (approximately EUR 133 billion at 31 December 2005).

In addition, this exposure does not take into account collateral and other security obtained by the Group in connection with its lending activities, nor purchases of credit protection.

Due to its size, the Group may have significant exposure in absolute terms to certain counterparties, geographic areas or industries. However, the concentration of financial assets with credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a geographic area or industry.

4.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- Interest rate risk covers potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- Currency risk is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- Price risk arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares, or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- Credit spread risk on the trading book: BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

Market risks arise mainly on the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

RISK ACCEPTANCE PROCESS

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to control certain specific risks not fully captured by GeaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Market Risk Committee. For secondary market trading, they are expressed in terms of GeaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- daily calculation of the risk and value of the Group's trading positions;
- daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database;
- periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria;
- a weekly report aggregating all significant positions by activity;
- the Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

MEASUREMENT OF MARKET RISK ON TRADING ACTIVITIES

Market risk on trading activities is measured and assessed using detailed sensitivity analysis of each type of position, and global analyses, such as GEaR and stress tests that measure aggregate exposures.

- Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

- GEaR

BNP Paribas operates an internal Value at Risk (VaR) system, approved by banking supervisory authorities, to estimate the potential loss arising from an unfavourable change in market conditions – the key element in market risk measurement.

Potential losses are measured using "Gross Earnings at Risk" (GEaR). GEaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. GEaR calculation methods are continually fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day GEaR.

The banking supervisory authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are :

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GeaR in 99% of cases);
- historical data covering one year (260 days) of trading.

For the year to 31 December 2006, total average Value at Risk was EUR 71 million (with a minimum of EUR 48 million and a maximum of EUR 116 million), after taking into account the effect of netting the different types of risk (EUR 104 million). These amounts break down as follows:

	Year to 31 Dec. 2006			31 December 2006	31 December 2005
	Average	Minimum	Maximum		
Interest rate risk	42	27	69	45	48
Credit risk	55	28	87	70	63
Currency risk	7	2	17	8	13
Equity price risk	55	29	135	66	43
Commodity price risk	16	11	34	17	17
Effect of netting	*(104)*			*(142)*	*(94)*
TOTAL	71	48	116	64	90

4.C MARKET RISKS RELATED TO BANKING INTERMEDIATION ACTIVITIES AND INVESTMENTS

These risks relate mainly to retail banking activities in France and abroad, the specialised financing subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management function, which forms part of the Asset/Liability Management & Treasury (ALM-Treasury) Department.

ALM-Treasury, which is part of Corporate & Investment Banking, is supervised by two committees chaired by the Group Senior Advisor or a Chief Operating Officer:

- the ALM Commercial Banking Committee, responsible for decisions on the mismatch and match funding principles applicable to the balance sheet of the commercial banking business and on the related interest rate risks;
- the ALM-Treasury Investment Banking Committee, responsible for establishing the Group's financing and liquidity management policy, managing solvency ratios and structural currency risk, and monitoring market risks relating to the Treasury function.

INTEREST RATE RISK

- Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialised financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM-Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM-Treasury, in the equity intermediation book.

Transactions initiated by the Bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the net position of the entity.

Positions are measured and transfers to ALM-Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM-Treasury, and the business line ALM managers (who report operationally to ALM-Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

- Measurement of interest rate risk

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

Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

In addition, a specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

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

During the year, the Market Risk Department continued to perform controls over risks arising from the use of behavioural and other models for Asset/Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in a specialist committee.

- Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty on future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

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

- Sensitivity of the value of banking intermediation books

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately EUR 315,000 at 31 December 2006, compared with approximately EUR 460,000 at 31 December 2005.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

In thousands of euros	31 December 2006					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(33)	(362)	(1,146)	(1,681)	4,468	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	(160)	(401)	(1,609)	(1,898)	3,753	(315)

In thousands of euros	31 December 2005					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	98	(1,005)	(1,174)	447	(201)	(1,835)
USD	79	96	(391)	588	1,182	1,554
GBP	(1)	5	(122)	(37)	(20)	(175)
Other currencies	1	(9)	(34)	12	26	(4)
TOTAL	177	(913)	(1,721)	1,010	987	(460)

CURRENCY RISK

- Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management function is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

- Currency risk and hedging of net investments in foreign operations

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

Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

However, for most soft currencies, the investment is financed by purchasing the currency in question.

HEDGING OF INTEREST RATE AND CURRENCY RISKS

The hedging relationships initiated by the Group are mainly intended to hedge interest rate or currency risk, in the form of swaps, options, forwards or futures.

Depending on the objective for the hedge, derivative financial instruments used for hedging purposes are designated as either fair value hedges, cash flow hedges, or net foreign investment hedges.

Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

- Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex post basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

- Cash flow hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

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

The table below shows the amount of hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 December 2006				31 December 2005			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Hedged cash flows	657	1,988	2,720	5,365	668	1,843	1,969	4,480

In the year ended 31 December 2006, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

4.d LIQUIDITY RISK

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

OBJECTIVES OF THE LIQUIDITY RISK MANAGEMENT POLICY

The objectives of the Group's liquidity management policy are to secure a balanced financing mix to support BNP Paribas' development strategy; to ensure the Group is always in a position to discharge its obligations to its customers; to ensure that it does not trigger a systemic crisis solely by its own actions; to comply with the standards set by local banking regulators; to keep the cost of refinancing as low as possible; and to cope with any liquidity crises.

ROLES AND RESPONSIBILITIES IN LIQUIDITY RISK MANAGEMENT

The ALM-CIB Committee, acting on recommendations from ALM-Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programmes. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM-Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM-CIB Committee, ALM-Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The ALM business line committees and local ALM committees implement at local level the strategy approved by the ALM-CIB Committee.

GRM ensures oversight over the models, risk indicators, limits and market parameters that are used.

CORE PRINCIPLE OF THE GROUP'S LIQUIDITY POLICY: CENTRALISATION OF LIQUIDITY MANAGEMENT, IRRESPECTIVE OF MATURITY, WITHIN THE ALM-TREASURY FUNCTION

ALM-Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium or long-term financing. The Treasury function is responsible for refinancing and for short-term issues (certificates of deposit, commercial paper, etc). The ALM function is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds, etc), preferred share issues, and loan securitisation programmes for the retail banking business.

ALM-Treasury is also tasked with providing finance to the Group's core businesses and business lines, and reinvesting their surplus cash.

DAY-TO-DAY LIQUIDITY MANAGEMENT IS BASED ON A FULL RANGE OF INTERNAL STANDARDS AND WARNING FLAGS AT VARIOUS MATURITIES

1. An overnight target is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to the major currencies in which the Group does business.

2. The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- The one-year ratio for outstandings that have contractually matured represents the maturity gap, at one year plus, of outstandings compared with applications of funds of the same type. The gap represents the short fall in outstandings relative to applications of funds with the same maturity.
- The one-year internal liquidity ratio on total outstandings is defined as the total maturity gap, at one year plus, of outstandings with a residual maturity of more than one year. The gap represents the short fall in outstandings relative to applications of funds with the same maturity carried on– and off-balance sheet in the form of contractual commitments with no maturity. The cap, which was set at 25% for up to 2006, has been reduced to 20% for 2007.
- The permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year plus gap on outstandings that have contractually matured, and is set at a minimum of 60%.

These three internal ratios are based on liquidity maturity schedules of balance sheet and off-balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks – 100% weighted, and with customers – 20% or 30% weighted) or theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

REGULATORY RATIOS: THE FINAL PLANK IN THE LIQUIDITY RISK MANAGEMENT SYSTEM

The 1-month regulatory liquidity coefficient and regulatory observation ratios are calculated monthly. These ratios cover the parent company BNP Paribas SA (French operations and branches). Group subsidiaries required to comply with this ratio calculate it independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than 5 years.

Foreign subsidiaries and branches may be subject to local regulatory coefficient requirements.

LIQUIDITY RISK REDUCTION TECHNIQUES

As part of the day-to-day management of liquidity, and in the event of a one-off liquidity crisis, the Group's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling under repurchase agreement financial instruments on the open market or by discounting assets with the central bank.

If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by disposing of assets.

As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets, via the securitisation of loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing. In the last quarter of 2006, BNP Paribas set up a covered bond programme representing EUR 25 billion, of which EUR 2.5 billion worth were issued in December.

5 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2006

5.a INTERBANK AND MONEY-MARKET ITEMS

- Loans and receivables due from credit institutions

In millions of euros	31 December 2006	31 December 2005
Demand accounts	15,230	7,799
Loans	52,394	32,700
Repurchase agreements	7,638	4,673
Total loans and receivables due from credit institutions, before impairment provisions	75,262	45,172
Provisions for impairment of loans and receivables due from credit institutions	(92)	(163)
Total loans and receivables due from credit institutions, net of impairment provisions	75,170	45,009

- Amounts due to credit institutions

In millions of euros	31 December 2006	31 December 2005
Demand accounts	7,892	5,879
Borrowings	121,417	100,298
Repurchase agreements	14,341	12,716
Total due to credit institutions	143,650	118,893

5.b FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as at fair value through profit or loss at the time of acquisition or issue.

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as at fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, whose changes in value are cancelled out by changes in the value of the hedging instrument. The nominal value of financial liabilities at fair value through profit or loss at 31 December 2006 was EUR 61,521 million (EUR 44,523 million at 31 December 2005).

The measurement of financial liabilities at fair value through profit or loss does not take into account any change in fair value attributable to issuer risk relating to the BNP Paribas Group itself, as the related impact is regarded as immaterial.

In millions of euros	31 December 2006			31 December 2005		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposit	48,633	174	48,807	58,275	535	58,810
Treasury bills and other bills eligible for central bank refinancing	34,680	9	34,689	47,041	10	47,051
Other negotiable certificates of deposit	13,953	165	14,118	11,234	525	11,759
Bonds	131,938	6,577	138,515	125,547	6,079	131,626
Government bonds	66,962	206	67,168	72,585	271	72,856
Other bonds	64,976	6,371	71,347	52,962	5,808	58,770
Equities and other variable-income securities	94,989	42,328	137,317	84,264	34,060	118,324
Repurchase agreements	254,967	103	255,070	200,040	69	200,109
Loans	231	3,451	3,682	86	1,042	1,128
to credit institutions	*7*	*3,407*	*3,414*	*7*	*1,042*	*1,049*
to corporate customers	*214*	*44*	*258*	*63*	*-*	*63*
to private individual customers	*10*		*10*	*16*	*-*	*16*
Trading book derivatives	161,467	-	161,467	190,528	-	190,528
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	692,225	52,633	744,858	658,740	41,785	700,525
of which loaned securities	*28,307*		*28,307*	*29,587*	*422*	*30,009*
excluding equities and other variable-income securities (Note 4.a)			*607,541*			*582,201*
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling	118,987	-	118,987	137,381	-	137,381
Repurchase agreements	289,711	-	289,711	222,292	-	222,292
Borrowings	748	4,392	5,140	240	1,468	1,708
Credit institutions	*547*	*1,436*	*1,983*		*614*	*614*
Corporate customers	*201*	*2,956*	*3,157*	*240*	*854*	*1,094*
Debt securities		55,279	55,279		42,933	42,933
Trading book derivatives	184,211		184,211	206,367	-	206,367
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	593,657	59,671	653,328	566,280	44,401	610,681

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions which are primarily contracted to protect the Group's loan book.

The table below shows the positive or negative fair value of derivative instruments classified in the trading book. These values represent the replacement value of the instruments and may fluctuate significantly in response to changes in market parameters, such as interest rates or exchange rates.

In millions of euros	31 December 2006		31 December 2005	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
Currency derivatives	19,242	17,799	34,423	33,963
Interest rate derivatives	79,004	78,707	102,502	102,328
Equity derivatives	71,983	51,661	64,489	49,829
Credit derivatives	9,634	9,487	868	586
Other derivatives	4,348	3,813	4,085	3,822
Total trading book derivatives	184,211	161,467	206,367	190,528

The total notional amount of trading derivatives was EUR 24,354,680 million at 31 December 2006, compared with EUR 20,726,170 million at 31 December 2005. The notional amounts of derivative instruments are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

Derivatives traded on organised markets represent approximately half of the Group's derivatives transactions.

5.c DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the fair values of derivatives used for hedging purposes.

In millions of euros	31 December 2006		31 December 2005	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	4	1	-	1
Interest rate derivatives	771	2,134	837	2,527
Other derivatives	7	8	-	10
FAIR VALUE HEDGES	782	2,143	837	2,538
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS				
Currency derivatives	86	243	82	98
Interest rate derivatives	463	416	96	451
Other derivatives	-	1	-	-
CASH FLOW HEDGES	549	660	178	549
DERIVATIVES USED AS NET FOREIGN INVESTMENT HEDGES				
Currency derivatives	4	-	-	-
NET INVESTMENT HEDGES	4	-	-	-
DERIVATIVES USED FOR HEDGING PURPOSES	1,335	2,803	1,015	3,087

The total notional amount of derivatives used for hedging purposes stood at EUR 328,354 million at 31 December 2006, compared with EUR 278,349 million at 31 December 2005.

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets.

5.d AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2006	31 December 2005
Negotiable certificates of deposit	12,456	15,210
Treasury bills and other bills eligible for central bank refinancing	8,653	9,275
Other negotiable certificates of deposit	3,803	5,935
Bonds	65,710	62,550
Government bonds	45,935	43,960
Other bonds	19,775	18,590
Equities and other variable-income securities	19,730	16,311
Total available-for-sale financial assets, before impairment provisions	97,896	94,071
of which unrealised gains and losses	*7,026*	*7,381*
of which fixed-income securities	*78,166*	*77,760*
of which loaned securities	*538*	*584*
Provisions for impairment of available-for-sale financial assets	(1,157)	(1,365)
Fixed-income securities	(133)	(152)
Variable-income securities	(1,024)	(1,213)
Total available-for-sale financial assets, net of impairment provisions	96,739	92,706
of which fixed-income securities, net of impairment provisions (Note 4.a)	*78,033*	*77,608*

5.e CUSTOMER ITEMS

- **Loans and receivables due from customers**

In millions of euros	31 December 2006	31 December 2005
Demand accounts	26,271	20,539
Loans to customers	356,564	273,305
Repurchase agreements	1,065	734
Finance leases	22,758	17,077
Total loans and receivables due from customers, before impairment provisions	406,658	311,655
Impairment of loans and receivables due from customers	(13,525)	(10,459)
Total loans and receivables due from customers, net of impairment provisions	393,133	301,196

- **Breakdown of finance leases**

In millions of euros	31 December 2006	31 December 2005
Gross investment	25,486	18,637
Receivable within 1 year	*7,739*	*5,791*
Receivable after 1 year but within 5 years	*13,216*	*10,005*
Receivable beyond 5 years	*4,531*	*2,841*
Unearned interest income	(2,728)	(1,560)
Net investment before impairment provisions	22,758	17,077
Receivable within 1 year	*6,895*	*5,346*
Receivable after 1 year but within 5 years	*11,833*	*9,117*
Receivable beyond 5 years	*4,030*	*2,614*
Impairment provisions	(437)	(344)
Net investment after impairment provisions	22,321	16,733

- **Due to customers**

In millions of euros	31 December 2006	31 December 2005
Demand deposits	142,522	102,945
Term accounts	100,988	91,125
Regulated savings accounts	40,469	41,292
Retail certificates of deposit	10,640	9,358
Repurchase agreements	4,033	2,774
Total due to customers	298,652	247,494

5.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 December 2006	31 December 2005
Debt securities at fair value through profit or loss ***(Note 5.b)***	55,279	42,933
Other debt securities	121,559	84,629
Negotiable certificates of deposit	85,363	68,476
Bond issues	36,196	16,153
Subordinated debt	17,960	16,706
Redeemable subordinated debt	16,376	14,811
Undated subordinated debt	1,584	1,895
TOTAL	194,798	144,268

REDEEMABLE SUBORDINATED DEBT

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

UNDATED SUBORDINATED DEBT

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated subordinated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	**31 December 2006**	**31 December 2005**
Undated floating-rate subordinated notes (TSDIs)	808	887
Other undated subordinated notes	406	644
Undated participating subordinated notes	290	304
Issue costs and fees, accrued interest	80	60
TOTAL	**1,584**	**1,895**

- Undated floating-rate subordinated notes and other undated subordinated notes

The TSDIs and other undated subordinated notes issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets.

- Undated floating-rate subordinated notes

The various TSDI issues are as follows:

In millions of euros					31 December 2006	31 December 2005
Issuer	Issue date	Currency	Original amount in issue currency	Rate		
Paribas SA	September 1984	USD	24 million	3-month Libor + 3/8%	18	20
BNP SA	October 1985	EUR	305 million	TMO - 0.25%	290	305
Paribas SA	July 1986	USD	165 million	3-month Libor + 1/8%	121	140
BNP SA	September 1986	USD	500 million	6-month Libor + 0.75%	379	422
TOTAL					808	887

The TSDIs issued in US dollars contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, after approval of the banking supervisory authorities. They are not subject to any interest step up clause. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders approves a decision not to pay a dividend.

Payment of interest is obligatory on the TSDIs issued in October 1985 (representing a nominal amount of EUR 305 million), but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders notes that there is no income available for distribution.

- Other undated subordinated notes

The other undated subordinated notes issued by the Group between 1996 and 1999 may be redeemed at par prior to maturity on a date specified in the issue particulars, after approval of the banking supervisory authorities, and are entitled to a step up in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders Meeting approves a decision not to pay a dividend.

In millions of euros							31 December 2006	31 December 2005
Issuer	Issue date	Currency	Original amount in issue currency	Redemption option/interest step up date	Interest rate	Interest step up (basis points)		
BNP SA	July 1996	USD	20 million	July 2006	3-month Libor + 0.65%	+150 bp	-	17
BNP SA	December 1996	USD	200 million	December 2006	3-month Libor + 0.65%	+150 bp	-	169
BNP SA	January 1997	USD	50 million	January 2007	3-month Libor + 0.65%	+150 bp	38	42
BNP SA	January 1997	USD	50 million	December 2006	3-month Libor + 0.65%	+150 bp	-	42
BNP SA	May 1997	EUR	191 million	May 2007	6.50%	+200 bp (2)	189	191
BNP SA	July 1997	USD	50 million	July 2007	3-month Libor + 0.56%	+150 bp	38	42
BNP SA	Nov. 1997	EUR	9 million	November 2007	6.36%	+205 bp (2)	9	9
BNP SA	April 1998	EUR	77 million	April 2008	3-month Libor + 0.70%	+150 bp	77	77
Laser	May 1999	EUR	110 million (1)	May 2009	5.935%	+250 bp (3)	55	55
TOTAL							406	644

(1) Before application of the proportionate consolidation rate
(2) Above the 3-month Euribor
(3) Above the 3-month Eurolibor

- Undated participating subordinated notes

Undated participating subordinated notes issued by the Bank between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 325,560 notes were retired in 2004 and 2006 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Ordinary General Meeting of Shareholders Meeting held to approve the financial statements notes that there is no income available for distribution.

BREAKDOWN OF DEBT SECURITIES AND SUBORDINATED DEBT BY CONTRACTUAL MATURITY

The carrying amount of debt securities (except for negotiable certificates of deposit, recorded within "Other debt securities", regarded mostly as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2007	2008	2009	2010	2011	2012-2016	After 2016	TOTAL at 31 Dec 2006
Total senior and subordinated debt	16,085	11,457	9,390	7,748	11,730	32,181	20,844	109,435

Maturity or call option date, in millions of euros (unless otherwise indicated)	2006	2007	2008	2009	2010	2011-2015	After 2015	TOTAL at 31 Dec 2005
Total senior and subordinated debt	7 368	9 935	7 438	4 360	7 907	23 739	15 045	75 792

5.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2006	31 December 2005
Negotiable certificates of deposit	2,915	3,360
Treasury bills and other bills eligible for central bank refinancing	2,860	3,276
Other negotiable certificates of deposit	55	84
Bonds	12,234	12,085
Government bonds	11,868	11,451
Other bonds	366	634
Total held-to-maturity financial assets	15,149	15,445

5.h CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2006	31 December 2005
Current taxes	1,926	1,147
Deferred taxes	1,517	988
Current and deferred tax assets	3,443	2,135
Current taxes	1309	647
Deferred taxes	997	1,559
Current and deferred tax liabilities	2,306	2,206

Deferred taxes on temporary differences relate to the following items:

In millions of euros	1 January 2005	Deferred tax expense/ (income)	Effect of exchange rate movements & other items	31 December 2005	Deferred tax expense/ (income)	Impact of the consolidation of Banca Nazionale del Lavoro	Effect of exchange rate movements & other items	31 December 2006
Provisions for employee benefit obligations	586	(133)	196	649	(282)	139	(9)	497
Other provisions	325	(74)	72	323	(58)	1,058	268	1,591
Unrealised finance lease reserve	(461)	36	(51)	(476)	22	-	(400)	(854)
Available-for-sale financial assets	(554)	(11)	(233)	(798)	85	18	(99)	(794)
Other items	11	(183)	(97)	(269)	(225)	(57)	631	80
Net deferred taxes	(93)	(365)	(113)	(571)	(458)	1,158	391	520
Including :								
Deferred tax assets	1,088			988				1,517
Deferred tax liabilities	(1,181)			(1,559)				(997)

Carryforwards of tax losses accounted for EUR 67 million of total deferred tax assets at 31 December 2006 (EUR 96 million at 31 December 2005).

Unrecognised deferred tax assets amounted to EUR 626 million at 31 December 2006 (EUR 338 million at 31 December 2005).

5.i ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

In millions of euros	31 December 2006	31 December 2005
Guarantee deposits and bank guarantees paid	25,379	22,221
Settlement accounts related to securities transactions	17,799	16,010
Collection accounts	2,206	2,110
Reinsurers' share of technical reserves	2,414	2,283
Accrued income and prepaid expenses	2,330	1,836
Other debtors and miscellaneous assets	16,787	20,867
Total accrued income and other assets	66,915	65,327
Guarantee deposits received	12,315	11,183
Settlement accounts related to securities transactions	21,681	15,336
Collection accounts	484	414
Accrued expenses and deferred income	3,668	3,127
Other creditors and miscellaneous liabilities	15,513	18,386
Total accrued expenses and other liabilities	53,661	48,446

The movement in "Reinsurers' share of technical reserves" breaks down as follows:

In millions of euros	31 December 2006	31 December 2005
Reinsurers' share of technical reserves at start of period	2,283	2,075
Increase in technical reserves borne by reinsurers	401	294
Amounts received in respect of claims and benefits passed on to reinsurers	(271)	(90)
Effect of changes in exchange rates and scope of consolidation	1	4
Reinsurers' share of technical reserves at end of period	2,414	2,283

5.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method), which represent amounts in excess of EUR 100 million, are shown below:

In millions of euros	31 December 2006	31 December 2005
Cofidis France	102	76
Erbe	1,164	1,013
Verner Investissement	308	221
Société de Paiement Pass	202	196
BNL Vita	229	-
Other associates	767	317
Investments in associates	2,772	1,823

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec. 2006	Net banking income or net revenue Year to 31 Dec. 2006	Net income Year to 31 Dec. 2006
Erbe (1)	2,181	-	281
Verner Investissement (1)	3,565	309	40
Société de Paiement Pass	2,907	320	52
BNL Vita	10,909	3,651	51
Cofidis France	4,549	675	114

(1) data as at 31 December 2005 or for the year then ended

5.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 December 2006			31 December 2005		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	6,704	(891)	5,813	6,119	(864)	5,255
Land and buildings	5,015	(866)	4,149	2,871	(840)	2,031
Equipment, furniture and fixtures	3,614	(2,230)	1,384	3,726	(2,457)	1,269
Plant and equipment leased as lessor under operating leases	8,536	(2,838)	5,698	7,931	(2,646)	5,285
Other property, plant and equipment	1,813	(574)	1,239	1,210	(582)	628
PROPERTY, PLANT AND EQUIPMENT	18,978	(6,508)	12,470	15,738	(6,525)	9,213
Purchased software	1,452	(939)	513	1,359	(1,021)	338
Internally-developed software	811	(454)	357	615	(326)	289
Other intangible assets	943	(244)	699	791	(193)	598
INTANGIBLE ASSETS	3,206	(1,637)	1,569	2,765	(1,540)	1,225

The main changes in investment property in the year to 31 December 2006 related to Klépierre's acquisitions of the real estate assets of (i) buildings of a chain of restaurants for EUR 298 million and (ii) shopping centres for EUR 147 million. In addition, the Group's acquisition of Banca Nazionale del Lavoro generated a EUR 2,577 million increase in property, plant and equipment and intangible assets. Also in 2006, the Group purchased a building to be used in the business, representing a value of EUR 213 million.

- Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at cost at 31 December 2006 was EUR 10,157 million, compared with EUR 8,747 million at 31 December 2005.

- Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

- Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2006 was EUR 907 million, compared with EUR 766 million for the year ended 31 December 2005.

The net increase in impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2006 amounted to EUR 21 million, compared with a net reversal of EUR 24 million for the year ended 31 December 2005.

5.1 GOODWILL

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Gross value at start of period	8,093	6,328
Accumulated impairment at start of period	(14)	-
Carrying amount at start of period	8,079	6,328
Acquisitions	2,580	1,204
Divestments	(37)	(30)
Impairment losses recognised during the period	(14)	(14)
Translation adjustments	(448)	589
Other movements	2	2
Gross value at end of period	10,194	8,093
Accumulated impairment recognised during the period	(32)	(14)
Carrying amount at end of period	10,162	8,079

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2006	Carrying amount at 31 December 2005
International Retail Banking and Financial Services	6,412	6,561
of which BancWest Corp	*3,771*	*4,206*
of which Consumer Credit	*1,509*	*1,396*
of which Contract Hire and Fleet Management	*697*	*744*
Asset Management and Services	1,298	1,221
of which Cortal Consors	*385*	*385*
Corporate and Investment Banking	66	84
French Retail Banking	23	23
BNL	2,165	-
Other Activities	198	190
Total	10,162	8,079

5.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 December 2006	31 December 2005
Liabilities related to insurance contracts	74,795	64,406
Gross technical reserves		
- Unit-linked contracts	33,027	26,146
- Other insurance contracts	41,768	38,260
Liabilities related to financial contracts	8,457	8,892
Liabilities related to financial contracts with discretionary participation feature	8,457	8,892
Policyholders' surplus	3,792	3,225
Total technical reserves of insurance companies	87,044	76,523
Liabilities related to unit-linked financial contracts (1)	4,347	4,090
Total liabilities related to contracts written by insurance companies	91,391	80,613

(1) Liabilities related to unit-linked financial contracts are included in “Due to customers” (Note 5.e) .

The policyholders’ surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

The movement in liabilities related to insurance contracts breaks down as follows:

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Liabilities related to contracts at start of period	80,613	70,043
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	14,533	12,417
Claims and benefits paid	(6,500)	(5,063)
Contracts portfolio disposals	-	176
Effect of changes in scope of consolidation	289	-
Effect of movements in exchange rates	(53)	87
Effect of changes in value of admissible investments related to unit-linked business	2,509	2,953
Liabilities related to contracts at end of period	91,391	80,613

Please refer to Note 5.i for details of reinsurers' share of technical reserves.

5.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Total provisions at start of period	3,850	3,983
Additions to provisions	1,154	1,047
Reversals of provisions	(962)	(585)
Provisions utilised	(890)	(620)
Impact of the consolidation of Banca Nazionale del Lavoro	1,620	-
Effect of movements in exchange rates and other movements	(54)	25
Total provisions at end of period	4,718	3,850

At 31 December 2005 and 31 December 2006, provisions for contingencies and charges mainly included provisions for post-employment benefits (Note 7.b), for impairment related to credit and counterparty risks (Note 2.e), for risks on regulated savings products and for litigation in connection with banking transactions.

- Provisions for regulated savings product risks

- Deposits, loans and savings – home savings accounts (CEL) and home savings plans (PEL)

In millions of euros	31 December 2006	31 December 2005
Deposits collected under home savings accounts and plans	17,581	19,608
of which deposits collected under home savings plans	14,417	16,432
Aged more than 10 years	*5,223*	*6,234*
Aged between 4 and 10 years	*7,016*	*8,484*
Aged less than 4 years	*2,178*	*1,714*
Outstanding loans granted under home savings accounts and plans	643	803
of which loans granted under home savings plans	213	304
Provisions recognised for home savings accounts and plans	216	388
of which home savings plans	171	350
Aged more than 10 years	*91*	*182*
Aged between 4 and 10 years	*65*	*135*
Aged less than 4 years	*15*	*33*

- Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec. 2006		Year to 31 Dec. 2005	
	Provisions recognised - home savings plans	Provisions recognised - home savings accounts	Provisions recognised - home savings plans	Provisions recognised - home savings accounts
Total provisions at start of period	350	38	305	70
Additions to provisions during the period	-	7	78	-
Provision reversals during the period	(179)	-	(33)	(32)
Total provisions at end of period	171	45	350	38

6 FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 December 2006	31 December 2005
Financing commitments given:		
- to credit institutions	36,412	18,165
- to customers:	199,324	191,514
Confirmed letters of credit	139,200	149,525
Other commitments given to customers	60,124	41,989
Total financing commitments given ***(Note 4.b)***	235,736	209,679
Financing commitments received:		
- from credit institutions	71,398	54,894
- from customers	4,622	774
Total financing commitments received	76,020	55,668

6.b GUARANTEE COMMITMENTS

- Financial instruments given and received as guarantees

In millions of euros	31 December 2006	31 December 2005
Financial instruments received as guarantees	25,074	15,800
Financial instruments given as guarantees	31,632	29,694

- Guarantee commitments given

In millions of euros	31 December 2006	31 December 2005
Guarantee commitments given:		
to credit institutions	11,723	8,484
to customers:	69,222	58,670
- Property guarantees	1,610	1,191
- Sureties provided to tax and other authorities, other sureties	27,459	18,639
- Other guarantees	40,153	38,840
Total guarantee commitments given ***(Note 4.b)***	80,945	67,154

6.c CUSTOMER SECURITISATION PROGRAMMES

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities on behalf of its customers. These programmes have liquidity facilities and, where appropriate, guarantee facilities. Special-purpose entities over which the Group does not exercise control are not consolidated.

- Short-term refinancing

At 31 December 2006, six non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird, J Bird 2 and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on securitised receivables managed for customers by these entities up to an amount of EUR 580 million (EUR 629 million at 31 December 2005), and has granted liquidity facilities totalling EUR 12,518 million to these entities (EUR 12,176 million at 31 December 2005).

- Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issuing medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2006, the BNP Paribas Group had granted liquidity facilities totalling EUR 289 million (EUR 331 million at 31 December 2005) to eleven such funds (Tenzing – Invesco, Master Dolfin, Italfinance – Italease, CR Ferrara, Forest – Immofinanz, Cars – Renault, Tiepolo, Emerald – Ascendas REIT, Cari Firenze, LFE 3 – BNPP and RMF IV), representing a total of EUR 6,480 million in securitised receivables (EUR 2,600 million at 31 December 2005).

7 SALARIES AND EMPLOYEE BENEFITS

7.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2006 came to EUR 10,260 million (EUR 7,903 million for the year to 31 December 2005).

Fixed and variable remuneration, incentive bonuses and profit-sharing amounted to EUR 7,560 million (EUR 5,935 million in 2005); retirement bonuses, pension costs and social security taxes to EUR 2,336 million (EUR 1,662 million in 2005); and payroll taxes to EUR 364 million (EUR 306 million in 2005).

7.b EMPLOYEE BENEFIT OBLIGATIONS

POST-EMPLOYMENT BENEFITS UNDER DEFINED-CONTRIBUTION PLANS

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan. The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2006 was approximately EUR 346 million (EUR 286 million for the year to 31 December 2005).

POST-EMPLOYMENT BENEFITS UNDER DEFINED-BENEFIT PLANS

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2006 totalled EUR 1,554 million (EUR 1,378 million at 31 December 2005), comprising EUR 421 million for French plans and EUR 1,133 million for other plans.

- Pension plans and other post-employment benefits

- Pension plans

In France, BNP Paribas pays a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. The residual pension obligations are covered by a provision in the consolidated financial statements and the Paribas pension fund.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed. These pension plans have been contracted out to insurance companies. The fair value of the related plan assets in these companies' balance sheets break down as 75% bonds, 18% equities, and 7% property assets.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom),* or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States).* Some plans are top-up schemes linked to statutory pensions *(Norway).* Some plans are managed by insurance companies *(Spain)* or by independent fund managers *(United Kingdom*). At 31 December 2006, 84% of the gross obligations under these plans concerned 18 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 58% equities, 34% bonds, 8% other financial instruments.

- Other post-employment benefits

Group employees also receive various other contractual post-employment benefits such as bonuses payable on retirement. BNP Paribas' obligations for these bonuses in France are funded through a contract taken out with a third-party insurer. In 2006, BNP Paribas paid a premium of EUR 372 million under this contract, an amount that had previously been provisioned.

Italy accounts for 91% of the Group's gross obligations in other countries relating to this form of benefit.

The tables below provide details relating to the Group's obligations for both pensions and other post-employment benefits:

- Reconciliation of assets and liabilities recognised in the balance sheet

In millions of euros	31 December 2006	31 December 2005
Present value of obligation	3,884	3,151
Present value of obligations wholly or partially funded by plan assets	2,837	2,914
Present value of unfunded obligations	1,047	237
Fair value of plan assets	(2,213)	(1,735)
of which financial instruments issued by BNP Paribas	*3*	*3*
of which property and other assets used by BNP Paribas	*-*	*3*
Fair value of surplus assets	(70)	(78)
Fair value of segregated assets (1)	(12)	(73)
Cost not yet recognised in accordance with IAS 19	(216)	(129)
Past service cost	(52)	76
Net actuarial losses/gains	(164)	(205)
Other amounts recognised in the balance sheet	54	41
Net obligation recognised in the balance sheet for defined-benefit plans	1,427	1,177

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- Movements in the present value of the obligation and surplus assets

In millions of euros	31 December 2006	31 December 2005
Present value of obligation at start of period	3,073	3,242
Gross present value of obligation at start of period	*3,151*	*3,242*
Fair value of surplus assets at start of period	*(78)*	*-*
Service cost for the period	115	126
Expense arising on discounting of the obligation	144	133
Effect of plan amendments	122	(264)
Effect of plan curtailments or settlements	(17)	(210)
Net actuarial gains and losses	(12)	136
Contributions by plan participants	1	2
Benefits paid	(183)	(136)
Effect of movements in exchange rates	(55)	107
Effect of changes in scope of consolidation	700	(130)
Other movements	(74)	67
Present value of obligation at end of period	3,814	3,073
Gross present value of obligation at end of period	*3,884*	*3,151*
Fair value of surplus assets at end of period	*(70)*	*(78)*

- Movements in the fair value of plan assets and segregated assets

In millions of euros	31 December 2006	31 December 2005
Fair value of assets at start of period	1,808	1,477
Fair value of plan assets at start of period	*1,735*	*1,228*
Fair value of segregated assets at start of period	*73*	*249*
Expected return on plan assets	100	91
Effect of plan curtailments or settlements	3	-
Net actuarial gains and losses	16	49
Contributions by plan participants	1	4
BNP Paribas contributions to plan assets	463	138
Benefits paid to recipients of funded benefits	(103)	(112)
Effect of movements in exchange rates	(42)	87
Effect of changes in scope of consolidation	33	4
Other movements	(54)	70
Fair value of assets at end of period	2,225	1,808
Fair value of plan assets at end of period	*2,213*	*1,735*
Fair value of segregated assets at end of period	*12*	*73*

- Components of pension cost

In millions of euros	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Service cost for the period	115	126
Expense arising on discounting of the obligation	144	133
Expected return on plan assets	(100)	(93)
Amortisation of actuarial gains and losses	4	28
Amortisation of past service cost	(7)	6
Effect of plan curtailments or settlements	(19)	(213)
Other items	-	3
Total expense recorded in "Salary and employee benefit expenses"	137	(10)

- Main actuarial assumptions used in employee benefit calculations at the balance sheet date

In %	31 December 2006				31 December 2005			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	3.92%-4.13%	3.40%-4.13%	5.04%	5.50%	2.76%-3.59%	3.40%-3.82%	4.81%	5.50%
Future rate of salary increases	2.50%-5.50%	2.00%-5.00%	4.00%-4.50%	4.00%-5.00%	2.50%-5.50%	2.00%-4.00%	3.75%-5.40%	4.00%

- Effective rate of return on plan assets during the year

In %,	Year to 31 Dec. 2006				Year to 31 Dec. 2005			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Expected return on plan assets (1)	4.00%	2.00%-6.60%	4.30%-6.30%	4.00%-8.50%	4.00%-4.20%	2.52%-6.40%	5.40%-7.30%	7.00%-9.00%
Actual return on plan assets (1)	4.50%-5.00%	3.00%-16.00%	3.50%-10.00%	9.00%-13.00%	4.20%-5.00%	8.45%-14.12%	8.32%-19.49%	3.01%-7.90%

(1) Range of values, reflecting the existence of several plans within a single country or zone

At 31 December 2006, actuarial gains and losses arising due to updating the assumptions used for calculating employee benefits (e.g. discount rate and future rate of salary increases) and the expected return on plan assets represented a net gain resulting in a reduction in the value of the Group's net obligation of approximately EUR 29 million. France reported actuarial gains of EUR 40 million, primarily due to an increase in the discount rate applied, while other countries reported actuarial losses of EUR 11 million, mainly due to experience adjustments relating to assumptions for staff turnover rates and the future rate of salary increases.

Post-employment healthcare plans

In France, BNP Paribas no longer has any obligations in relation to healthcare benefits for its retired employees.

Several healthcare benefit plans for retired employees exist in other countries, mainly in the United States. Provisions for obligations under these plans at 31 December 2006 amounted to EUR 45 million (EUR 50 million at 31 December 2005).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

TERMINATION BENEFITS

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements. A similar provision of EUR 114 million was recorded in 2006, primarily relating to BNL.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 487 million at 31 December 2006 (EUR 171 million at 31 December 2005). Of this total, EUR 366 million related to the Group's operations outside France.

7.c SHARE-BASED PAYMENT

SHARE-BASED LOYALTY AND INCENTIVE SCHEMES

BNP Paribas has set up share-based payment systems for certain employees, including stock option and share award plans implemented as part of loyalty schemes and a Global Share-Based Incentive Plan.

- Loyalty schemes

As part of the Group's variable remuneration policy, certain high-performing or newly-recruited employees are offered a loyalty bonus scheme, entitling them to specific share-based remuneration (in the form of shares or cash payments indexed to the BNP Paribas share price), payable over several years, and subject to the condition that the employees remain within the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights. The expense recognised in the year to 31 December 2006 related to awards made between 2003 and 2006.

- Global Share-Based Incentive Plan

Until 2005, various stock option plans were granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas, under successive authorisations given by Extraordinary Shareholders' Meetings.

Since 2005, the Group has set up stock option plans on an annual basis with a view to actively involving various categories of managers in creating value for the Group, and thereby encouraging the convergence of their interests with those of the Group's shareholders. The managers selected for these plans represent the Group's best talent, including the next generation of leaders: senior managers, managers in key positions, line managers and technical experts, high-potential managers, high-performing young managers with good career development prospects, and major contributors to the Group's results.

The option exercise price under these plans is determined at the time of issue in accordance with the terms of the authorisation given by the corresponding Extraordinary Shareholders' Meeting. No discount is offered. Since the 2005 plan, the life of the options granted has been reduced to 8 years. The plans are subject to vesting conditions under which a portion of the options granted is conditional upon the performance of the BNP Paribas share relative to the Euro Stoxx Bank index. This relative performance is measured at the end of the second, third and fourth years of the compulsory holding period. Depending on the results of this measurement, the exercise price of the portion of the options subject to this performance-related condition may be increased or their exercise may be deemed null and void.

In 2006, BNP Paribas used the authorisations granted by the Extraordinary Shareholders' Meeting of 18 May 2005 to set up a Global Share-Based Incentive Plan for the above-mentioned employee categories, which combines stock options with share awards. Under this plan, senior managers and corporate officers are exclusively granted stock options whereas managers in key positions receive both stock options and share awards. High-potential managers and major contributors are exclusively granted share awards.

Employees' rights under share awards vest after a period of 2 or 3 years depending on the case and provided the employee is still a member of the Group. The compulsory holding period for the shares granted free of consideration is two years. Share awards were only made to Group employees in France.

All unexpired plans involve potential settlement in BNP Paribas shares.

- Expense for the year

The expense recognised in the year to 31 December 2006 in respect of all the plans granted amounted to EUR 90 million (EUR 82 million in the year to 31 December 2005).

In millions of euros	2006				2005
	Stock option plans	Share award plans	Other plans	Total expense	Total expense
Loyalty schemes	-	-	32	32	50
Global Share-Based Incentive Plan	44	14	-	58	32
Total	44	14	32	90	82

- Description of the plans

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2006:

- Stock subscription option plans

Characteristics of the plan							Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted	Start date of exercise period	Option expiry date	Adjusted exercise price (in euros) (5)	Number of options	Remaining period until expiry of options (years)
BNP (1)	22/05/1997	64	476,000	23/05/2002	22/05/2007	18.29	52,011	1
BNP (1)	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	36.95	388,555	2
BNP (1)	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.31	139,408	3
BNP (1) (4)	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	44.77	2,025,877	3
BNP (1) (4)	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.13	533,326	4
BNP Paribas SA (1) (2)	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	48.57	3,766,413	5
BNP Paribas SA (2)	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	59.48	1,393,905	6
BNP Paribas SA (3)	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	36.78	6,400,294	7
BNP Paribas SA (3)	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.36	1,661,345	8
BNP Paribas SA (3)	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	54.62	4,275,202	7
BNP Paribas SA (3)	05/04/2006	2,583	3,894,770	06/04/2010	04/04/2014	75.25	3,837,990	8
Total options outstanding at end of period							24,474,326	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) These options were subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant. This condition has been lifted for the plans concerned.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of the BNP Paribas share relative to the Dow Jones Euro Stoxx Bank index during the applicable holding period.

Based on this relative performance condition, the adjusted exercise price for these options has been set at:

- EUR 38.62 for 600,526 options under the 21 March 2003 plan, outstanding at the year-end.

- EUR 51.83 for 1,514 options under the 24 March 2004 plan, outstanding at the year-end.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met.

(5) The exercise prices for options granted under plans prior to 31 March 2006, as well as the number of options outstanding at that date have been adjusted in accordance with the applicable regulations in order to take into account the issue of a preferential subscription right on 7 March 2006.

- Stock purchase option plans

Characteristics of the plan							Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted	Start date of exercise period (2)	Option expiry date	Adjusted exercise price (in euros) (3)	Number of options	Remaining period until expiry of options (years)
Paribas (1)	17/11/1998	975	7,255,377	17/11/2003	17/11/2006	20.23	-	-
Paribas (1)	04/05/1999	1	30,850	04/05/2004	04/05/2007	31.60	13,508	1
Total options outstanding at end of period							13,508	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) Exercise dates set at the time of grant. However, the BNP-Paribas merger agreement stipulates that grantees may not exercise their options until the 5th anniversary of the date of grant, as required under French tax rules, irrespective of the original exercise date.

(3) The exercise prices for options granted under plans prior to 31 March 2006, as well as the number of options outstanding at that date have been adjusted in accordance with the applicable regulations in order to take into account the issue of a preferential subscription right on 7 March 2006.

- Share award plans

Characteristics of the plan						Number of shares outstanding at end of period
Originating company	Date of grant	Number of grantees	Number of shares granted	Vesting date of share granted	Expiry date of holding period for shares granted	
BNP Paribas SA	05/04/2006	2,034	544,370	07/04/2008	07/04/2010	533,542
BNP Paribas SA	05/04/2006	253	64,281	06/04/2009	06/04/2011	62,127
Total shares outstanding at end of period						595,669

- Movements during the year

- Stock subscription option plans

	2006		2005	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	25,388,170	46.63	24,359,164	44.58
Options granted during the period	3,894,770	75.25	4,332,550	55.10
Options arising from the 31 March 2006 capital increase	218,317		-	
Options exercised during the period	(4,522,809)	46.95	(2,767,124)	41.69
Options expired during the period	(504,122)		(536,420)	
Options outstanding at 31 December	24,474,326	50.63	25,388,170	46.63
Options exercisable at 31 December	8,299,495	48.14	8,932,740	45.38

The average quoted stock market price for the option exercise period in 2006 was EUR 78.11 (EUR 59.11 in 2005).

- Stock purchase option plans

	2006		2005	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	1,504,355	20.58	4,963,880	21.39
Options arising from the 31 March 2006 capital increase	11,198		-	
Options exercised during the period	(1,498,931)	20.32	(3,459,525)	21.74
Options expired during the period	(3,114)		-	
Options outstanding at 31 December	13,508	31.60	1,504,355	20.58
Options exercisable at 31 December	13,508	31.60	1,504,355	20.58

The average quoted stock market price for the option exercise period in 2006 was EUR 78.06 (EUR 58.76 in 2005).

- Share award plans

	2006
	Number of options
Shares outstanding at 1 January	-
Shares granted during the period	608,651
Shares vested during the period	(265)
Shares expired during the period	(12,717)
Shares outstanding at 31 December	595,669

- Value attributed to stock options and share awards

As required under IFRS 2, BNP Paribas attributes a value to stock options and share awards granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options and shares concerned. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights). The Group's share-based payment plans are valued by an independent specialist firm.

- Measurement of stock subscription options

Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of the BNP Paribas share relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

Stock subscription options granted in 2006 were valued at EUR 15.36 and EUR 14.03, depending on whether or not they are subject to performance conditions (compared with EUR 9.84 and EUR 8.99 respectively for stock subscription options granted in 2005).

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Quoted price of BNP Paribas shares at date of grant (in euros)	76.85	55.60
Option exercise price (in euros)	75.25	55.10
Implied volatility of BNP Paribas shares	22.4%	20.0%
Early exercise of options	7 years	7.5 years
Expected dividend on BNP Paribas shares (1)	3.5%	3.6%
Risk-free interest rate	4.0%	3.7%
Loss of rights rate	1.5%	1.5%

(1) The dividend rate shown above is an average of the estimated annual dividends over the life of the option.

- Measurement of share awards

The unit value used to measure shares awarded free of consideration is the value at the end of the compulsory holding period plus dividends paid since the date of acquisition, discounted at the grant date.

The value of shares awarded free of consideration by BNP Paribas in 2006 was EUR 70.99 for the shares whose holding period expires on 7 April 2010 and EUR 68.08 for those whose holding period expires on 6 April 2011.

SHARES PURCHASED BY EMPLOYEES UNDER THE COMPANY SAVINGS PLAN

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Date plan announced	18 May 2006	11 May 2005
Quoted price of BNP Paribas shares at date plan announced (in euros)	72.25	52.00
Number of shares issued (see Note 8.a)	4,670,388	5,000,000
Purchase price (in euros)	60.50	42.30
Five-year risk-free interest rate	3.88%	2.61%
Five-year borrowing cost	7.20%	6.65%
Borrowing cost during the holding period	14.54%	17.56%

The Group did not recognise an expense in relation to the Company Savings Plan in 2006 as the discount granted to employees purchasing shares under this plan represents a non-material financial expense for BNP Paribas when valued taking into account the five-year compulsory holding period applicable to the shares purchased.

Of the total number of BNP Paribas Group employees who were offered the opportunity of buying shares under the Plan in 2006, 53% accepted the offer and 47% turned it down.

8 ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2004	884,700,444	2		
Increase in share capital by exercise of stock subscription options on 25 January 2005	518,758	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 10 May 2005	(13,994,568)	2	28 May 04	23 March 05
Increase in share capital by exercise of stock subscription options on 20 July 2005	1,397,501	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan on 20 July 2005	5,000,000	2	14 May 03	02 Feb 05
Reduction in share capital by cancellation of treasury shares on 29 November 2005	(39,374,263)	2	18 May 05	13 June 05
Number of shares outstanding at 31 December 2005	838,247,872	2		
Increase in share capital by exercise of stock subscription options on 23 January 2006	1,369,623	2	23 May 00	05 Sept 00
Increase in share capital by exercise of stock subscription options on 27 March 2006	971,037	2	23 May 00	05 Sept 00
Increase in share capital by issue of new shares on 31 March 2006	84,058,853	2	28 May 04	14 Feb 06
Increase in share capital by issue of new shares on 6 June 2006	945	2	23 May 06	27 March 06
Increase in share capital by exercise of stock subscription options on 26 July 2006	1,148,759	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan on 26 July 2006	4,670,388	2	14 May 03	14 Feb 06
Number of shares outstanding at 31 December 2006	930,467,477	2		

At 31 December 2006, the share capital of BNP Paribas SA consisted of 930,467,477 fully-paid ordinary shares with a par value of EUR 2 (compared with 838,247,872 ordinary shares at 1 January 2006). Under BNP Paribas stock subscription plans, 2,411,013 new shares with a par value of EUR 2 each and carrying dividend rights from 1 January 2006 were subscribed for by employees during the year ended 31 December 2006. These shares were issued on 22 January 2007.

The 11th and 12th resolutions of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by up to EUR 1.34 billion, representing 500,000,000 shares with pre-emptive rights and 170,000,000 securities without pre-emptive rights. The aggregate nominal value of debt securities giving immediate and/or future access to BNP Paribas shares under these authorisations is limited to EUR 10 billion in the case of securities with pre-emptive rights, and EUR 8 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months.

At 31 March 2006, 84,058,853 shares had been issued under these authorisations.

Under the 17th resolution of the Shareholders' General Meeting of 23 May 2006, the aggregate nominal value of debt securities giving immediate and/or future access to BNP Paribas shares under this authorisation has been limited to EUR 7 billion in the case of ordinary shares and securities without pre-emptive rights.

The 13th resolution of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by capitalising reserves up to a maximum aggregate par value of EUR 1 billion. This authorisation allows the successive or simultaneous capitalisation of some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital by the issuance and allotment of consideration-free shares, by raising the par value of the shares, or by a combination of these two methods. This authorisation was granted for a period of 26 months.

The 16th resolutions of the Shareholders' General Meetings of 28 May 2004 and 18 May 2005 authorised the Board of Directors to cancel, on one or several occasions and by means of reducing share capital, some or all of the own shares held or acquired under the authorisations granted by said Meetings, up to a maximum of 10% of the share capital in any 24-month period. These authorisations were granted for a period of 18 months. In 2005, 53,368,831 shares were cancelled pursuant to these authorisations.

The 23rd resolution of the Shareholders' General Meeting of 23 May 2006 authorised the Board of Directors to cancel, on one or several occasions and by means of reducing share capital, some or all of the own shares held or acquired under the authorisation granted by said Meeting, up to a maximum of 10% of the share capital in any 24-month period, and by debiting any difference between the price paid for the cancelled shares and their par value against additional paid-in capital or revenue reserves, including the legal reserve up to a limit of 10% of the amount of capital cancelled. This authorisation was granted for a period of 18 months and cancelled and replaced that granted under the 16th resolution of 18 May 2005.

No shares were cancelled during the year ended 31 December 2006.

The Shareholders' General Meeting of 23 May 2006 decided that the 16th, 17th and 19th resolutions cancelled and replaced the unused portion of any earlier authorisations to the same effect as those provided for in the 11th, 12th and 13th resolutions of the Shareholders' General Meeting of 28 May 2004.

The 24th resolution of the Shareholders' General Meeting of 23 May 2006 approving the merger of Société Centrale d'Investissement into BNP Paribas, authorised the Board of Directors to increase the share capital by EUR 1,890, by issuing 945 new shares with a par value of EUR 2 each, fully paid-up and carrying dividend rights as from 1 January 2006.

- Preferred shares and equivalents

- Preferred shares issued by Group companies

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the law of the United States, which do not dilute ordinary BNP Paribas shares. The shares pay a dividend of 7.738% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The issuer has the option of not paying dividends on these preferred shares if no dividends were paid on ordinary BNPP SA shares and no coupon paid on preferred share equivalents (Undated Super Subordinated Notes) in the previous year. Unpaid dividends are not carried forward.

In 2000, a further USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a dividend of 9.003% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, a further two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over five years minimum, and shares in the second issue pay a dividend of 6.625% over ten years. Shares in the first issue were redeemed by the issuer in October 2006 at the end of the contractual five-year period. Shares in the second issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, a further two undated non-cumulative preferred share issues, of EUR 660 million and USD 650 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a dividend of 7.20% paid quarterly over 5 years. Shares in the first issue are redeemable at the issuer's discretion after a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend. Shares in the second issue are redeemable at the issuer's discretion after a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7.20%.

In January 2003, a further non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. Shares in this issue pay an annual dividend of 5.868%. The shares are redeemable after a ten-year period, and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed dividend quarterly.

In 2003 and 2004, the Laser sub-group – which is proportionately consolidated by BNP Paribas – carried out three issues of undated preferred shares through special purpose entities governed by UK law and exclusively controlled by the Laser sub-group. These shares pay a non-cumulative priority dividend for a ten-year period, at a fixed rate for those issued in 2003 and an indexed rate for the 2004 issue. After this ten-year period, they will be redeemable at par at the issuer's discretion at the end of each quarter on the coupon date, and the dividend payable on the 2003 issue will become Euribor-indexed.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP US Funding	December 1997	USD	500 million	10 years	Weekly Libor + 2.8%
BNPP Capital Trust	October 2000	USD	500 million	10 years	3-month Libor + 3.26%
BNPP Capital Trust III	October 2001	EUR	500 million	10 years	3-month Euribor + 2.60%
BNPP Capital Trust IV	January 2002	EUR	660 million	10 years	3-month Euribor + 2.33%
BNPP Capital Trust V	June 2002	USD	650 million	5 years	7.20%
BNPP Capital Trust VI	January 2003	EUR	700 million	10 years	3-month Euribor + 2.48%
Cofinoga Funding I LP	March 2003	EUR	100 million (1)	10 years	3-month Euribor + 3.75%
Cofinoga Funding II LP	Jan & May 2004	EUR	80 million (1)	10 years	10-year govt bond rate (TEC)

(1) Before application of the proportionate consolidation rate

The proceeds of these issues are recorded under "Minority interests" in the balance sheet, and the dividends are reported under "Minority interests" in the profit and loss account.

- Undated Super Subordinated Notes (preferred share equivalents) issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing USD 1,350 million. The notes pay an annual fixed-rate coupon of 5.186%. They are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2015, they will pay a quarterly coupon at 3-month USD Libor plus 1.68%.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing EUR 1,000 million. The notes pay an annual fixed-rate coupon of 4.875%. They are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will continue to pay the fixed-rate coupon.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes representing USD 400 million. The notes pay an annual fixed-rate coupon of 6.250%. They are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will continue to pay the fixed-rate coupon.

In April 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes representing EUR 750 million and GBP 450 million. The notes pay an annual fixed-rate coupon of 4.730% and 5.945% respectively. They are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2016, they will pay a quarterly coupon at 3-month Euribor plus 1.69% in the case of the first issue, and a coupon at 3-month GBP Libor plus 1.13% in the case of the second issue.

In July 2006, BNP Paribas SA carried out two issues of Undated Super Subordinated Notes. The notes under the first issue – representing EUR 150 million – pay an annual coupon of 5.45%. They are redeemable at the end of a 20-year period and thereafter at each annual coupon date. If these notes are not redeemed in 2026 they will pay a quarterly coupon based on the 3-month Euribor plus 1.92%. The notes under the second issue – representing GBP 325 million – pay an annual coupon of 5.945%. They are redeemable at the end of a 10-year period and thereafter at each annual coupon date. If these notes are not redeemed in 2016, they will pay a quarterly coupon based on the 3-month GBP Libor plus 1.81%.

BNP Paribas has the option of not paying interest due on these Undated Super Subordinated Notes if no dividends were paid on ordinary BNPP SA shares or on preferred shares in the previous year. Unpaid interest is not carried forward.

The contracts relating to these Undated Super Subordinated Notes contain a loss absorption clause. Accordingly, in the event of insufficient regulatory capital – which is not fully offset by a capital increase or other equivalent measure – the nominal value of the notes may be reduced in order to serve as a new basis for the calculation of the related coupons until the capital deficiency is made up and the nominal value of the notes is increased to its original amount. However, in the event of the liquidation of BNP Paribas, the amount due to the holders of these notes will represent their original nominal value irrespective of whether or not their nominal value has been reduced.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP Paribas SA	June 2005	USD	1,350 million	10 years	USD 3-month Libor + 1.68%
BNP Paribas SA	October 2005	EUR	1,000 million	6 years	4.875%
BNP Paribas SA	October 2005	USD	400 million	6 years	6.250%
BNP Paribas SA	April 2006	EUR	750 million	10 years	3-month Euribor + 1.69%
BNP Paribas SA	April 2006	GBP	450 million	10 years	GBP 3-month Libor + 1.13%
BNP Paribas SA	July 2006	EUR	150 million	20 years	3-month Euribor + 1.92%
BNP Paribas SA	July 2006	GBP	325 million	10 years	GBP 3-month Libor + 1.81%

The proceeds raised by these issues are recorded under “Retained earnings” as part of equity. In accordance with IAS 21, issues carried out in foreign currencies are recognised at their historical value based on their translation into euros at the issue date. Interest on the instruments is treated in the same way as dividends.

- Own equity instruments (shares issued by BNP Paribas shares and held by the Group)

The sixth resolution of the Shareholders' Meeting of 28 May 2004 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: to stabilise the share price; to take advantage of market opportunities; for remittance in exchange or payment for external growth transactions or on the issue of shares or share equivalents; for allocation or sale to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans, or in connection with stock option plans set up in favour of officers and key employees of the Bank; to be held in treasury stock; for the purpose of being sold or exchanged or otherwise transferred on a regulated market or over-the-counter; for the purpose of being cancelled at a later date, on a basis to be determined by the shareholders in Extraordinary Meeting; or in connection with the management of the Bank's assets and liabilities and its financial position.

The fifth resolution of the Shareholders' Meeting of 18 May 2005 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: for subsequent cancellation, on a basis to be determined by the shareholders in Extraordinary Meeting; to fulfil the Bank's obligations relative to the issue of shares or share equivalents, stock option plans, the award of consideration-free shares to employees, directors or corporate officers, and the allocation or sale of shares to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans; to be held in treasury stock for subsequent remittance in exchange or payment for external growth transactions; to stabilise the share price; or to take advantage of market opportunities.

The fifth resolution of the Shareholders' Meeting of 23 May 2006 authorised BNP Paribas to buy back shares representing up to 10% of the Bank's issued capital at 28 February 2006. The shares could be acquired for the following purposes: for subsequent cancellation, on a basis to be determined by the shareholders in Extraordinary Meeting; to fulfil the Bank's obligations relative to the issue of shares or share equivalents, stock option plans, the award of consideration-free shares to employees, directors or corporate officers, and the allocation or sale of shares to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans; to be held in treasury stock for subsequent remittance in exchange or payment for external growth transactions; within the scope of a liquidity agreement; or for property and financial management purposes. This authorisation was given for a period of 18 months and cancelled and replaced the authorisation granted under the fifth resolution of the Shareholders' Meeting of 18 May 2005.

In addition, a BNP Paribas subsidiary involved in market index and equity derivatives trading and arbitrage activities buys and sells BNP Paribas shares within the scope of its operations.

At 31 December 2006, the Group held 25,211,909 BNP Paribas shares, representing an amount of EUR 1,786 million, deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2004	55,112,609	2,693	(599,870)	(32)	54,512,739	2,661
Acquisitions	11,677,068	676			11,677,068	676
Reduction in share capital	(53,368,831)	(2,694)			(53,368,831)	(2,694)
Other movements	(4,360,827)	(214)	(3,735,867)	(264)	(8,096,694)	(478)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165
Acquisitions	12,512,868	945			12,512,868	945
Other movements	(2,327,379)	(114)	10,302,138	790	7,974,759	676
Shares held at 31 December 2006	19,245,508	1,292	5,966,401	494	25,211,909	1,786

- Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options granted are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec. 2006	Year to 31 Dec. 2005
Net income used to calculate basic and diluted earnings per share (in millions of euros) (1)	7,180	5,822
Weighted average number of ordinary shares outstanding during the year	893,811,947	836,006,141
Effect of potentially dilutive ordinary shares	9,518,828	7,288,395
Weighted average number of ordinary shares used to calculate diluted earnings per share	903,330,775	843,294,536
Basic earnings per share (in euros)	8.03	6.96
Diluted earnings per share (in euros)	7.95	6.90

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes is treated as dividends.

Further to the capital increase (with pre-emptive subscription rights for existing shareholders) carried out on 31 March 2006, in accordance with IAS 33 the reported earnings per share figure for 2005 (corresponding to EUR 7.02 for basic earnings per share and EUR 6.97 for diluted earnings per share) has been adjusted in order to facilitate year-on-year comparisons.

A dividend of EUR 2.60 per share was paid in 2006 out of 2005 net income (compared with a dividend of EUR 2.00 per share paid in 2005 out of 2004 net income).

8.b SCOPE OF CONSOLIDATION

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
BNP Paribas SA					France	Full	100.00%	100.00%
French Retail Banking								
Banque de Bretagne					France	Full	100.00%	100.00%
BNP Paribas Developpement					France	Full	100.00%	100.00%
BNP Paribas Factor					France	Full	100.00%	100.00%
Compagnie pour le Financement des Loisirs - Cofiloisirs				2	France	Equity	33.30%	33.30%
IRFS								
Retail Banking - United States of America								
BancWest Corporation					U.S.A.	Full	100.00%	100.00%
Bank of the West					U.S.A.	Full	100.00%	100.00%
FHL Lease Holding Cy					U.S.A.	Full	100.00%	100.00%
First Hawaïan Bank					U.S.A.	Full	100.00%	100.00%
Union Safe Deposit Bank	5				U.S.A.			
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100.00%	100.00%
All In One Allemagne					Germany	Full	100.00%	100.00%
All In One Vermietung GmbH				12	Austria	Equity	100.00%	100.00%
Antin Bail					France	Full	100.00%	100.00%
Aprolis Finance					France	Full	51.00%	51.00%
Avelingen Finance BV	1			4	Netherlands	Equity		
Barloworld Heftruck BV	1				Netherlands	Equity	50.00%	50.00%
BNP Paribas Lease Group					France	Full	100.00%	100.00%
BNP Paribas Lease Group BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Holding SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group KFT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group Netherlands BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Polska SP ZO O				12	Poland	Equity	100.00%	100.00%
BNP Paribas Lease Group RT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group UK PLC					UK	Full	100.00%	100.00%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100.00%	100.00%
BNP Paribas Lease Group SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group (Rentals) Ltd					UK	Full	100.00%	100.00%
BNP Paribas Leasing Gmbh					Germany	Full	100.00%	100.00%
Centro Leasing SPA					Italy	Equity	43.54%	43.54%
Claas Financial Services					France	Full	60.11%	60.11%
Claas Leasing Gmbh					Germany	Full	100.00%	60.11%
CNH Capital Europe					France	Full	50.10%	50.10%
CNH Capital Europe Limited					UK	Full	50.10%	50.10%
Cofiplan				2	France	Full	99.99%	99.99%
Commercial Vehicle Finance Limited					UK	Full	100.00%	100.00%
Diamond Finance UK Limited					UK	Full	60.00%	60.00%
Equipment Lease BV	1				Netherlands	Full	100.00%	100.00%
Finance et Gestion SA					France	Full	70.00%	70.00%
Geveke Rental BV	1			4	Netherlands	Equity		
H.F.G.L Limited					UK	Full	100.00%	100.00%
HIH Management Limited				4	UK	Full		
Humberclyde Commercial Investments Limited					UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N°1 Limited					UK	Full	100.00%	100.00%
Humberclyde Commercial Investments N° 4 Limited					UK	Full	100.00%	100.00%
Humberclyde Finance Limited					UK	Full	100.00%	100.00%
Humberclyde Industrial Finance Limited					UK	Full	100.00%	100.00%
Humberclyde Investments Limited					UK	Full	100.00%	100.00%
Humberclyde Management Services Limited				4	UK	Full		
Humberclyde Spring Leasing Limited				4	UK	Full		

(A) Movements for 6 months to 30 June 2005	
(B) Movements for 6 months to 31 December 2005	
(C) Movements for 6 months to 30 June 2006	
(D) Movements for 6 months to 31 December 2006	
(1) Acquisition	(7) Change of method - Full consolidation to equity method
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Equity method to full consolidation
(3) Disposal	(9) Change of method - Full consolidation to proportionate method
(4) Deconsolidation	(10) Change of method - Equity method to proportionate method
(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Leasing - Finance Leases (cont'd)								
Leaseco International BV	1				Netherlands	Full	100.00%	100.00%
Leasing J. Van Breda & Cie			1	5	Belgium			
Manitou Finance Ltd				2	UK	Full	51.00%	51.00%
Natiobail					France	Full	100.00%	100.00%
Natiocrédibail					France	Full	100.00%	100.00%
Natiocrédimurs					France	Full	100.00%	100.00%
Natioénergie					France	Full	100.00%	100.00%
Norbail Snc	4				France			
Norbail Location	4				France			
Paricomi					France	Full	100.00%	100.00%
S C A U	4				France			
SAS MFF	2				France	Full	51.00%	51.00%
Same Deutz-Fahr Finance					France	Full	99.97%	99.97%
Same Deutz Fahr Finance Limited					UK	Full	100.00%	100.00%
UFB Asset Finance Limited					UK	Full	100.00%	100.00%
United Care Group Limited					UK	Full	100.00%	100.00%
United Care (Cheshire) Limited					UK	Full	100.00%	100.00%
United Corporate Finance Limited				4	UK	Full		
United Inns Management Limited				4	UK	Full		
Consumer Credit								
Axa Banque Financement	4			2	France	Equity	35.00%	35.00%
Banco Cetelem Argentine	4				Argentina			
Banco cetelem Portugal					Portugal	Full	100.00%	100.00%
Banco Cetelem SA					Spain	Full	100.00%	100.00%
Caisse d'Epargne Financement - CEFI					France	Equity	33.00%	33.00%
Carrefour Administration Cartos de Creditos - CACC					Brazil	Equity	40.00%	40.00%
Cetelem					France	Full	100.00%	100.00%
Cetelem Algérie				12	Algeria	Equity	100.00%	100.00%
Cetelem America					Brazil	Full	100.00%	100.00%
Cetelem Bank Gmbh					Germany	Full	50.10%	50.10%
Cetelem Bank SA	2				Poland	Full	100.00%	100.00%
Cetelem Belgium					Belgium	Full	100.00%	100.00%
Cetelem Benelux BV					Netherlands	Full	100.00%	100.00%
Cetelem Brésil					Brazil	Full	100.00%	100.00%
Cetelem CR					Czech Rep.	Full	100.00%	100.00%
Cetelem IFN SA (formerly Credisson Holding Limited)			1		Cyprus	Full	100.00%	100.00%
Cetelem Maroc (formerly Attijari Cetelem)	1				Morocco	Full	99.79%	92.80%
Cetelem Mexico SA de CV				12	Mexico	Equity	100.00%	100.00%
Cetelem Polska Expansion SA					Poland	Full	100.00%	100.00%
Cetelem Processing Services (Shanghai) Ltd				12	China	Equity	100.00%	100.00%
Cetelem Slovensko			2		Slovakia	Full	100.00%	100.00%
Cetelem Thailande					Thailand	Full	100.00%	100.00%
Cetelem UK (formerly Halifax Cetelem Credit Limited)					UK	Full	100.00%	100.00%
Cofica Bail					France	Full	100.00%	100.00%
Cofidis France					France	Equity	15.00%	15.00%
Cofinoga					France	Prop.	50.00%	50.00%
Cofiparc					France	Full	100.00%	100.00%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce					France	Full	100.00%	100.00%
Credial Italie SPA			2		Italy	Prop.	50.00%	50.00%
Credisson International SRL			1		Romania	Full	100.00%	100.00%
Crédit Moderne Antilles					France	Full	100.00%	100.00%
Crédit Moderne Guyane					France	Full	100.00%	100.00%
Crédit Moderne Océan Indien					France	Full	97.81%	97.81%
Domofinance SA	2		9		France	Prop.	55.00%	55.00%
Effico Iberia	2				Spain	Full	100.00%	100.00%

(A) Movements for 6 months to 30 June 2005	
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(1) Acquisition	(7) Change of method - Full consolidation to equity method
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(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Consumer Credit (cont'd)								
Effico Soreco					France	Full	99.95%	99.95%
Eurocredito					Spain	Full	100.00%	100.00%
Facet					France	Full	99.69%	99.69%
Fidem					France	Full	51.00%	51.00%
Fimestic Expansion SA					Spain	Full	100.00%	100.00%
Findomestic					Italy	Prop.	50.00%	50.00%
Findomestic Banka a.d				12	Serbia	Equity	99.60%	49.80%
Fortis Crédit		3			Belgium			
KBC Pinto Systems				2	Belgium	Equity	40.00%	40.00%
Laser (Group)			10		France	Prop.	50.00%	50.00%
Loisirs Finance					France	Full	51.00%	51.00%
Magyar Cetelem					Hungary	Full	100.00%	100.00%
Métier Regroupement de Crédits				12	France	Equity	100.00%	100.00%
Monabank (formerly Covefi)				2	France	Equity	34.00%	34.00%
Norrsken Finance					France	Full	51.00%	51.00%
Novacrédit				2	France	Equity	34.00%	34.00%
Projeo				2	France	Full	50.94%	50.94%
Servicios Financieros Carrefour EFC					Spain	Equity	40.00%	40.00%
Société de Paiement Pass					France	Equity	40.01%	40.01%
Submarino Finance Promotora de Credito Ltda				2	Brazil	Prop.	50.00%	50.00%
Debt Investment Fund								
FCC Findomestic			4		Italy			
FCC Master Dolphin					Italy	Prop.	100.00%	0.00%
FCC Master Noria			4		France			
FCC Retail ABS Finance		2			France	Full	100.00%	100.00%
Mortgage Financing								
Abbey National France	1	5			France			
Banca UCB SPA					Italy	Full	100.00%	100.00%
BNP Paribas Invest Immo					France	Full	100.00%	100.00%
SAS Prêts et Services					France	Full	100.00%	100.00%
UCB					France	Full	100.00%	100.00%
UCB Hypotheken					Netherlands	Full	100.00%	100.00%
UCB Suisse				12	Switzerland	Equity	100.00%	100.00%
Union de Creditos Immobiliarios - UCI (Group)	9				Spain	Prop.	50.00%	50.00%
Debt Investment Fund								
FCC Domos 2003					France	Full	100.00%	100.00%
FCC Master Domos					France	Full	100.00%	100.00%
FCC Master Domos 4					France	Full	100.00%	100.00%
FCC Master Domos 5					France	Full	100.00%	100.00%
FCC U.C.I 4-15 (formerly FCC U.C.I 2-9)	9				Spain	Prop.	50.00%	50.00%
Contract Hire and Fleet Management								
Arius Finance		5			France			
Arius SA					France	Full	100.00%	100.00%
Arma Beheer BV					Netherlands	Full	100.00%	100.00%
Artegy Limited					UK	Full	100.00%	100.00%
Artegy SAS					France	Full	100.00%	100.00%
Arval Belgium					Belgium	Full	100.00%	100.00%
Arval Brasil Ltda				12	Brazil	Equity	100.00%	100.00%
Arval Business Services Limited (formerly Arval PHH Business Services Limited)					UK	Full	100.00%	100.00%
Arval BV (formerly Arma Nederland)					Netherlands	Full	100.00%	100.00%
Arval Deutschland GmbH (formerly Arval PHH Deutschland Gmbh)					Germany	Full	100.00%	100.00%
Arval ECL SAS					France	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Contract Hire and Fleet Management (cont'd)								
Arval Limited					UK	Full	100.00%	100.00%
Arval Luxembourg					Luxembourg	Full	100.00%	100.00%
Arval Nederland		5			Netherlands			
Arval NV (formerly Arma Belgique)					Belgium	Full	100.00%	100.00%
Arval PHH Holding SAS					France	Full	100.00%	100.00%
Arval PHH Holdings Limited					UK	Full	100.00%	100.00%
Arval PHH Holdings UK Limited					UK	Full	100.00%	100.00%
Arval PHH Service Lease CZ				12	Czech Rep.	Equity	100.00%	100.00%
Arval Portugal					Portugal	Full	100.00%	100.00%
Arval Russie				12	Russia	Equity	100.00%	100.00%
Arval Schweiz AG (formerly Leasing Handels und Service AG)					Switzerland	Full	100.00%	100.00%
Arval Service Lease					France	Full	100.00%	100.00%
Arval Service Lease Espagne					Spain	Full	99.98%	99.97%
Arval Service Lease Italia					Italy	Full	100.00%	100.00%
Arval Service Lease Polska SP					Poland	Full	100.00%	100.00%
Arval Trading			2		France	Full	100.00%	100.00%
Arval UK Group Limited (formerly Arval PHH Limited)					UK	Full	100.00%	100.00%
Arval UK Limited (formerly Arval PHH Business Solutions Limited)					UK	Full	100.00%	100.00%
BNP Paribas Fleet Holdings Limited					UK	Full	100.00%	100.00%
Dialcard Fleet Services Limited					UK	Full	100.00%	100.00%
Dialcard Limited					UK	Full	100.00%	100.00%
Gestion et Location Holding					France	Full	100.00%	100.00%
Harpur Assets Limited	4				UK			
Harpur UK Limited					UK	Full	100.00%	100.00%
Overdrive Business Solutions Limited					UK	Full	100.00%	100.00%
Overdrive Credit Card Limited					UK	Full	100.00%	100.00%
PHH Financial services Limited					UK	Full	100.00%	100.00%
PHH Holdings (1999) Limited					UK	Full	100.00%	100.00%
PHH Investment Services Limited					UK	Full	100.00%	100.00%
PHH Leasing (N°9) Limited					UK	Full	100.00%	100.00%
PHH Treasury Services Limited					UK	Full	100.00%	100.00%
PHH Truck Management Services Limited					UK	Full	100.00%	100.00%
Pointeuro Limited					UK	Full	100.00%	100.00%
The Harpur Group UK Limited					UK	Full	100.00%	100.00%
Emerging and overseas markets								
Banque International Commerce et Industrie Burkina Faso					Burkina Faso	Full	51.00%	51.00%
Banque International Commerce et Industrie Cote d'Ivoire					Ivory Coast	Full	67.49%	67.49%
Banque International Commerce et Industrie Gabon					Gabon	Full	46.67%	46.67%
Banque International Commerce et Industrie Guinée				2	Guinea	Equity	30.80%	30.80%
Banque International Commerce et Industrie Mali				12	Mali	Equity	85.00%	85.00%
Banque International Commerce et Industrie Senegal					Senegal	Full	54.11%	54.11%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75.00%	75.00%
Banque Marocaine du Commerce et de l'Industrie					Morocco	Full	64.67%	64.67%
Banque Marocaine du Commerce et de l'Industrie Gestion				12	Morocco	Equity	100.00%	64.70%
Banque Marocaine du Commerce et de l'Industrie Leasing					Morocco	Full	72.03%	46.58%
Banque Marocaine du Commerce et de l'Industrie Offshore					Morocco	Full	100.00%	64.67%
Banque pour le Commerce et l'Industrie de la Mer Rouge					Djibouti	Full	51.00%	51.00%
BNP Intercontinentale - BNPI					France	Full	100.00%	100.00%
BNP Paribas BDDI Participations					France	Full	100.00%	100.00%
BNP Paribas Cyprus Limited					Cyprus	Full	100.00%	100.00%
BNP Paribas El Djazair					Algeria	Full	100.00%	100.00%
BNP Paribas Guadeloupe					France	Full	100.00%	100.00%
BNP Paribas Guyane					France	Full	100.00%	100.00%
BNP Paribas Le Caire					Egypt	Full	95.19%	95.19%
BNP Paribas Martinique					France	Full	100.00%	100.00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Emerging and overseas markets (cont'd)								
BNP Paribas Nouvelle Caledonie					France	Full	100.00%	100.00%
BNP Paribas Réunion					France	Full	100.00%	100.00%
BNP Paribas Vostok Holdings			2		France	Full	70.00%	70.00%
Nanjing City Commercial Bank Corp Ltd			1		China	Equity	19.20%	19.20%
Sifida					Luxembourg	Full	100.00%	100.00%
Société Financière pour pays d'Outre Mer - SFOM	4				Switzerland			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Group)	1				Turkey	Prop.	50.00%	50.00%
Ukranian Insurance Alliance				12	Ukraine	Equity	99.99%	50.99%
UkrSibbank				1	Ukraine	Full	51.00%	51.00%
UkrSibbank LLC				12	Russia	Equity	99.30%	50.60%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50.00%	50.00%
Union Tunisienne pour le Commerce et l'Industrie Leasing (formerly Union Tun. de Leasing)					Tunisia	Full	75.40%	37.70%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
AMS								
Insurance								
Assuvie SA				12	France	Equity	50.00%	50.00%
Banque Financiere Cardif			5		France			
BNP Paribas Assurance					France	Full	100.00%	100.00%
Cardif Asset Management					France	Full	100.00%	100.00%
Cardif Assicurazioni SPA					Italy	Full	100.00%	100.00%
Cardif Assurance Vie Polska	2				Poland	Full	100.00%	100.00%
Cardif do Brasil Seguros					Brazil	Full	100.00%	100.00%
Cardif do Brasil Seguros e Garantias				12	Brazil	Equity	100.00%	100.00%
Cardif Leven					Belgium	Full	100.00%	100.00%
Cardif Levensverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardif Mexico Seguros de Vida				12	Mexico	Equity	100.00%	100.00%
Cardif Mexico Seguros Generales SA				12	Mexico	Equity	100.00%	100.00%
Cardif Nederland Holding BV					Netherlands	Full	100.00%	100.00%
Cardif Provita				12	Czech Rep.	Equity	100.00%	100.00%
Cardif RD					France	Full	100.00%	100.00%
Cardif Retraite Assurance Vie			11		France	Full	100.00%	100.00%
Cardif SA					France	Full	100.00%	100.00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100.00%	100.00%
Cardif Société Vie					France	Full	100.00%	100.00%
Cardivida Correduria de Seguros				12	Spain	Equity	100.00%	100.00%
Centro Vita Assicurazioni					Italy	Prop.	49.00%	49.00%
Compagnie Bancaire Uk Fonds C					UK	Full	100.00%	100.00%
Compania de Seguros Vida SA			11		Chile	Full	100.00%	100.00%
Compania de Seguros Generales					Chile	Full	100.00%	100.00%
Cybele RE					Luxembourg	Full	100.00%	100.00%
Darnell Limited					Ireland	Full	100.00%	100.00%
GIE BNP Paribas Assurance					France	Full	100.00%	100.00%
Investlife SA					Luxembourg	Full	100.00%	100.00%
Le Sphinx Assurances Luxembourg SA				12	Luxembourg	Equity	100.00%	100.00%
Natio Assurance					France	Prop.	50.00%	50.00%
Natiovie		5			France			
Patrimoine Management & Associés			1		France	Full	70.00%	100.00%
Pinnafrica Holding Ltd				12	South Africa	Equity	98.00%	98.00%
Pinnafrica Insurance Company Ltd				12	South Africa	Equity	100.00%	98.00%
Pinnafrica Insurance Life Ltd				12	South Africa	Equity	100.00%	98.00%
Pinnacle Insurance PLC					UK	Full	100.00%	97.59%
Pinnacle Insurance Holding PLC					UK	Full	97.59%	97.59%
Pinnacle Insurance Management Services PLC					UK	Full	100.00%	97.59%
SARL Reumal Investissements					France	Full	100.00%	100.00%
SCI 104-106 rue Cambronne					France	Full	100.00%	100.00%
SCI 14 rue Vivienne					France	Full	100.00%	100.00%
SCI 24-26 rue Duranton					France	Full	100.00%	100.00%
SCI 25 rue Abbe Carton					France	Full	100.00%	100.00%
SCI 25 rue Gutenberg					France	Full	100.00%	100.00%
SCI 35 rue Lauriston					France	Full	100.00%	100.00%
SCI 40 rue Abbe Groult					France	Full	100.00%	100.00%
SCI 6 Square Foch					France	Full	100.00%	100.00%
SCI 8-10 place du Commerce					France	Full	100.00%	100.00%
SCI Asnieres 1					France	Full	100.00%	100.00%
SCI Beausejour					France	Full	100.00%	100.00%
SCI BNP Paribas Pierre 2 (formerly Natio Vie Pierre 2)					France	Full	100.00%	100.00%
SCI Boulevard Malesherbes					France	Full	100.00%	100.00%
SCI Boulogne Centre					France	Full	100.00%	100.00%
SCI Boulogne Nungesser					France	Full	100.00%	100.00%

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Insurance (cont'd)								
SCI Corosa					France	Full	100.00%	100.00%
SCI Courbevoie					France	Full	100.00%	100.00%
SCI Defense Etoile					France	Full	100.00%	100.00%
SCI Defense Vendome					France	Full	100.00%	100.00%
SCI Etoile					France	Full	100.00%	100.00%
SCI Le Chesnay 1					France	Full	100.00%	100.00%
SCI Levallois 2					France	Full	100.00%	100.00%
SCI Malesherbes Courcelles					France	Full	100.00%	100.00%
SCI Montrouge 2					France	Full	100.00%	100.00%
SCI Montrouge 3					France	Full	100.00%	100.00%
SCI Moussorgski (formerly Maisons 2)					France	Full	100.00%	100.00%
SCI Maisons 1					France	Full	100.00%	100.00%
SCI P. Demours					France	Full	100.00%	100.00%
SCI residence Le Chatelard					France	Full	100.00%	100.00%
SCI rue Mederic					France	Full	100.00%	100.00%
SCI Rueil 1					France	Full	100.00%	100.00%
SCI Rueil Ariane					France	Full	100.00%	100.00%
SCI Rueil Caudron					France	Full	100.00%	100.00%
SCI Saint Maurice 2					France	Full	100.00%	100.00%
SCI Surennes 2					France	Full	100.00%	100.00%
SCI Surennes 3					France	Full	100.00%	100.00%
Shinan et Life Corée				2	South Korea	Prop.	50.00%	50.00%
State Bank India Life Cy				2	India	Equity	26.00%	26.00%
Thai Cardif Insurance Life Company Ltd				2	Thailand	Equity	25.00%	25.00%
Private Banking								
Bank von Ernst	1	5			France			
Bergues Finance Holding					Bahamas	Full	100.00%	99.99%
BNP Paribas Espana SA					Spain	Full	99.55%	99.55%
BNP Paribas Investment Services LLC					U.S.A.	Full	100.00%	100.00%
BNP Paribas Private Bank					France	Full	100.00%	100.00%
BNP Paribas Private Bank Monaco					France	Full	100.00%	99.99%
BNP Paribas Private Bank Switzerland			5		Switzerland			
Conseil Investissement					France	Full	100.00%	100.00%
Nachenius		1			Netherlands	Full	100.00%	100.00%
Société Monégasque de Banque Privée	1	5			France			
United European Bank Switzerland				5	Switzerland			
United European Bank Trust Nassau					Bahamas	Full	100.00%	99.99%
Online Brokerage								
B*Capital					France	Full	99.96%	99.96%
Cortal Consors France					France	Full	100.00%	100.00%
Cortal Consors Luxembourg	5				Luxembourg			
FundQuest (formerly Cortal Consors Fund Management)					France	Full	100.00%	100.00%
Asset Management								
Cardif Gestion d'Actifs			11		France	Full	100.00%	100.00%
BNP PAM Group					France	Full	100.00%	100.00%
BNP Paribas Asset Management GmgH				12	Germany	Equity	100.00%	100.00%
BNP Paribas Asset Management SGR Milan SPA	4			12	Italy	Equity	100.00%	100.00%
BNP Paribas Asset Management					France	Full	100.00%	100.00%
BNP Paribas Asset Management Brasil Limitada	2				Brazil	Full	100.00%	100.00%
BNP Paribas Asset Management Japan Limited	2		11		Japan	Full	100.00%	100.00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99.66%	99.66%
BNP Paribas Asset Management UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Asset Management Uruguay SA				12	Uruguay	Equity	100.00%	100.00%

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Asset Management (cont'd)								
BNP Paribas Epargne et Retraite Entreprise				5	France			
BNP Paribas Financière AMS (Fin'AMS)				2	France	Equity	100.00%	100.00%
BNP Paribas Fund Services France (formerly BNPP Asset Servicing SAS)	2				France	Full	100.00%	100.00%
BNP Paribas Private Equity				12	France	Equity	100.00%	100.00%
BNP Paribas SGIIC				12	Spain	Equity	100.00%	100.00%
Cooper Neff Alternative Managers				12	France	Equity	100.00%	100.00%
Fauchier Partners Management Limited (Group)	1				UK	Prop.	42.17%	50.00%
Fischer Francis Trees and Watts					U.S.A.	Equity	100.00%	100.00%
Fund Quest Incorporation					U.S.A.	Full	100.00%	100.00%
Overlay Asset Management				12	France	Equity	100.00%	100.00%
Shinhan BNP Paribas Investment Trust Management Cy				12	South Korea	Equity	50.00%	50.00%
Sundaram BNP Paribas Asset Management				2	India	Equity	49.90%	49.90%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100.00%	100.00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100.00%	100.00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100.00%	100.00%
BNP Paribas Fund Services Holdings					UK	Full	100.00%	100.00%
BNP Paribas Fund Services UK Limited					UK	Full	100.00%	100.00%
BNP Paribas Securities Services - BP2S					France	Full	100.00%	100.00%
BNP Paribas Securities Services International Holding SA					France	Full	100.00%	100.00%
Property services								
Asset Partenaires		1			France	Full	99.95%	96.72%
Atis Real Expertise					France	Full	100.00%	100.00%
Atisreal Auguste-Thouard					France	Full	95.84%	95.84%
Atisreal Auguste-Thouard Habitat Foncier				5	France			
Atisreal Belgium SA					Belgium	Full	100.00%	100.00%
Atisreal Benelux SA					Belgium	Full	100.00%	100.00%
Atisreal Consult					France	Full	100.00%	100.00%
Atisreal Consult GmbH					Germany	Full	100.00%	100.00%
Atisreal Espana SA					Spain	Full	100.00%	100.00%
Atisreal GmbH					Germany	Full	100.00%	100.00%
Atisreal Holding Belgium SA				5	Belgium			
Atisreal Holding France					France	Full	100.00%	100.00%
Atisreal Holding GmbH					Germany	Full	100.00%	100.00%
Atisreal International					France	Full	100.00%	100.00%
Atisreal Limited					UK	Full	100.00%	100.00%
Atisreal Luxembourg SA					Belgium	Full	100.00%	100.00%
Atisreal Management GmbH		5			Germany			
Atisreal Netherlands BV			4		Netherlands			
Atisreal Property Management GmbH					Germany	Full	100.00%	100.00%
Atisreal Property Management Services					Belgium	Full	100.00%	100.00%
Atisreal Proplan GmbH					Germany	Full	75.18%	75.18%
Atisreal Services				4	France			
Atisreal USA Inc.					U.S.A.	Full	100.00%	100.00%
Atisreal Weatheralls Investment Services Limited					UK	Full	100.00%	100.00%
Auguste-Thouard Fimorem		5			France			
Auguste-Thouard Residencial SL		5			Spain			
Banque Centrale de Données Immobilières		5			France			
BNP Paribas Immobilier (formerly Meunier Promotion)					France	Full	100.00%	100.00%
BNP Paribas Immobilier				5	France			
BNP Paribas Participations Finance Immobilier					France	Full	100.00%	100.00%
BNP Paribas Immobilier Property Management					France	Full	100.00%	100.00%
BNP Paribas Real Estate Investment Management (formerly Antin Vendôme)					France	Full	96.77%	96.77%
BSA Immobilier		1			France	Full	100.00%	100.00%

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Property services (cont'd)								
Chancery Lane Management Services Limited					UK	Full	100.00%	100.00%
Compagnie Tertaire			1		France	Full	100.00%	100.00%
F G Ingenierie et Promotion Immobilière					France	Full	100.00%	100.00%
Genisar Servicios Immobiliarios				1	Spain	Full	100.00%	100.00%
Immobiliere des Bergues					France	Full	100.00%	100.00%
Partenaires Gerance Soprofinance		1			France	Full	99.94%	96.71%
SA Comadim					France	Full	100.00%	100.00%
SA Gerer					France	Full	100.00%	100.00%
SA Procodis					France	Full	100.00%	100.00%
SAS Astrim					France	Full	100.00%	100.00%
SAS Meunier Developpements					France	Full	100.00%	100.00%
SAS Meunier Habitat					France	Full	100.00%	100.00%
SAS Meunier Immobilières d'Entreprises					France	Full	100.00%	100.00%
SAS Meunier Mediterranee					France	Full	100.00%	100.00%
SAS Meunier Rhône Alpes					France	Full	100.00%	100.00%
Sinvim		5			France			
Sofiane		1			France	Full	100.00%	100.00%
SNC Cezanne	4				France			
SNC Comadim Residences Servives					France	Full	100.00%	100.00%
SNC Espaces Immobiliers					France	Full	100.00%	100.00%
SNC Lot 2 Porte d'Asnières					France	Full	100.00%	100.00%
SNC Matisse	3				France			
SNC Meunier Gestion					France	Full	100.00%	100.00%
Sifonte SL				1	Spain	Full	100.00%	100.00%
Soprofinance		1		5	France			
Tasaciones Hipotecarias SA				1	Spain	Full	100.00%	100.00%
Valuation Consulting Limited				1	UK	Full	100.00%	100.00%
Weatheralls Consultancy Services Limited					UK	Full	100.00%	100.00%

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Corporate & Investment Banking								
FRANCE								
Austin Finance			2		France	Full	100.00%	100.00%
BNP Paribas Arbitrage					France	Full	99.99%	99.99%
BNP Paribas Equities France					France	Full	99.96%	99.96%
BNP Paribas Equity Strategies France					France	Full	100.00%	99.99%
BNP Paribas Peregrine Group					France	Full	100.00%	100.00%
BNP Paribas Stratégies Actions					France	Full	100.00%	99.99%
Capstar Partners Sas					France	Full	100.00%	100.00%
Harewood Asset Management				12	France	Equity	100.00%	100.00%
Paribas Dérivés Garantis Snc					France	Full	100.00%	100.00%
Parifergie					France	Full	100.00%	100.00%
Parilease					France	Full	100.00%	100.00%
Sas Esomet	2				France	Full	100.00%	100.00%
EUROPE								
BNP AK Dresdner Bank AS	3				Turkey			
BNP AK Dresdner Financial Kiralama	3				Turkey			
BNP Capital Finance ltd			4		Ireland			
BNP Factor					Portugal	Full	100.00%	100.00%
BNP Ireland Limited					Ireland	Full	100.00%	100.00%
BNP Paribas (Bulgaria) AD					Bulgaria	Full	100.00%	100.00%
BNP Paribas Bank (Hungaria) RT					Hungary	Full	100.00%	100.00%
BNP Paribas Bank (Polska) SA					Poland	Full	100.00%	100.00%
BNP Paribas Bank NV					Netherlands	Full	100.00%	100.00%
BNP Paribas Capital Investments Limited					UK	Full	100.00%	100.00%
BNP Paribas Capital Markets Group Limited					UK	Full	100.00%	100.00%
BNP Paribas Commodity Futures Limited					UK	Full	100.00%	100.00%
BNP Paribas E & B Limited					UK	Full	100.00%	100.00%
BNP Paribas Finance plc					UK	Full	100.00%	100.00%
BNP Paribas Fixed Assets Limited			4		UK			
BNP Paribas Luxembourg sa					Luxembourg	Full	100.00%	100.00%
BNP Paribas Net Limited					UK	Full	100.00%	100.00%
BNP Paribas Services			5		Switzerland			
BNP Paribas Sviluppo					Italy	Full	100.00%	100.00%
BNP Paribas Suisse SA					Switzerland	Full	99.99%	99.99%
BNP Paribas UK Holdings Limited					UK	Full	100.00%	100.00%
BNP Paribas UK Limited					UK	Full	100.00%	100.00%
BNP PUK Holding Limited					UK	Full	100.00%	100.00%
BNP Paribas ZAO					Russia	Full	100.00%	100.00%
Capstar Partners Limited					UK	Full	100.00%	100.00%
Dealremote Limited			4		UK			
Delta Reinsurance Limited			2		Ireland	Equity	100.00%	100.00%
Harewood Holdings Limited				2	UK	Full	100.00%	100.00%
ISIS Factor SPA					Italy	Full	100.00%	100.00%
Paribas Management Service Limited			4		UK			
Paribas Trust Luxembourg SA					Luxembourg	Full	100.00%	100.00%
Utexam Limited					Ireland	Full	100.00%	100.00%
AMERICAS								
BNP Andes					Perou	Full	100.00%	100.00%
BNP Paribas Asset Management Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Brasil SA					Brazil	Full	100.00%	100.00%
BNP Paribas Brokerage Services Incorporated	5				U.S.A.			
BNP Paribas Canada					Canada	Full	100.00%	100.00%

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(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
AMERICAS (cont'd)								
BNP Paribas Capstar Partners Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Commodities Futures Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Leasing Corporation					U.S.A.	Full	100.00%	100.00%
BNP Paribas North America Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas Principal Incorporated					U.S.A.	Full	100.00%	100.00%
BNP Paribas RCC Incorporation					U.S.A.	Full	100.00%	100.00%
BNP Paribas Securities Corporation					U.S.A.	Full	100.00%	100.00%
Capstar Partners LLC					U.S.A.	Full	100.00%	100.00%
Cooper Neff Advisors Incorporated					U.S.A.	Full	100.00%	100.00%
Cooper Neff Group Incorporated					U.S.A.	Full	100.00%	100.00%
French American Banking Corporation - F.A.B.C					U.S.A.	Full	100.00%	100.00%
Paribas North America					U.S.A.	Full	100.00%	100.00%
Petits Champs Participaçoes e Serviços SA					Brazil	Full	100.00%	100.00%
ASIA - OCEANIA								
BNP Equities Asia Limited					Malaysia	Full	100.00%	100.00%
BNP Paribas (China) Limited					China	Full	100.00%	100.00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Asia Pacific) Limited (formerly BNPP Peregrine Cap. Ltd)					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Capital (Singapore) Limited (formerly BNPP Peregrine (Sing.) Ltd)					Singapore	Full	100.00%	100.00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas GRS (Hong Kong) Limited (formerly BNPP Equities Hong Kong)		11			Hong-Kong	Full	100.00%	100.00%
BNP Paribas India Solutions Private Ltd			2		India	Full	100.00%	100.00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100.00%	100.00%
BNP Paribas Peregrine Securities (Thailande) Limited			3		Thailand			
BNP Paribas Securities (Asia) Limited (formerly BNPP Peregrine Securities Ltd)					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Japan) Limited					Hong-Kong	Full	100.00%	100.00%
BNP Paribas Securities (Taiwan) Co Limited	2				Taiwan	Full	100.00%	100.00%
BNP Paribas Securities Korea Company Limited					South Korea	Full	100.00%	100.00%
BNP Paribas Secutities (Sing.) Pte Ltes (formerly BNPP Peregrine Sec.Pte Ltd)					Singapore	Full	100.00%	100.00%
BNP Paribas Services (HK) Ltd (formerly BNPP Peregrine Serv. Ltd)					Hong-Kong	Full	100.00%	100.00%
Credit Agricole Indosuez Securities Limited		1	4		Japan			
Paribas Asia Equities Limited					Hong-Kong	Full	100.00%	100.00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100.00%	99.99%
PT BNP Lippo Utama Leasing	4				Indonesia			
PT BNP Paribas Securities Indonesia (formerly PT BNP Paribas Peregrine)					Indonesia	Full	99.00%	99.00%
Special Purpose Entities								
54 Lombard Street Investments Limited					UK	Full		
Alectra Finance Plc				2	Ireland	Full		
APAC Finance Limited		2			New Zealand	Full		
APAC Investments Limited		2			New Zealand	Full		
APAC NZ Holdings Limited (ex BNPP (New Zealand) Finance Ltd)					New Zealand	Full		
ARV International Limited	2				Cayman Islds	Full		
Altels Investment Limited	2				Ireland	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A.	Full		
BNP Paribas New Zealand Limited			4		New Zealand			
Bougainville BV					Netherlands	Full		
China Jenna Finance 1				2	France	Full		
China Jenna Finance 2				2	France	Full		
China Jenna Finance 3				2	France	Full		
China Lucie Finance 1		2			France	Full		
China Lucie Finance 2		2			France	Full		
China Lucie Finance 3		2			France	Full		

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Special Purpose Entities (cont'd)								
China Samantha Finance 1	2				France	Full		
China Samantha Finance 2	2				France	Full		
China Samantha Finance 3	2				France	Full		
China Samantha Finance 4		2			France	Full		
China Samantha Finance 5		2			France	Full		
China Samantha Finance 6		2			France	Full		
China Samantha Finance 7		2			France	Full		
China Samantha Finance 8		2			France	Full		
China Samantha Finance 9		2			France	Full		
China Samantha Finance 10			2		France	Full		
Crisps Limited					Cayman Islds	Full		
Eliopée Limited		4			Jersey			
Epimetheus Investments Limited					Cayman Islds	Full		
Epsom Funding Limited		2			Cayman Islds	Full		
Euroliberté PLC					Ireland	Full		
European Hedged Equity Limited					Cayman Islds	Full		
Fidex PLC					UK	Full		
Financière Paris Haussmann			2		France	Full		
Financière Taitbout			2		France	Full		
Forsete Investments SA					Luxembourg	Full		
Global Guaranteed Cliquet Investment			4		Cayman Islds			
Global Guaranteed Equity Limited					Cayman Islds	Full		
Global Hedged Equity Investment Limited					Cayman Islds	Full		
Global Liberté				2	France	Full		
Global Protected Alternative Investments Limited					Cayman Islds	Full		
Global Protected Equity Limited					Cayman Islds	Full		
Harewood Investments N°1 Limited					Cayman Islds	Full		
Harewood Investments N°2 Limited	2				UK	Full		
Harewood Investments N°3 Limited	2				UK	Full		
Harewood Investments N°4 Limited	2				UK	Full		
Harewood Investments N°5 Limited	2				Cayman Islds	Full		
Harewood Investments N°6 Limited			2		UK	Full		
Henaross PTY Limited					Australia	Full		
Iliad Investments PLC	2				Ireland	Full		
Joconde SA					Luxembourg	Full		
Laffitte Participation 2					France	Full		
Laffitte Participation 10		2			France	Full		
Laffitte Participation 12		2			France	Full		
Liquidity Trust	2				Cayman Islds	Full		
Lock-In Global equity Limited					Cayman Islds	Full		
Marc Finance Limited	2				Cayman Islds	Full		
Mexita Limited N° 2		4			Cayman Islds			
Mexita Limited N° 3			4		Cayman Islds			
Mexita Limited N° 4			4		Cayman Islds			
Mistral Investments SA					Luxembourg	Full		
Olan 2 Enterprises PLC			4		Ireland			
Omega Capital Investments Plc			2		Ireland	Full		
Omega Investments Cayman Limited			2		Cayman Islds	Full		
Optichamps	2				France	Full		
Paregof					France	Full		
Parritaye Property Pty Limited					Australia	Full		
Participations Opéra			2		France	Full		
Robin Flight Limited	2				Ireland	Full		
Royal Neuve I SA			2		Luxembourg	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS					France	Full		

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Special Purpose Entities (cont'd)								
Sirocco Investments SA					Luxembourg	Full		
Snc Atargatis	2				France	Full		
Snc Méditerranéa	2				France	Full		
St Maarten CDO Limited	2				Cayman Islds	Full		
Starbird Funding Corporation		4			U.S.A.			
Sunny Funding Limited	2				Cayman Islds	Full		
Swalow Flight Limited	2				Ireland	Full		
Thésée Limited		4			Jersey			
Thunderbird Investments PLC	2				Ireland	Full		

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OTHER BUSINESS UNITS								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque				5	France	Full		
Carbonne Lorraine	3				France			
Claireville					Belgium	Full	100.00%	100.00%
Cobema					Belgium	Full	100.00%	100.00%
Cobepa Technology					Belgium	Full	100.00%	100.00%
Compagnie Benelux Paribas - COBEPA (Group)	3				Belgium			
Compagnie Financière Ottomane					Luxembourg	Full	96.67%	96.67%
Erbe					Belgium	Equity	47.01%	47.01%
Evialis			7		France	Equity	44.16%	44.16%
Gepeco					Belgium	Full	100.00%	100.00%
Paribas Participation Limitée					Canada	Full	100.00%	100.00%
Klépierre								
Akciova Spolocnost Arcol					Slovakia	Full	100.00%	50.06%
AMC			2		Czech Rep.	Full	100.00%	37.54%
Besloten Vennotschap Capucine BV					Netherlands	Full	100.00%	50.06%
Bestes			1		Czech Rep.	Full	100.00%	49.56%
Entertainment Plaza			1		Czech Rep.	Full	100.00%	50.06%
GIE Klepierre Services					France	Full	100.00%	50.06%
I G C SPA					Italy	Prop.	50.00%	25.03%
ICD SPA					Italy	Full	100.00%	42.55%
Klecar Italia SPA					Italy	Full	100.00%	41.55%
Klefin Italia SPA					Italy	Full	100.00%	50.06%
Klepierre Krakow Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Klepierre Novo			2		Czech Rep.	Full	100.00%	50.06%
Klépierre Poznan Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Klépierre Sadyba Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Krakow Plaza Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
Plaza Center Management Poland Sp. z.o.o		1			Poland	Full	100.00%	37.79%
Ruda Slaska Plaza Sp. Z.o.o		1			Poland	Full	100.00%	50.06%
SA Brescia				5	France			
SA Cinéma de l'Esplanade					Belgium	Full	100.00%	50.06%
SA Coimbra					Belgium	Full	100.00%	50.06%
SA Delcis Cr					Czech Rep.	Full	100.00%	50.06%
SA Devimo Consult					Belgium	Equity	35.00%	13.14%
SA Duna Plaza					Hungary	Full	100.00%	50.06%
SA Finascente		1			Portugal	Prop.	50.00%	25.03%
SA Foncière de Louvain la Neuve					Belgium	Full	100.00%	50.06%
SA Galiera Parque Nascente					Portugal	Prop.	50.00%	25.03%
SA Gondobrico					Portugal	Prop.	50.00%	25.03%
SA Klecar Foncier Espana					Spain	Full	100.00%	41.55%
SA Klecar Foncier Iberica					Spain	Full	100.00%	41.55%
SA Klelou Immobiliare					Portugal	Full	100.00%	50.06%
SA Kleminho			2		Portugal	Full	100.00%	50.06%
SA Klenord Immobiliaria					Portugal	Full	100.00%	50.06%
SA Klepierre					France	Full	50.16%	50.06%
SA Klepierre Athinon AE					Greece	Full	100.00%	41.55%
SA Klépierre Foncier Makedonia					Greece	Full	100.00%	41.55%
SA Klepierre NEA Efkarpia AE					Greece	Full	100.00%	41.55%
SA Klepierre Peribola Patras AE					Greece	Full	100.00%	41.55%
SA Klepierre Portugal SGPS					Portugal	Full	100.00%	50.06%
SA Klepierre Vallecas					Spain	Full	100.00%	50.06%
SA Klepierre Vinaza					Spain	Full	100.00%	50.06%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
SA Kletel Immobiliaria					Portugal	Full	100.00%	50.06%
SA Place de l'acceuil		1			Belgium	Full	100.00%	50.06%
SA Poznan Plaza		1			Poland	Full	100.00%	50.06%
SA Sadyba Center		1			Poland	Full	100.00%	50.06%
SA Sogecaec					Portugal	Full	100.00%	37.54%
SARL Assago					Italy	Equity	100.00%	50.06%
SARL Collegno					Italy	Full	100.00%	50.06%
SARL Csepel 2002					Hungary	Full	100.00%	50.06%
SARL Debrecen 2002					Hungary	Full	100.00%	50.06%
SARL Effe Kappa					Italy	Prop.	50.00%	25.03%
SARL Galiera Commerciale Cavallino		1			Italy	Full	100.00%	50.06%
SARL Galiera Commerciale Klepierre	2				Italy	Full	100.00%	50.06%
SARL Galiera Commerciale Solbiate		1			Italy	Full	100.00%	50.06%
SARL Gyor 2002					Hungary	Full	100.00%	50.06%
SARL Immobiliare Magnolia					Italy	Full	100.00%	42.55%
SARL Kanizsa 2002					Hungary	Full	100.00%	50.06%
SARL Kaposvar 2002					Hungary	Full	100.00%	50.06%
SARL Klepierre Pologne		1			Poland	Full	100.00%	50.06%
SARL Miskolc 2002					Hungary	Full	100.00%	50.06%
SARL Novate					Italy	Full	100.00%	42.55%
SARL Nyiregyhaza Plaza					Hungary	Full	100.00%	50.06%
SARL P S G			6		Italy	Full	100.00%	50.06%
SARL Plaza Center Management					Hungary	Full	100.00%	37.54%
SARL Szeged Plaza					Hungary	Full	100.00%	50.06%
SARL Szolnok Plaza					Hungary	Full	100.00%	50.06%
SARL Uj Alba					Hungary	Full	100.00%	50.06%
SARL Zalaegerszeg Plaza					Hungary	Full	100.00%	50.06%
SAS 192 avenue Charles De Gaulle			5		France			
SAS 21 Kleber			5		France			
SAS 21 la Perouse			5		France			
SAS 43 Grenelle			5		France			
SAS 43 Kleber				5	France			
SAS 46 Notre-Dame des victoires			5		France			
SAS 5 Turin					France	Full	100.00%	50.06%
SAS Baudot Massy	5				France			
SAS Cande			5		France			
SAS CB Pierre					France	Full	100.00%	50.06%
SAS Cecobil					France	Prop.	50.00%	25.03%
SAS Cecoville					France	Full	100.00%	50.06%
SAS Centre Jaude Clermont					France	Full	100.00%	50.06%
SAS Concorde Puteaux			5		France			
SAS Doumer Caen			5		France			
SAS du 23 avenue Marignan			5		France			
SAS Espace Cordeliers					France	Prop.	50.00%	25.03%
SAS Espace Dumont D'Urville			5		France			
SAS Espace Kleber			5		France			
SAS Flandre			5		France			
SAS Holding Gondomar 1					France	Full	100.00%	50.05%
SAS Holding Gondomar 3					France	Full	100.00%	50.06%
SAS Issy Desmoulins			5		France			
SAS KLE 1 (formerly SAS Klepierre Transactions)					France	Full	100.00%	50.06%
SAS Kleber Levallois			5		France			
SAS Klecar Participations Italie					France	Full	100.00%	41.55%
SAS Klemurs					France	Full	100.00%	42.10%
SAS Klepierre Finance					France	Full	100.00%	50.06%
SAS Klepierre Hongrie					France	Full	100.00%	50.06%
SAS Le Havre Capelet					France	Full	100.00%	50.06%

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Klépierre (cont'd)								
SAS Le Havre Tourneville					France	Full	100.00%	50.06%
SAS Leblanc Paris 15				5	France			
SAS LP7					France	Full	100.00%	50.06%
SAS Marseille Le Merlan			5		France			
SAS Melun Saint-Peres			5		France			
SAS Odysseum Place de France					France	Full	50.00%	25.03%
SAS Opale					France	Full	100.00%	50.06%
SAS Poitiers Alienor					France	Full	100.00%	50.06%
SAS Saint-Andre Pey berland			5		France			
SAS Soaval					France	Prop.	50.00%	18.77%
SAS Socoseine					France	Full	100.00%	46.93%
SAS Strasbourg La Vigie			5		France			
SAS Suffren Paris 15				5	France			
SAS Toulouse Mermoz	5				France			
SAS Tours Nationale			5		France			
SC Antin Vendome	4				France			
SC Centre Bourse					France	Full	100.00%	50.06%
SC Solorec					France	Full	100.00%	40.05%
SCI Aurora	5				France			
SCI Bassin Nord					France	Prop.	50.00%	25.03%
SCI Beausevran		1			France	Full	100.00%	41.55%
SCI Bègles Papin					France	Full	100.00%	50.06%
SCI Combault			2		France	Full	100.00%	50.06%
SCI La Plaine du Moulin à vent		2			France	Prop.	50.00%	25.03%
SCI Noble Cafetaria	5				France			
SCI Noble Galerie	5				France			
SCI Noble Restauration	5				France			
SCI Orengal	5				France			
SCI Secovalde					France	Full	100.00%	50.06%
SCI Tour Marcel Brot				4	France			
SCS Begles Arcins					France	Prop.	50.00%	25.03%
SCS Klecar Europe Sud					France	Full	100.00%	41.55%
SCS Ségécé					France	Full	100.00%	52.54%
Ségécé Hellas Réal Estate Management	2				Greece	Full	100.00%	37.55%
Seravalle SPA					Italy	Full	100.00%	50.06%
SL Centros Shopping Gestion					Italy	Full	100.00%	37.54%
SNC Angoumars		2			France	Full	100.00%	50.06%
SNC Fonciere Saint Germain					France	Full	100.00%	50.06%
SNC Galae					France	Full	100.00%	43.68%
SNC General Leclerc 11-11bis Levallois					France	Full	100.00%	50.06%
SNC Jardins des Princes					France	Full	100.00%	50.06%
SNC KC 1 to 12					France	Full	100.00%	41.55%
SNC KC20					France	Full	100.00%	41.55%
SNC Kleber la Perouse					France	Full	100.00%	50.06%
SNC Klecar France					France	Full	100.00%	41.55%
SNC Klegestion					France	Full	100.00%	50.06%
SNC Klepierre Conseil					France	Full	100.00%	50.06%
SNC Kletransactions					France	Full	100.00%	50.06%
SNC Le Barjac Victor					France	Full	100.00%	50.06%
SNC Le Havre Lafayette					France	Prop.	50.00%	25.03%
SNC Le Havre Vauban					France	Prop.	50.00%	25.03%
SNC Pasteur			11		France	Full	100.00%	50.06%
SNC SCOO (formerly Sas Secmarne)					France	Full	100.00%	60.62%
SNC Ségécé Loisirs Transactions					France	Full	100.00%	37.55%
SNC Soccendre					France	Full	100.00%	37.67%
SNC Sodevac					France	Full	100.00%	50.06%

(A) Movements for 6 months to 30 June 2005	
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(C) Movements for 6 months to 30 June 2006	
(D) Movements for 6 months to 31 December 2006	
(1) Acquisition	(7) Change of method - Full consolidation to equity method
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Equity method to full consolidation
(3) Disposal	(9) Change of method - Full consolidation to proportionate method
(4) Deconsolidation	(10) Change of method - Equity method to proportionate method
(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
AMAC SRO			2		Slovakia	Full	100.00%	37.54%
SRO F M C Central europe					Czech Rep.	Full	100.00%	37.54%
SRO Klepierre CZ		1			Czech Rep.	Full	100.00%	50.06%
Property companies (property used in operations)								
Capefi					France	Full	100.00%	100.00%
Compagnie Immobiliere de France					France	Full	100.00%	100.00%
Ejesur					Spain	Full	100.00%	100.00%
SAS 5 Kleber					France	Full	100.00%	100.00%
SAS Foncière de la Compagnie Bancaire					France	Full	100.00%	100.00%
SAS Noria				1	France	Full	100.00%	100.00%
SCI Immobilière Marché Saint-Honoré					France	Full	100.00%	100.00%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100.00%	100.00%
Investment companies and other subsidiaries								
Antin Participation 4					France	Full	100.00%	100.00%
Antin Participation 5					France	Full	100.00%	100.00%
Antin Participation 15			2		France	Full	100.00%	100.00%
BNP Paribas Covered Bonds				2	France	Full	100.00%	100.00%
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100.00%	100.00%
BNP Paribas Emergis				5	France			
BNP Paribas International BV					Netherlands	Full	100.00%	100.00%
BNP Paribas Partners for Innovation (Group)					France	Equity	50.00%	50.00%
BNP Paribas UK Treasury Limited					UK	Full	100.00%	100.00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer			5		France			
Compagnie Bancaire Uk Fonds B					UK	Full	100.00%	100.00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100.00%	100.00%
Financière BNP Paribas					France	Full	100.00%	100.00%
Financière Marché Saint Honoré					France	Full	100.00%	100.00%
Finaxa		3			France			
GIE Groupement Auxiliaire et de Moyens - GAM					France	Full	100.00%	100.00%
Kle 65				5	France			
Kle 66			5		France			
Luxpar-Ré				3	Luxembourg			
Omnium Gestion Developpement Immobilier					France	Full	100.00%	100.00%
Paribas International			5		France			
Placement, Gestion, Finance Holding - Plagefin					Luxembourg	Full	99.99%	99.99%
Quatch			5		France			
Sagip					Belgium	Full	100.00%	100.00%
Sas Klefinances				5	France			
SNC Bincofi	4				France			
Société Auxiliaire de Construction Immobilière - SACI					France	Full	100.00%	100.00%
Société Centrale d'Investissement				5	France			
Societe Française Auxiliaire - S.F.A.					France	Full	100.00%	100.00%
Société Jovacienne de Participations				5	France			
UCB Bail					France	Full	100.00%	100.00%
UCB Entreprises					France	Full	100.00%	100.00%
UCB Locabail immobilier					France	Full	100.00%	100.00%
Verner Investissements (Group)					France	Equity	48.40%	48.40%
Special Purpose Entities								
Antin Participation 7					France	Full		
Antin Participation 13					France	Full		
BNP Paribas Capital Trust LLC 1 to 6					U.S.A.	Full		
BNP Paribas US Medium Term Notes Program					U.S.A.	Full		
BNP Paribas US Structured Medium Term Notes LLC					U.S.A.	Full		
BNP US Funding LLC					U.S.A.	Full		

(A) Movements for 6 months to 30 June 2005	
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(4) Deconsolidation	(10) Change of method - Equity method to proportionate method
(5) Merger between consolidated entities	(11) Reconsolidation
(6) Change of method - Proportionate method to full consolidation	(12) Entities consolidated using a simplified equity method (non-material)

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Banca Nazionale del Lavoro			1		Italy	Full	98.96%	98.96%
Artigiancassa Spa			1		Italy	Full	73.86%	73.09%
Artigiansoa - Org. Di Attestazione Spa			1		Italy	Full	80.00%	58.48%
BNL Broker Assicurazioni Spa			1		Italy	Full	95.50%	94.51%
BNL Direct Services Spa			1		Italy	Full	100.00%	98.96%
BNL Edizioni Srl			1		Italy	Full	100.00%	98.96%
BNL Finance Spa			1		Italy	Full	100.00%	98.96%
BNL Fondi Immobiliari			1		Italy	Full	95.00%	94.01%
BNL Gestioni Sgr			1		Italy	Full	100.00%	98.96%
BNL International Investment SA			1		Luxembourg	Full	100.00%	98.96%
BNL International Luxembourg			1		Luxembourg	Full	100.00%	98.96%
BNL Multiservizi Spa			1		Italy	Full	100.00%	98.96%
BNL Participazioni Spa			1		Italy	Full	100.00%	98.96%
BNL Positivity Srl			1		Italy	Full	51.00%	50.47%
BNL Vita Spa			1		Italy	Equity	50.00%	49.48%
Cooperleasing Spa			1		Italy	Equity	50.00%	49.63%
Creaimpresa Spa			1		Italy	Full	76.90%	56.21%
Elep Spa			1		Italy	Equity	49.03%	27.65%
International Factors Italia spa - Ifitalia			1		Italy	Full	99.17%	98.14%
Lavoro Bank Ag Zurigo			1		Switzerland	Full	100.00%	98.96%
Locafit Spa			1		Italy	Full	100.00%	98.96%
Locatrice Italiana Spa			1		Italy	Full	100.00%	98.96%
Locatrice Strumentale Srl			1		Italy	Equity	100.00%	98.96%
Serfactoring Spa			1		Italy	Equity	27.00%	26.57%
Servizio Italia Spa			1		Italy	Full	100.00%	98.96%
Special Purpose Entities								
Vela ABS			1		Italy	Full		
Vela Home Srl			1		Italy	Full		
Vela Lease Srl			1		Italy	Full		
Vela Public Sector Srl			1		Italy	Full		

(A) Movements for 6 months to 30 June 2005	
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(C) Movements for 6 months to 30 June 2006	
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8.c BUSINESS COMBINATIONS

- Business combinations in the year ended 31 December 2006

- Acquisition of Banca Nazionale del Lavoro (BNL)

On 3 February 2006, BNP Paribas announced that it had entered into several conditional agreements with a group of BNL shareholders, including Unipol, to acquire a 48% stake in BNL. On 5 April 2006, BNP Paribas held a 50.4% interest in BNL, and effectively obtained control of the company. BNP Paribas subsequently launched a public tender offer for the remaining shares held by minority shareholders. On 16 May 2006, BNP Paribas held 95.5% of BNL's ordinary shares further to the tender offer, representing a holding in excess of the 91.5% threshold set by the Italian stock market regulator for a residual offer on outstanding shares. The residual offer for the outstanding shares ran from 30 June 2006 to 20 July 2006. BNL's ordinary shares were delisted on 26 July 2006. The acquisition of BNL therefore took place in several stages: the acquisition of a 50.4% controlling interest, followed by subsequent acquisitions of minority interests, thereby giving BNP Paribas a 98.6% stake in the bank.

BNL is Italy's sixth largest bank in terms of deposit and loan volumes. Its network spans across the whole of the country, with 17,000 employees and around 800 branches and outlets located in all major Italian cities. BNL has some 3 million private individual customers, 39,000 corporate clients, and 16,000 public-sector clients. BNL is particularly active in specialised financing solutions such as factoring and leasing, and also offers consumer credit, asset management services (EUR 26 billion in assets under management), private banking and life insurance solutions.

The cost of the 98.96% interest held by BNP in BNL at the year-end amounted to EUR 9,008 million, and was paid in cash.

The BNP Paribas Group restated BNL's balance sheet at 31 March 2006 in order to bring BNL's accounting methods into line with those applied by the BNP Paribas Group and to comply with the purchase accounting rules prescribed by IFRS (see Note 1.b, "Business combinations and measurement of goodwill").

These adjustments represented a negative EUR 855 million before the tax impact (plus EUR 58 million related to tax matter), or a negative EUR 619 million net of deferred taxes. They primarily concerned the following:

- the measurement of provisions for credit risk on individual loans and loan portfolios – mainly including the effect of reclassifying loans more than 90 days past due as doubtful – as well as provisions for litigation and contingent liabilities (negative impact of EUR 536 million);
- employee benefit obligations (negative impact of EUR 325 million), primarily relating to contingent liabilities;
- the measurement of property, plant and equipment (EUR 144 million positive impact), the BNL brand (EUR 50 million positive impact) and the application of the Group's rules relating to depreciation/amortisation of assets (EUR 113 million negative impact);
- the valuation of market transactions in accordance with the rules applicable within the BNP Paribas Group (EUR 112 million negative impact);
- the fair value measurement of loans, securities and other assets, as well as liabilities and insurance contracts (EUR 106 million positive impact).

As part of the purchase price allocation, the BNL brand was recognised separately from goodwill. It was measured on initial recognition using standard practices in the banking industry for valuing this type of asset and by comparisons with other listed banks of a comparable size. The calculation also took into account the recent changes in awareness levels relating to the BNL brand during the years preceding the acquisition.

BNP Paribas did not recognise an intangible asset for BNL's customer relationships with respect to account and deposit agreements entered into with customers. In addition, other than business combinations, no transactions were identified in Italy relating to similar assets which could be used as a basis of estimation. In accordance with paragraph 16 of IAS 38, these customer relationships cannot be identified separately from BNL's goodwill as the bank does not have any legal or contractual rights to control the future relationships with its customers, or the loyalty of the customers to the bank. In any event, the value of this asset is not be material as the interest payment conditions relating to the vast majority of the bank's demand deposits do not result in material economic benefits. The economic benefit compared with alternative refinancing in the market is minimal due to the management costs and regulatory restrictions concerning the management of said deposits.

These adjustments reduced the Group share of BNL's equity at 31 March 2006 by the same amount, and gave rise to provisional residual goodwill of EUR 2,165 million at 5 April 2006, the date BNP Paribas obtained effective control of BNL.

In accordance with the accounting policies described in note 1.c, "Own equity instruments and own equity instrument derivatives", the difference between the acquisition cost and the Group's equity in BNL's net assets held by minority shareholders and acquired after the date of acquisition (i.e. between 5 April 2006 and 31 December 2006) has been recorded as a deduction from retained earnings attributable to BNP Paribas shareholders in a provisional amount of EUR 2,090 million at 31 December 2006.

As the analyses and expert valuations at fair value required for the initial measurement of assets, liabilities, off-balance sheet items and contingent liabilities have not yet been fully completed, the adjustments made may be modified within a period of twelve months after the acquisition date, in accordance with IFRS 3 paragraph 62.

BNP Paribas financed the BNL acquisition by means of (i) a EUR 5,567 million issue of shares with pre-emptive subscription rights for existing shareholders; (ii) a EUR 2,023 million issue of undated super subordinated notes; and (iii) its own funds. Details of these issues are provided in note 8.a, "Changes in share capital and earnings per share".

The table below shows (i) BNL's consolidated balance sheet at 31 March 2006 prepared in accordance with IFRS before taking into account the controlling interest acquired by the Group in its capital; and (ii) BNL's balance sheet at the same date after adjustments recorded to comply with applicable rules on business combinations as prescribed by IFRS and with BNP Paribas Group accounting policies.

In millions of euros	31 March 2006 After acquisition-related adjustments	31 March 2006 Prior to acquisition
ASSETS		
Financial assets at fair value through profit or loss	7,730	7,541
Available-for-sale financial assets	1,160	1,157
Loans and receivables due from credit institutions	8,705	8,705
Loans and receivables due from customers	63,860	63,763
Property, plant & equipment and intangible assets	2,682	2,600
Non-current assets held for sale	-	850
Other assets	5,316	4,284
TOTAL ASSETS	89,453	88,900
LIABILITIES		
Financial liabilities at fair value through profit or loss	8,303	8,007
Due to credit institutions	10,549	10,549
Due to customers	37,085	37,100
Debt securities	20,509	20,199
Non-current liabilities held for sale	-	784
Other liabilities	8,274	6,909
TOTAL LIABILITIES	84,720	83,548
CONSOLIDATED EQUITY		
Shareholders' equity	4,692	5,311
Minority interests	41	41
Total consolidated equity	4,733	5,352
TOTAL LIABILITIES AND EQUITY	89,453	88,900

The BNL sub-group has been fully consolidated as from the acquisition date. For the last three quarters of 2006 BNL contributed EUR 294 million to the BNP Paribas Group's net income and EUR 248 million to net income attributable to equity holders. If the acquisition had taken place on 1 January 2006, the BNL sub-group would have contributed EUR 3,036 million to net banking income and EUR 395 million to net income for the full year. The BNL acquisition led to a net cash outflow of EUR 11,490 million for the BNP Paribas Group.

- Acquisition of UkrSibbank (International Retail Banking and Financial Services)

On 14 April 2006, BNP Paribas acquired 51% of UkrSibbank. Existing shareholders of UkrSibbank signed a long-term agreement with BNP Paribas and will retain a 49% interest in the Ukrainian entity.

UkrSibbank offers a wide range of services in the retail, corporate and investment banking arenas. At the acquisition date it was Ukraine's fourth-largest bank in terms of assets and had a network of 830 branches and outlets, employing close to 9,500 people.

The UkrSibbank Group's assets and liabilities – which were recognised at fair value at the acquisition date – primarily comprised customer loans amounting to EUR 1,423 million and customer deposits representing EUR 929 million.

Goodwill in a provisional amount of EUR 206 million was recorded on the consolidation of the UkrSibbank Group.

UkrSibbank has been consolidated since the acquisition date and its contribution to the BNP Paribas Group's net income was not material in 2006. This acquisition led to a net cash outflow of EUR 161 million for the BNP Paribas Group in 2006.

- Business combinations in the year ended 31 December 2005

- Acquisition of TEB Mali (International Retail Banking and Financial Services)

In February 2005, BNP Paribas acquired a 50% interest in the holding company TEB Mali, which owns 84.25% of the Turkish bank Turk Ekonomi Bankasi (TEB). The Colakoglu group retained a 50% interest in TEB Mali.

TEB is a mid-sized universal bank which, via its subsidiaries, offers corporate and retail customers a full range of financial services and products including export financing, leasing, factoring, consumer credit, deposit-taking, treasury and asset management, insurance, investment banking and brokerage. On the acquisition date, TEB had a network of 85 branches and also owned two banks outside Turkey.

The assets and liabilities of TEB Mali, recognised at fair value as of the acquisition date, mainly comprised:

- assets: customer loans of EUR 1,476 million (BNP Paribas share: EUR 738 million);
- liabilities: customer deposits of EUR 1,781 million (BNP Paribas share: EUR 891 million).

The acquisition price was USD 252 million, or an equivalent value of EUR 198 million at the acquisition date. A price adjustment contingent on the future profitability of TEB, payable at the start of 2008, was agreed by the parties. Acquisition costs of EUR 6 million were incurred. Goodwill on this acquisition was amounted to an equivalent value of EUR 128 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the highly favourable growth prospects of TEB. In addition, the acquisition by BNP Paribas of an interest in the TEB Group's holding company provides an opportunity to forge many operational alliances in a wide variety of fields such as export financing and commodities, consumer credit, mortgage lending, leasing and retail banking, thereby enhancing the TEB group's expertise and product range.

TEB Mali has been consolidated since the acquisition date, and contributed EUR 28 million to consolidated net income for the year ended 31 December 2005. The acquisition generated a net cash inflow of EUR 42 million for the BNP Paribas Group.

- Acquisition of Nachenius Tjeenk & Co NV (Asset Management and Services)

In July 2005, BNP Paribas Private Bank, a subsidiary of the BNP Paribas Group, paid EUR 45 million in cash for the entire share capital of Nachenius, Tjeenk & Co NV, a Dutch private bank with over EUR 1.3 billion of assets under management for high net worth individuals, not-for-profit organisations and trusts.

The assets and liabilities of Nachenius, Tjeenk & Co NV, recognised at fair value as of the acquisition date, mainly comprised:

- assets: loans to other banks totalling EUR 111 million;
- liabilities: customer deposits totalling EUR 162 million.

Goodwill on this acquisition was amounted to EUR 40 million, and was recognised as an asset in the balance sheet. The value of this goodwill reflects the opportunity offered by this unique platform for expansion into the Dutch private banking market and the existence of a brand with a strong reputation, especially among customers seeking wealth management services.

Nachenius, Tjeenk & Co NV has been consolidated since the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash inflow of EUR 52 million for the BNP Paribas Group in 2005.

- Acquisition of Fund Quest Inc (Asset Management and Services)

In August 2005, Paribas North America, a subsidiary of the BNP Paribas Group, paid USD 100 million in cash for the entire share capital of FundQuest Inc.. Based in the United States, FundQuest Inc. is an open-architecture turnkey platform dedicated to management and advisory services for institutional investors.

The assets and liabilities of FundQuest Inc. were recognised at fair value as of the acquisition date, with total assets amounting to EUR 6 million.

Goodwill on this acquisition was amounted to USD 98 million (equivalent to EUR 82 million), at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the strong growth prospects for the open architecture market and by the fundamental qualities of FundQuest Inc., an acknowledged managed accounts expert in the United States with a flexible but robust architecture that can be rolled out to the European market.

FundQuest Inc. has been consolidated since the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash outflow of EUR 73 million for the BNP Paribas Group in 2005.

- Acquisition of Commercial Federal Corporation by BancWest (International Retail Banking and Financial Services)

On 2 December 2005, Bank of the West, a subsidiary of the BNP Paribas Group, paid USD 1,329 million in cash for the entire share capital of Commercial Federal Corporation, which provides a full range of commercial and retail banking services and operates mainly in Colorado, Missouri and Nebraska. At the acquisition date, Commercial Federal Corporation had 198 branches.

The assets and liabilities of Commercial Federal Corporation, recognised at fair value as of the acquisition date, mainly comprised:

- assets : customer loans of EUR 6,609 million;
- liabilities : customer deposits of EUR 5,052 million.

Goodwill arising on the absorption of this company into Bank of the West was amounted to an equivalent value of EUR 787 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the growth prospects in the States where Commercial Federal operates and by the significant synergies achievable from its integration with Bank of the West, especially in terms of pooled resources and cross-selling.

Commercial Federal Corporation has been consolidated since the acquisition date, and contributed a loss of EUR 29 million to consolidated pre-tax net income for the year ended 31 December 2005 (including the effect of restructuring costs recognised in the final quarter of 2005). The acquisition generated a net cash outflow of EUR 998 million for the BNP Paribas Group in 2005.

8.d ADDITIONAL INFORMATION ON THE GALERIES LAFAYETTE TRANSACTION

In March 2005, BNP Paribas acquired 29.5% of the shares of Galeries Lafayette under an agreement whose terms included arrangements for joint control of Cofinoga. Under this agreement, BNP Paribas transferred these shares in the second half of 2005 to Motier SAS, the holding company controlling the Galeries Lafayette group, in which BNP Paribas now owns a 37% interest. Also under the terms of the agreement, a shareholders' pact was signed on 19 July 2005 stipulating terms regarding the liquidity of the interest held by BNP Paribas. In substance, these terms require half of the BNP Paribas interest to be accounted for as a loan, and the other half to be accounted for as an available-for-sale financial asset.

The inception of joint control by Galeries Lafayette and BNP Paribas over LaSer (the company which owns Cofinoga) resulted in the signature of a shareholders' pact dated 20 September 2005 and effective from 1 October 2005, setting out operating arrangements and shared decision-making rules. Based on the terms of this agreement, the LaSer-Cofinoga group has been accounted for using the proportionate consolidation method since the final quarter of 2005.

8.e ADDITIONAL INFORMATION ON THE AXA – FINAXA TRANSACTION

On 12 September 2001, AXA group companies (AXA, Finaxa, and the AXA mutual insurance companies) and BNP Paribas signed an agreement[6], subsequently amended on 26 October 2004, to maintain a minimum level of cross-shareholdings and to grant (i) mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and (ii) a reciprocal call option in the event of a change in control of either party. The AXA group also agreed to guarantee the liquidity of the BNP Paribas stake in Finaxa by allowing BNP Paribas to substitute AXA shares for its Finaxa shares at any time.

The merger of Finaxa into AXA on 16 December 2005 enabled the BNP Paribas Group to take possession of AXA shares in exchange for its existing holding of Finaxa shares, as it was entitled to do under the above-mentioned agreement. As this exchange had no commercial substance for the BNP Paribas Group, the difference between the carrying amount of the Finaxa shares in the consolidated financial statements and the fair value of the AXA shares (recorded in "Available-for-sale financial assets") has been retained in shareholders' equity under "Unrealised or deferred gains and losses".

The merger of Finaxa into AXA led to the signature of a new agreement between AXA group companies (excluding the AXA mutual insurance companies) and BNP Paribas, effective from 16 December 2005, to maintain a minimum level of cross-shareholdings and to grant a reciprocal call option in the event of a hostile change in majority control of either party. This agreement was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 21 December 2005.

[6] The agreement was disclosed in a notice issued by the *Conseil des Marchés Financiers* on 28 September 2001, and the amendment was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 28 October 2004.

8.f RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees[7], and key executive officers of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

RELATIONS BETWEEN CONSOLIDATED COMPANIES

A list of companies consolidated by BNP Paribas is provided in Note 8.b. As transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

- Related-party balance sheet items:

In millions of euros	31 December 2006		31 December 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans, advances and securities				
Demand accounts	4	4	-	6
Loans	3,955	1,008	2,472	1,493
Securities	54	-	-	-
Finance leases	-	-	-	16
Other assets	1	10	2	8
Total	4,014	1,022	2,474	1,523
LIABILITIES				
Deposits				
Demand accounts	4	202	1	82
Other borrowings	-	2	45	-
Debt securities	12	-	39	-
Other liabilities	-	40	-	1
Total	16	244	85	83
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	10	37	103	16
Guarantee commitments given	10	1	7	-
Total	20	38	110	16

Within the scope of its International Retail Banking and Financial Services business, the Group also carries out trading transactions with related parties involving derivatives (swaps, options and forwards) and financial instruments (equities, bonds etc.). These transactions are carried out on an arm's length basis.

[7] Except for multi-employer and multi-industry schemes

- Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2006		Year to 31 Dec 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	115	43	58	31
Interest expense	(1)	(1)	(1)	(1)
Commission income	3	21	2	1
Commission expense	(26)	(38)	(1)	-
Services provided	1	29	1	20
Services received	-	(20)	(1)	-
Lease income	2	-	1	1
Total	94	34	59	52

ENTITIES MANAGING POST-EMPLOYMENT BENEFIT PLANS OFFERED TO GROUP EMPLOYEES

The main post-employment benefits of the BNP Paribas Group are retirement bonus plans, and top-up defined-benefit and defined-contribution pension plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds (*Caisses de retraite*) and the BNP welfare benefit fund (*Caisse de Prévoyance*). Some Group companies – principally BNP Paribas Asset Management, BNP Paribas Securities Services and BNP Paribas SA – play a role in managing these benefits, especially in the areas of fund management, custody, and banking services. Top-up pension plans are also contracted out to insurance companies, which directly manage the plans. As from 1 January 2006, the obligations concerning pension benefits paid by the BNP pension fund have been assumed in full by BNP Paribas SA. The pension benefits provided by the Paribas pension fund are in the process of being transferred to an external insurance company.

In other countries, post-employment benefit plans are generally managed by independent fund managers or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank).

At 31 December 2006, the value of plan assets managed by Group companies was EUR 1,174 million (EUR 1,231 million at 1 January 2006). Amounts received relating to services provided by Group companies in the year to 31 December 2006 totalled EUR 1.4 million, and mainly comprised management and custody fees (2005: EUR 3 million).

At 31 December 2006, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a credit balance of EUR 216,767 (compared with a debit balance of EUR 785,257 at 1 January 2006).

RELATIONS WITH THE GROUP'S KEY OFFICERS

- Remuneration and benefits awarded to the Group's corporate officers

\- Remuneration and benefits policy relating to the Group's corporate officers

\- Remuneration paid to the Group's corporate officers

The remuneration paid to the Group's corporate officers is determined by the method recommended by the Compensation Committee and approved by the Board of Directors.

This remuneration comprises both a fixed and a variable component, the levels of which are determined using market benchmarks established by firms specialised in surveys of executive remuneration in the European banking sector.

The variable component is determined by reference to a basic bonus which is calculated as a proportion of the officer's fixed remuneration and varies in line with Group performance criteria as well as the attainment of personal objectives. Group performance criteria account for 70% of the basic bonus and comprise parameters including earnings per share, core business pre-tax net income, and the fulfilment of gross operating income targets at consolidated and core business level. In order to determine the portion of the bonus relating to the fulfilment of consolidated gross operating income targets in 2006, the Board of Directors factored in the change in number of the Bank's issued shares, primarily related to the capital increase carried out for the acquisition of BNL. The ensuing adjustment led to a decrease in the amount of the corresponding bonus.

Personal objective-based criteria, which account for 30% of the basic bonus, relate to the Group's strategy and preparing its future.

The variable component of corporate officers' remuneration is now capped at a level set in proportion to the basic remuneration, and since 2005 has been paid in full during the following year.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers do not receive any remuneration from other Group companies.

- Post-employment benefits

Compensation on termination of office

Corporate officers are not entitled to any contractual compensation on termination of office.

Retirement bonuses

Michel Pébereau is not entitled to a retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers) are entitled under their employment contracts to the standard retirement bonus benefits awarded to all BNP Paribas employees. Under this standard scheme, employees receive a bonus on retirement from the Group of up to 11.66 months' final basic salary, depending on their initial contractual position and length of service at their retirement date.

Pension plans

- The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

A similar procedure was applied to Michel Pébereau (Chairman of the Board of Directors), Baudouin Prot (Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers). Consequently, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being part of the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of acquiring any subsequent rights.

The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes, is capped at 50% of the above-mentioned remuneration amounts.

These retirement benefits will be revalued from 1 January 2002 until their actual payment date, based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

These obligations were covered by provisions recorded by BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an external insurance company.

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code.

Welfare benefit plans

- The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees.

- They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the supplementary plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent disability.

- If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive compensation under an insurance policy. The premium applicable under this policy is paid by the Group and treated in accordance with the social security rules applicable to employers' contributions to top-up welfare schemes in France.

- Amount of remuneration and benefits awarded to the Group's corporate officers

The tables below show (i) gross remuneration payable to the Group's corporate officers for the year to 31 December 2006, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2006, including benefits in kind and directors' fees.

- Remuneration payable to the Group's corporate officers for 2006

Remuneration payable for 2006 In euros	Remuneration		Directors' fees (3)	Benefits in kind (4)	Total remuneration
	Fixed [1]	Variable [2]			
Michel Pébereau Chairman of the Board of Directors					
2006	700,000	1,051,070	29,728	4,609	1,785,407
2005	*(700,000)*	*(1,081,601)*	*(29,728)*	*(4,816)*	*(1,816,145)*
Baudouin Prot Chief Executive Officer					
2006	883,333	2,324,348	129,551	5,227	3,342,459
2005	*(788,333)*	*(1,878,895)*	*(91,024)*	*(4,930)*	*(2,763,182)*
Georges Chodron de Courcel Chief Operating Officer					
2006	500,000	1,631,593	125,189	4,274	2,261,056
2005	*(491,667)*	*(1,405,477)*	*(89,230)*	*(4,303)*	*(1,990,677)*
Jean Clamon Chief Operating Officer					
2006	460,000	796,130	130,637	4,703	1,391,470
2005	*(455,000)*	*(681,598)*	*(92,297)*	*(4,703)*	*(1,233,598)*
Total remuneration payable to the Group's corporate officers for 2006					8,780,392
(for 2005)					*(7,803,602)*

(1) Remuneration actually paid in 2006.
(2) Variable remuneration payable for 2005 and 2006, paid the following year.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than from BNP Paribas SA, and from Erbé and BNL in the case of the Chief Executive Officer. Directors' fees received in 2006 by the Chief Executive Officer from Erbé and BNL will be deducted from the variable remuneration paid to him in 2007.
Georges Chodron de Courcel receives fees in his capacity as a director of BNP Paribas Suisse, BNL and Erbé. Jean Clamon receives fees in his capacity as a director of Cetelem, BNP Paribas Lease Group, Paribas International, Erbé, CNP and BNL. The fees received by Georges Chodron de Courcel and Jean Clamon in their capacity as directors of these companies will be deducted from the variable remuneration paid to them in 2007.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

- Remuneration paid to the Group's corporate officers in 2006

Remuneration paid in 2006 In euros	Remuneration Fixed	Remuneration Variable	Remuneration Deferred (1)	Directors' fees	Benefits in kind	Total remuneration (5)
Michel Pébereau Chairman of the Board of Directors						
2006	700,000	1,081,601	385,414	29,728	4,609	2,201,352
2005	*(700,000)*	*(831,553)*	*(342,062)*	*(29,728)*	*(4,816)*	*(1,908,159)*
Baudouin Prot Chief Executive Officer						
2006 (2)	883,333	1,817,599	325,940	120,078	5,227	3,152,177
2005	*(788,333)*	*(1,171,274)*	*(234,982)*	*(91,024)*	*(4,930)*	*(2,290,543)*
Georges Chodron de Courcel Chief Operating Officer						
2006 (3)	500,000	1,316,247	323,920	112,548	4,274	2,256,989
2005	*(491,667)*	*(943,518)*	*(258,985)*	*(89,230)*	*(4,303)*	*(1,787,703)*
Jean Clamon Chief Operating Officer						
2006 (4)	460,000	567,370	120,130	92,008	4,703	1,244,211
2005	*(455,000)*	*(406,970)*	*(102,640)*	*(92,297)*	*(4,703)*	*(1,061,610)*
Total remuneration received by the Group's corporate officers in 2006						8,854,729
(in 2005)						*(7,048,015)*

(1) Corresponding to the transfer of (i) the final portion of the deferred bonus awarded for 2002 in the form of BNP Paribas shares, (ii) the second third of the deferred bonus awarded for 2003 in the form of BNP Paribas shares and (iii) the first third of the deferred cash bonus awarded for 2004.
(2) Baudouin Prot's variable remuneration for 2005, paid in 2006, was reduced by EUR 61,296, corresponding to directors' fees received in 2005.
(3) Georges Chodron de Courcel's variable remuneration for 2005, paid in 2006, was reduced by EUR 89,230 corresponding to directors' fees received in 2005.
(4) Jean Clamon's variable remuneration for 2005, paid in 2006, was reduced by EUR 114,228 corresponding to directors' fees received in 2005.
(5) The average rate of social security taxes on this remuneration in 2006 was 30.7% (35.8% in 2005).

- Benefits awarded to the Group's corporate officers

Benefits awarded to the Group's corporate officers	2006	2005
Post-employment benefits		
Retirement bonuses		
Present value of the benefit obligation	499,556 €	471,285 €
Contingent collective defined-benefit top-up pension plan		
Total present value of the benefit obligation	30,9 M€	30 M€
Defined contribution pension plan		
Contributions paid by the company during the year	1,367 €	1,329 €
Welfare benefits		
Flexible personal risk plan		
Premiums paid by the company during the year	9,954 €	9,673 €
Garantie Vie Professionnelle Accidents death/disability cover plan		
Premiums paid by the company during the year	9,366 €	10,696 €
Supplementary personal risk plan		
Premiums paid by the company during the year	224,219 €	214,343 €

- Stock subscription option plans

In 2006, under the authorisation granted by the Extraordinary General Meeting of 18 May 2005, BNP Paribas set up a Global Share-based Incentive Plan, which combines stock options with share awards.

In principle, the Board of Directors grants stock options to the Group's corporate officers on an annual basis. The options do not carry a discount and are subject to relative performance conditions applicable under the Plan.

Corporate officers are not entitled to share awards.

The table below shows the number and the valuation of stock subscription options granted to and/or exercised by the Group's corporate officers in 2006.

Stock subscription options granted to and/or exercised by the Group's corporate officers in 2006	Number of options granted/ exercised	Exercise price (in euros)	Grant date	Plan expiry date	Individual allocation valuation		
					in euros (1)	as a % of the recognised expense (2)	as a % of share capital
OPTIONS GRANTED IN 2006							
Michel Pébereau	100,000	75.25	05/04/2006	04/04/2014	1,496,100	1.600%	0.011%
Baudouin Prot	180,000	75.25	05/04/2006	04/04/2014	2,692,980	2.800%	0.019%
Georges Chodron de Courcel	90,000	75.25	05/04/2006	04/04/2014	1,346,490	1.400%	0.010%
Jean Clamon	65,000	75.25	05/04/2006	04/04/2014	972,465	1.000%	0.007%
Aggregate					6,508,035	6.800%	0.047%
OPTIONS EXERCISED IN 2006							
Michel Pébereau	20,000	18.45	22/05/1997	22/05/2007			
Michel Pébereau	30,263	18.29	22/05/1997	22/05/2007			
Georges Chodron de Courcel	5,000	37.64	03/05/1999	03/05/2009			
Georges Chodron de Courcel	80,710	48.57	15/05/2001	14/05/2011			
Jean Clamon	60,523	44.77	22/12/1999	22/12/2009			
Jean Clamon	70,623	20.23	17/11/1998	17/11/2006			
OPTIONS GRANTED IN 2005							
Michel Pébereau	100,000	55.10	25/03/2005	22/03/2013	1,496,100	2.400%	0.011%
Baudouin Prot	150,000	55.10	25/03/2005	22/03/2013	2,244,150	3.600%	0.017%
Georges Chodron de Courcel	60,000	55.10	25/03/2005	22/03/2013	897,660	1.400%	0.007%
Jean Clamon	40,000	55.10	25/03/2005	22/03/2013	598,440	1.000%	0.005%
Aggregate					5,236,350	8.400%	0.040%
OPTIONS EXERCISED IN 2005							
Michel Pébereau	50,000	18.45	22/05/1997	22/05/2007			
Georges Chodron de Courcel	60,000	45.16	22/12/1999	22/12/2009			
Georges Chodron de Courcel	19,500	37.64	03/05/1999	03/05/2009			
Jean Clamon	27,125	23.47	26/12/1997	26/12/2005			
Jean Clamon	22,550	20.41	17/11/1998	17/11/2006			

(1) The stock options granted in 2006 which were not subject to performance conditions have been valued for accounting purposes at €15.36 each (€9.84 in 2005).
The stock options granted in 2006 which were subject to performance conditions have been valued for accounting purposes at €14.03 each (€8.99 in 2005).

(2) % of the expense recognised for the Global Share-based Incentive Plan, which combines stock options with share awards.

The table below shows the number of outstanding options held by the Group's corporate officers at 31 December 2006.

Originating company	BNP	BNP	BNP	BNP Paribas	BNP Paribas	BNP Paribas	BNP Paribas
Grant date	22/05/1997	13/05/1998	22/12/1999	15/05/2001	21/03/2003	25/03/2005	05/04/2006
Number of options outstanding at end-2006	50,438	191,698	353,050	423,720	564,876	353,081	435,000

- Compulsory share ownership – Holding period for shares received on exercise of stock options

As from 1 January 2007, the Group's corporate officers will have to own a minimum number of shares for the duration of their term of office, calculated based on both the opening BNP Paribas share price and their fixed remuneration at 2 January 2007. The number of shares held will have to correspond to seven years fixed remuneration for Michel Pébereau (58,700 shares) and Baudouin Prot (75,500 shares) and 5 years fixed remuneration for Georges Chodron de Courcel (30,000 shares) and Jean Clamon (27,600 shares). This obligation must be complied with by 13 February 2010 at the latest.

The Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers are also required to hold a quantity of shares issued following the exercise of stock options for the duration of their term of office. This holding requirement represents 50% of the net gain realised on the purchase of shares under options granted as from 1 January 2007, and will cease once the threshold defined for compulsory share ownership has been reached.

- Remuneration and benefits awarded to employee-elected directors

Total remuneration paid in 2006 to employee-elected directors – calculated based on their actual attendance – amounted to EUR 89,942 (EUR 104,604 in 2005), excluding directors' fees. The total amount of directors' fees paid in 2006 to employee-elected directors was EUR 76,551 (EUR 97,360 in 2005). These sums were paid directly to the trade union bodies of the directors concerned.

Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2006 on behalf of the employee-elected directors was EUR 989 (EUR 1,152 in 2005).

The employee-elected directors belong to the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The total amount of contributions paid into this plan by BNP Paribas in 2006 on behalf of the employee-elected directors was EUR 639 (EUR 769 in 2005).

Employee-elected directors are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

- Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2006, total outstanding loans granted to the Group's corporate officers amounted to EUR 4,095,895 (EUR 3,717,763 at 1 January 2006).

8.g BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

In millions of euros, at 31 December 2006	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		9,642						9,642
Financial assets at fair value through profit or loss	744,858							744,858
Derivatives used for hedging purposes	2,803							2,803
Available-for-sale financial assets	18,706		12,563	6,414	9,169	11,905	37,982	96,739
Loans and receivables due from credit institutions		17,701	26,324	12,437	4,598	4,726	9,384	75,170
Loans and receivables due from customers		29,808	67,663	34,580	42,687	112,154	106,241	393,133
Remeasurement adjustment on interest-rate risk hedged portfolios	(295)							(295)
Held-to-maturity financial assets			7	505	353	788	13,496	15,149
Financial assets by maturity	766,072	57,151	106,557	53,936	56,807	129,573	167,103	1,337,199
Due to central banks and post office banks		939						939
Financial liabilities at fair value through profit or loss	597,990		636	2,406	8,523	25,381	18,392	653,328
Derivatives used for hedging purposes	1,335							1,335
Due to credit institutions		22,280	73,722	24,497	12,628	5,741	4,782	143,650
Due to customers		175,874	83,548	23,903	5,388	2,167	7,772	298,652
Debt securities			28,771	21,680	25,971	20,892	24,245	121,559
Subordinated debt	1,558		1,237	320	773	2,057	12,015	17,960
Remeasurement adjustment on interest-rate risk hedged portfolios	367							367
Financial liabilities by maturity	601,250	199,093	187,914	72,806	53,283	56,238	67,206	1,237,790

In millions of euros, at 31 December 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		7,115						7,115
Financial assets at fair value through profit or loss	700,525							700,525
Derivatives used for hedging purposes	3,087							3,087
Available-for-sale financial assets	15,098		6,675	6,838	10,641	18,571	34,883	92,706
Loans and receivables due from credit institutions		10,760	11,047	8,817	5,847	3,342	5,196	45,009
Loans and receivables due from customers		20,529	40,959	23,865	43,267	97,202	75,374	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)							(61)
Held-to-maturity financial assets			74	597	272	1,127	13,375	15,445
Financial assets by maturity	718,649	38,404	58,755	40,117	60,027	120,242	128,828	1,165,022
Due to central banks and post office banks		742						742
Financial liabilities at fair value through profit or loss	567,706		1,684	1,069	3,642	21,529	15,051	610,681
Derivatives used for hedging purposes	1,015							1,015
Due to credit institutions		27,442	52,613	16,160	13,179	6,935	2,564	118,893
Due to customers		132,466	68,916	24,181	10,113	2,426	9,392	247,494
Debt securities			29,234	19,862	15,263	10,975	9,295	84,629
Subordinated debt	1,871		679	284	516	1,953	11,403	16,706
Remeasurement adjustment on interest-rate risk hedged portfolios	901							901
Financial liabilities by maturity	571,493	160,650	153,126	61,556	42,713	43,818	47,705	1,081,061

8.h Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2006. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 December 2006		31 December 2005	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	75,170	75,439	45,009	45,014
Loans and receivables due from customers	393,133	392,600	301,196	302,916
Held-to-maturity financial assets	15,149	15,628	15,445	16,813
FINANCIAL LIABILITIES				
Due to credit institutions	143,650	143,906	118,893	119,663
Due to customers	298,652	298,678	247,494	247,502
Debt securities	121,559	121,429	84,629	84,531
Subordinated debt	17,960	18,127	16,706	17,041

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 1, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.