BNP PARIBAS

2006 REGISTRATION DOCUMENT

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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This English-language version of the BNP Paribas Registration document 2006 is a translation of the original French text. It is not a binding document.
In the event of a conflict in interpretation, reference should be made to the French version which is the authentic text.
The Auditors' report apply to the French version of the financial review and financial statements.

1 THE BNP PARIBAS GROUP

1.1 The BNP Paribas Group

BNP Paribas is a European leader in banking and financial services, with a significant and growing presence in the United States and leading positions in Asia. The Group has one of the largest international banking networks, a presence in over 85 countries and more than 140,000 employees, including over 110,000 in Europe. BNP Paribas enjoys key positions in its three business areas:

- Retail Banking, comprising three core businesses:
  - French Retail Banking,
  - International Retail Banking and Financial Services,
  - Italian Retail Banking: BNL banca commerciale (BNL bc);
- Asset Management and Services;
- Corporate Investment Banking.

BNP Paribas SA is the parent company of the BNP Paribas Group.

1.2 Key Figures

RESULTS

	2002 (1)	2003 (1)	2004 (1)	2005 (2)	2006 (2)
Net banking income *(in millions of euros)*	16,793	17,935	18,823	21,854	27,943
Gross income *(in millions of euros)*	5,838	6,650	7,231	8,485	10,878
Net attributable income *(in millions of euros)*	3,295	3,761	4,668	5,852	7,308
Earnings per share *(in euros)* (3)	3.75	4.28	5.51	6.96	8.03
Return on equity (4)	13.5%	14.3%	16.8%	20.2%	21.2%

(1) *Under French GAAP.*
(2) *Under IFRS.*
(3) *Adjusted for the impact of the rights issue on years 2001 to 2005.*
(4) *Return on equity is calculated by dividing net attributable income (adjusted for interest on undated super subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA and treated as a dividend for accounting purposes) by average equity attributable to equity holders of the parent at 1 January and 31 December of the period concerned (after distribution and excluding undated super subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA).*

MARKET CAPITALISATION

	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05	31/12/06
Market capitalisation *(in billions of euros)*	44.5	34.8	45.1	47.2	57.3	76.9

Source: Bloomberg.

LONG-TERM RATINGS

Standard & Poors: AA, positive outlook – reaffirmed on 21 February 2007.

Moody's: Aa2, stable outlook – reaffirmed on 7 February 2006.

Fitch: AA, stable outlook – reaffirmed on 15 May 2006.

1.3 History

1966: Creation of BNP

The merger of BNCI and CNEP to form BNP represented the largest restructuring operation in the French banking sector since the end of the Second World War.

1968: Creation of Compagnie Financière de Paris et des Pays-Bas

1982: Nationalisation of BNP and Compagnie Financière de Paris et des Pays Bas at the time of the nationalisation of all French banks

In the 1980s, deregulation of the banking sector and the growing tendency of borrowers to raise funds directly on the financial market transformed the banking business in France and worldwide.

1987: Privatisation of Compagnie Financière de Paribas

With 3.8 million individual shareholders, Compagnie Financière de Paribas had more shareholders than any other company in the world. Compagnie Financière de Paribas owned 48% of the capital of Compagnie Bancaire.

1993: Privatisation of BNP

BNP's return to the private sector represented a new beginning. During the 1990s, new banking products and services were launched, the Bank expanded its presence in France and internationally, and prepared to reap the full benefits of the introduction of the euro. Privatisation also significantly boosted the Bank's profitability – in 1998, it led the French banking industry in terms of return on equity.

1998: Creation of Paribas

On 12 May 1998, the merger between Compagnie Financière de Paribas, Banque Paribas and Compagnie Bancaire was approved.

1999: A benchmark year for the Group

Following an unprecedented double tender offer and a stock market battle waged over six months, BNP was in a position to carry out a merger of equals with Paribas. For both groups, this was the most important event since their privatisation. At a time of economic globalisation, the merger created a leading player in the European banking sector, poised to compete on a global scale.

2000: Creation of BNP PARIBAS

Merger of BNP and Paribas on 23 May 2000.

Building on strong banking and financial services businesses, the new Group's objectives are to create value for shareholders, clients and employees by building the bank of the future and becoming a benchmark player in the global world.

2006: Acquisition of BNL in Italy

In the first half of 2006, BNP Paribas acquired BNL, Italy's 6th-largest bank. This acquisition transformed BNP Paribas, providing it access to a second domestic market in Europe. In both Italy and France, all of the Group's businesses can now draw on a national banking network to develop their activities.

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1.4 The Group's core businesses

FRENCH RETAIL BANKING

French Retail Banking's client base is composed of 6 million individual clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive line-up of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

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

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

In order to effectively respond to client expectations, French Retail Banking has organised its sales structure on the basis of network segmentation. The division is now made up of branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and specialised centres in charge of after-sales operations.

In parallel, the division continued to actively expand the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out from 2002. The underlying aim of 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 Centre'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 telephone line was set up in 2006 for Private Banking clients. A client relationship centre for entrepreneurs and small business clients was also opened in the year in the Paris region, before being set up nationwide.

The 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 worth and effectiveness have been clearly proved after several years of use.

French Retail Banking also has the largest network of Private Banking Centres, with 212 centres 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 organisation is based on 24 Business Centres located throughout the whole of France, as well as two professional assistance services – Service Assistance Enterprise (SAE) and Cash Customer Services (CCS).

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

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

The International Retail Banking and Financial Services (IRFS) core business has some 54,750 employees [1] in 56 countries. BNP Paribas subsidiaries and branches, boasting well-known brands and in many cases leading market positions, provide products and services covering five distinct business lines.

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

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

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

[1] *Excluding LaSer-Cofinoga.*

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

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

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

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

CETELEM

Having pioneered consumer credit in 1953 and online credit in 1997, Cetelem in no.1 in France and continental Europe [(1)] with more than EUR 53 billion in outstanding loans as at 31 December 2006, 42% of which is outside France. Cetelem today has more than 20,000 employees throughout the world.

For more than 50 years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

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

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

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

Cetelem is also the partner of choice for banks and insurance companies which value its expertise in consumer credit – including AXA, Dresdner Bank, Banques Populaires, Caisses d'Épargne and KBC – as well as for providers of services to private individuals, such as EDF.

Cetelem also ensures the management of permanent credit card accounts granted by BNP Paribas' French Retail Banking network.

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

MORTGAGE FINANCING

UCB is a leading European player in mortgage financing with operations in 10 countries: France, Spain, Italy, Portugal, the Netherlands, Greece, Norway, Belgium, Switzerland and Hungary.

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

At 31 December 2006, UCB's managed outstandings totalled EUR 32.6 billion.

UCB markets its products through a network of business referral partners in the property industry, such as estate agents and builders or brokers, who put prospective buyers in touch with UCB.

Business referral synergies with BNP Paribas' retail network both in France and abroad lend additional power to UCB's existing development resources.

A varied product range, ability to adapt and innovate, high quality service, tight risk control and a European network are the key strengths that UCB and its subsidiaries bring to the European private mortgage market.

The Group's market share in terms of new mortgage loans in 2006 was around 3.2% for France, 2% for Spain, and approximately 1.3% for Italy and 1% for the Netherlands *(sources: France – BNP Paribas internal reports based on data provided by Banque de France; Spain – Instituto Nacional de Estadística; Italy – Banca d'Italia; Netherlands – Kadaster)*.

EQUIPMENT SOLUTIONS

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

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

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

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

The approach is to pool asset and process expertise and to create commercial synergies thanks to an extended range of solutions.

(1) Calculation of market share of the market participants concerned based on their outstanding loans (sources: annual reports of market participants), compared with the whole European consumer credit market (source: European Credit Research Institute).

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Equipment Solutions works closely with the Retail Banking networks, particularly in France and Italy, to offer their clients its products and services.

BNP Paribas Lease Group and Arval developed their European activities in 2006 through their 24 local offices: 66% of Arval's operations and 55% of BPLG's operations are outside France.

At the end of 2006 Arval had a total fleet of 495,000 vehicles under lease, an increase of 8% from the previous year, placing it as the first operator in France and no.2 in Europe *(source: SNLVLD, 2006).*

In 2006, BPLG arranged 251,000 financing transactions totalling EUR 8.3 billion, making it no.1 in Europe in equipment leasing *(source: Leaseurope, 2006).*

In France, BPLG is no.1 in the leasing market, with an 18% market share *(source: ASF, 2006).*

In Italy, the link-up with Locafit, a subsidiary of Banca Nationale del Lavoro, has created a major player in the market and no.1 supplier of equipment leasing contracts *(source: Assilea, 2006).*

BANCWEST

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

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

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

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

EMERGING MARKETS

The Retail Banking in the Emerging Markets business line's networks underwent significant growth in 2006, with 343 branches opened in the 33 countries or territories covered.

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

In April 2006, the Group finalised the acquisition of 51% of UkrSibbank, which was Ukraine's 3rd-largest bank in terms of assets as at 31 December 2006 *(source: National Bank of Ukraine).* Its network expanded rapidly during the year and now stands at 985 branches and 10,000 employees. The Group also invested in the organic development of a local bank network in Russia.

BNP Paribas set up two new operations in 2006: a branch in Israel in November and a subsidiary in Mauritania in December.

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

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

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

In the French overseas departments and territories (Martinique, Guadeloupe, French Guyana, New Caledonia, Reunion Island, Wallis and Futuna), the Group has 53 branches and enjoys prominent market positioning.

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

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

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

BNL BANCA COMMERCIALE (BNL bc)

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

As a result of the series of consolidations among Italian banks in 2006, BNL banca commerciale can now be considered as the 7th-largest bank in Italy [1] in terms of both customer loans and deposits.

With its nearly 16,000 employees, the network extends to all major Italian cities ("*capoluoghi di provincia*") and comprises 730 branches and 100 centres specialised in relations with private banking clients, companies and territorial authorities. The network's facilities are rounded out by a multi-channel approach offering 1,270 ATMs as well as online and telephone banking solutions.

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

- 2.5 million individual clients [2], who are offered different product and service models according to their assets and their potential. The bank enjoys a strong presence on the residential mortgage market built up over the years and a reputation for innovative new insurance products, while still maintaining a solid base of short-term deposits;
- 11,000 private clients [2], who are served by a network of 18 private banking centres located in the main Italian cities and 150 specialists dedicated to developing distinctive and personalised products and services;
- 112,000 small businesses [3], on a market offering attractive opportunities that BNL banca commerciale intends to take advantage of while remaining vigilant about credit quality. The needs of small businesses are further met by Artigiancassa, the bank's subsidiary dedicated to the craft industry which, in addition to providing regular banking services, is responsible for the Italian state's subsidy programme to help this sector.

Corporate Finance represents BNL's traditional activity and leading expertise thanks to a comprehensive range of products and services, a national network of 80 specialised centres dedicated to the needs of 36,000 medium-sized companies [4], 16,000 territorial authorities and non-profit organisations.

All types of financing are provided, in some cases in conjunction with the Corporate and Investment Banking Division. Certain products are acknowledged as among the best on the market, including factoring which is offered through BNL's specialised subsidiary, Ifitalia, and rated no.2 in its sector with a 16% market share [5].

BNL banca commerciale also offers medium-sized companies and local authorities a broad range of products and services for managing liquidity and transactions, building on its reputation for quality and excellence in the areas of import-export payments, hedging instruments and structured finance.

ASSET MANAGEMENT AND SERVICES

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

AMS leverages expertise in three main areas:

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

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

In 2006 each AMS business was a leader in its market in France and at a European or global level.

(1) *Source: 2006 half-year Financial reports (mergers of San Paolo IM with Banca Intesa, of Banca Populare Italiana with Banca Populare Verona and Novara, of Banca Lombarda e Piemontese with Banche Populari Unit have been considered.*

(2) *Personal assets up to EUR 1 million.*

(3) *Personal assets of over EUR 1 million.*

(4) *Revenues up to EUR 1.5 million.*

(5) *Revenues from EUR 1.5 million to EUR 500 million.*

(6) *Source: Assifact statistics (association for factoring companies).*

BNP PARIBAS ASSET MANAGEMENT

BNP Paribas Asset Management is one of the foremost asset managers in Europe, with EUR 326 billion assets under management [(1)] at the end of 2006.

Based on a multi-specialist approach that leverages the expertise of 1,800 employees, it offers its clients tailored solutions in 66 countries.

BNP Paribas Asset Management and its affiliates have developed targeted management skills in the following areas:

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

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

BNP Paribas Asset Management is strongly committed to responsible investment, and its funds have received Novethic's top rating (aaa).

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

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

Each day, BNP Paribas Asset Management's client relationship managers across 26 countries are committed to finding customised, sustainable solutions for their clients.

The organisation's overall excellence is reflected in Fitch's AM2+ rating, one of its highest.

CORTAL CONSORS

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

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

Cortal Consors has operations in six European countries: Germany, France, Spain, Belgium, Luxembourg and Italy. At 31 December 2006, it had 1.17 million clients and EUR 33.9 billion worth of managed assets [(2)], breaking down as 34% in equities, 47% in savings products or mutual funds, and 19% in cash. Cortal Consors has 1,470 employees.

Thanks to its business model, which can be readily adapted to all banking systems and is therefore easily exportable, Cortal Consors' future growth clearly lies in carving out market share in emerging countries.

PRIVATE BANKING

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

BNP Paribas Banque Privée is ranked no.1 in the French private banking market, with close to EUR 56 billion in assets under management and a network of around 100 Private Banking Centres (plus 100 or so other facilities) nationwide. It ranks 3rd in western Europe, where it is fast broadening its reach in its domestic markets, and 7th in Asia *(source: 2006 Euromoney rankings)*. At end-2006, BNP Paribas Banque Privée's overall client assets under management stood at more than EUR 130 billion.

REAL ESTATE SERVICES

With 3,500 employees, BNP Paribas Immobilier is continental Europe's leading provider [(3)] of real estate services to companies 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.

(1) Figures at 31 December 2006, including assets under advisory.

(2) Including Plug & Play business.

(3) BNP Paribas rankings based on information published by its competitors.

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 an office in New York.

In residential real estate, BNP Paribas Immobilier's main activity is in France, but proposes also services in Spain.

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 [(1)];
- no.2 in Spain [(1)];
- among the top 10 in the United Kingdom [(1)].

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

Property Management

BNP Paribas Real Estate Property Management manages more than 16 million sq.m. of commercial property in Europe, including more than 8.5 million sq.m. in France.

In residential properties, Gérer and Les Studélites in France and Atisreal in Spain manage more than 31,000 housing units in these countries, including 5,000 units of serviced Residences.

Property Development

Meunier is France's 3rd-largest real estate developer [(2)]:

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

Real Estate Investment Management

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

INSURANCE

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

It operates in 35 countries including 5 in Latin America, 20 in Europe and 7 in Asia.

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

BNP Paribas Assurance's partners comprise 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 no.2 worldwide in creditor insurance [(1)].

SECURITIES SERVICES

BNP Paribas Securities Services [(3)] is the leading European provider of securities services to companies, asset managers and financial institutions worldwide. BNP Paribas Securities Services provides innovative solutions that can be tailored to the specific needs of clients at every stage of the investment cycle:

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

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

(1) BNP Paribas rankings based on information published by competitors.

(2) Source: "Classement des Promoteurs", published by Innovapresse in June 2006.

(3) BNP Paribas Securities Services includes all securities operations developed by the BNP Paribas Group through BNP Paribas Securities Services, BNP Paribas Fund Services and BNP Paribas SA.

BNP Paribas Securities Services is ranked no.1 among European custodians and 4th worldwide for cross-border assets *(source: Institutional Investor magazine, September 2006).* BNP Paribas Securities Services was voted Europe's most innovative provider of securities services by the magazine *Financial- i.* In addition, for the second consecutive year, it was named Fund Administrator of the Year by the magazine *Funds Europe* (November 2006).

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

CORPORATE AND INVESTMENT BANKING

GLOBAL CLIENT SERVICE

Leveraging its in-depth expertise spanning the full range of corporate and investment banking services, BNP Paribas is able to meet the development and financial optimisation needs of companies, institutions, states and public authorities.

In 2006 the "One Bank" strategy was defined which aims to enhance knowledge sharing among these expert teams and consolidate the global approach to client service.

In this spirit, BNP Paribas has organised client-facing groups, specialised by geographical areas, which aim to develop the Bank's origination capabilities, monitor and manage the Bank's relations with its clients and thus strengthen the Bank's positions in the various regions of the world where it operates.

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

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

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

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

Financial Institutions Group (FIG) is in charge of the global management and development of BNP Paribas' relationships with financial institutions, general and specialised banks (public or private), insurance companies, pension funds, mutual health insurers, fund managers and supranational organisations. FIG is organized into two sub-groups, FIG Europe and FIG International in order to locally provide banks and insurance organisations with high value-added products and services in more than 15 European countries as well as North America, Japan and emerging countries (particularly Asia and the Middle East).

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

ADVISORY AND CAPITAL MARKETS

Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity market transactions. The 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 adopted a matrix organisation designed to give clients access to the best combination of specialists in each product, industry and geographical area, while optimising resource management.

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

Ranked no.1 in France *(source: Thomson Financial)*, BNP Paribas is among the ten foremost banks in Europe advising on mergers and acquisitions (ranked 8th in Europe according to *Dealogic* based on transaction volumes announced in 2006). The Dealogic Equityware ranking placed the Bank among the leading ten institutions for primary equity business in Europe.

Equities and Derivatives

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

In 2006 BNP Paribas cemented its worldwide leadership in equity derivatives on the back of an exceptional growth performance.

BNP Paribas received many significant awards:

- "Equity Derivatives House of the Year" (*Risk* magazine);
- "Structured Products House of the Year" (*Euromoney* magazine);

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

Fixed Income

Fixed Income's product expertise and distribution capabilities have positioned BNP Paribas among the Top 3 Fixed Income players in Europe, together with strong franchises in Asia, Japan and the USA.

The Group's comprehensive approach to developing solutions for its clients integrates global expertise in research, sales, trading, origination and distribution, comprising three product lines: Global Credit, Interest Rates Group and Foreign Exchange.

The Bank is a recognised global house in the interest rate and credit derivatives markets, and is a leading player in global Forex. BNP Paribas' broad range of Fixed Income products is delivered through an accomplished sales and marketing platform. Further, the Bank has a tailored comprehensive range of research products and services available for client advice, as well as an extensive array of written reports through a variety of channels. In particular, the Bank's research methods are underpinned by pioneering quantitative techniques delivered by a group of world-class experts.

In line with strategies pursued in recent years, the Bank has continued to invest in its derivatives platforms (such as currency options, interest rate and forex instruments, hybrid instruments, synthetic credit solutions) while intensifying its investments in securitisation (origination, structuring and distribution) and reorganising its flow activities.

Thanks to this platform, clients are provided with a full array of tailor-made services on a global scale across a broad range of markets and currencies.

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

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

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

FINANCING BUSINESSES

Energy Commodities Export Project (ECEP)

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

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

In 2006, BNP Paribas continued to stand out as one of the key worldwide players in these businesses and as the global market leader in commodities and energy financing.

- Trade finance: ranked "Best Trade Bank in Oil/Energy", "Best Trade Bank in the Middle East", and "Best Structured Trade & Export Finance Bank" (all by *Trade & Forfaiting Review*), no.3 "Mandated Arranger of Global Trade Finance Loans" (*Dealogic*, full-year 2006), and no.1 "Mandated Arranger of Asia Pacific (excluding Japan) Trade Finance Loans" (*Dealogic*, full-year 2006).
- Project finance: awarded "Excellence in Renewable Energy" (*Energy Business/Commodities Now*), and "Best Project Finance House in the Middle East" and "Best at Project Finance in Central Asia" (both by *Euromoney*).
- Financing for distant export markets: ranked no.2 "Mandated Arranger of Global Export Credit Agency-backed Trade Finance Loans" (*Dealogic*, full-year 2006); and in aeronautics, no.1 "Worldwide Arranger of Export Credit backed Aircraft Financing Solutions" (*Euromoney*).
- BNP Paribas is also recognised as an innovative bank (awarded "Aircraft Finance Innovator of the Year" by *Jane's Transport Finance* and "Most Innovative Shipping Finance Deal 2006" for CMA CGM by *Lloyd's Shipping Economist*).

Structured Finance

BNP Paribas' Structured Finance team designs and structures a broad range of complex financing arrangements, on a worldwide basis, including syndicated loans, acquisition and LBO financing, media and telecommunications financing, and real estate financing.

This business is also in charge of syndicating and distributing all financing originated by the BNP Paribas Group.

In 2006, BNP Paribas continued to rank as the 6th-largest bookrunner of syndicated loans worldwide and 3rd-largest bookrunner of syndicated loans in the Europe – Middle East – Africa region. It was also no.1 in terms of number of transactions *(source: International Financial Review)*.

Cash Management

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

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

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

Loan & Portfolio Management

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

BNP PARIBAS PRINCIPAL INVESTMENTS

BNP PARIBAS CAPITAL

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

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

- non-banking strategic investments;
- directly held investments (primarily minority interests) in manufacturing and sales companies in France and abroad;
- investments in sponsored and unsponsored funds;
- joint investments made simultaneously with funds or institutional investors.

In 2006, the main disposals concerned the investments in Power Corp. of Canada and Ipsen. The Group forged ahead with its investments in private equity funds and its joint investments alongside these funds.

LISTED INVESTMENT AND SOVEREIGN LOAN MANAGEMENT

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to actively manage assets with a view to deriving the greatest possible value over the medium term. The medium-term perspective clearly differentiates this business from a trading activity.

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

Sovereign Loan Management's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, Eurobonds and restructured credits.

KLÉPIERRE

A real estate investment company listed on the Eurolist by Euronext Paris (TM), Klépierre [1] develops, owns and manages shopping centres in ten European countries, mainly France, Spain and Italy. Klépierre is continental Europe's 2nd-largest listed property group specialised in shopping centres, with a market capitalisation of EUR 6.6 billion at 31 December 2006. Its property assets totalled EUR 9.1 billion at year-end, of which more than 89% consisted of shopping centres with the remaining 11% made up of offices in the Paris region. Over 40% of Klépierre's business is conducted outside France.

Klépierre's success in its shopping centre activity is supported by the centralised development and management capabilities of its subsidiary Ségécé [2], which is continental Europe's no.1 manager of shopping centres. Ségécé manages 342 shopping centres – 236 of which belong to Klépierre – through a network of eight subsidiaries.

Klépierre also owns and manages high quality office premises located in Paris and its inner suburbs. Office property is a secondary activity where Klépierre aims at seizing opportunities arising in the course of market cycles.

The Group has more than 1,000 employees.

(1) Klépierre is 50.16%-held by BNP Paribas SA.

(2) Ségécé is 75%-held by Klépierre, and 15%-directly held by BNP Paribas SA.

1.5 Shareholder information

SHARE CAPITAL

As at 31 December 2005, BNP Paribas' share capital stood at EUR 1,676,495,744, divided into 838,247,872 shares. Details of the historical share performance are provided in the "Changes in share capital" section.

In 2006, four series of transactions led to changes in the number of shares outstanding:

- 3,489,419 shares were issued upon exercise of stock options;
- 4,670,388 shares were subscribed through a share issue reserved for employees;
- 84,058,853 shares were issued in relation to the share capital increase with preferential subscription rights for the purpose of partially financing the acquisition of BNL;
- 945 new shares were issued following the merger of Société Centrale d'Investissements into BNP Paribas.

As at 31 December 2006, BNP Paribas' share capital stood at EUR 1,860,934,954, divided into 930,467,477 shares with a par value of EUR 2 [(1)].

The shares are all fully paid-up and are held in registered or bearer form at the choice of their holders, subject to compliance with the relevant legal provisions. **None of the Bank's shares entitle their holders to an increased dividend or double voting rights or limit the exercise of voting rights.**

CHANGES IN SHAREHOLDER STRUCTURE

Changes in the Bank's ownership structure over the last three years are as follows:

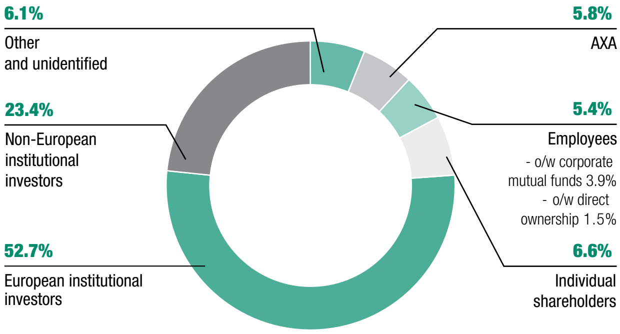
	31 December 2004			31 December 2005			31 December 2006		
SHAREHOLDERS	**Number of shares** *(in millions)*	**% interest**	**% voting rights**	**Number of shares** *(in millions)*	**% interest**	**% voting rights**	**Number of shares** *(in millions)*	**% interest**	**% voting rights**
AXA	**50.00**	**5.7%**	**6.0%**	**47.64**	**5.7%**	**5.7%**	**52.65**	**5.7%**	**5.8%**
Employees	**45.38**	**5.1%**	**5.4%**	**47.09**	**5.6%**	**5.7%**	**49.36**	**5.3%**	**5.4%**
- o/w corporate mutual funds	33.55	3.8%	4.0%	34.46	4.1%	4.2%	35.86	3.9%	3.9%
- o/w direct ownership	11.83	1.3%	1.4%	12.63	1.5%	1.5%	13.50	1.4%	1.5%
Corporate officers	**0.23**	**nm**	**nm**	**0.22**	**nm**	**nm**	**0.26**	**nm**	**nm**
Treasury shares (*)	**51.81**	**5.9%**		**9.06**	**1.1%**		**19.25**	**2.1%**	
Public	**61.00**	**6.9%**	**7.3%**	**57.00**	**6.8%**	**6.9%**	**59.55**	**6.4%**	**6.6%**
Institutional investors	**574.46**	**64.9%**	**69.0%**	**621.11**	**74.1%**	**74.9%**	**693.47**	**74.5%**	**76.1%**
(o/w "Socially Responsible Investors")	*(unknown)*	*(unknown)*	*(unknown)*	*(6.53)*	*(0.8%)*	*(0.8%)*	*(7.50)*	*(0.8%)*	*(0.8%)*
- Europe	465.94	52.7%	56.0%	509.64	60.8%	61.5%	480.61	51.6%	52.7%
- Outside Europe	108.52	12.2%	13.0%	111.47	13.3%	13.4%	212.86	22.9%	23.4%
Other and unidentified	**101.82**	**11.5%**	**12.3%**	**56.13**	**6.7%**	**6.8%**	**55.93**	**6.0%**	**6.1%**
TOTAL	**884.70**	**100.0%**	**100.0%**	**838.25**	**100.0%**	**100.0%**	**930.47**	**100%**	**100%**

(*) *Excluding trading desks' working positions.*

(1) *Since the close of the financial year, a total of 2,411,013 shares have been issued upon exercise of stock options. As at 22 January 2007, BNP Paribas' share capital stood at EUR 1,865,756,980, divided into 932,878,490 shares with a par value of EUR 2.*

BNP PARIBAS OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2006

(based on voting rights)



To the best of BNP Paribas' knowledge, no shareholder other than AXA owns more than 5% of BNP Paribas' capital or voting rights, nor does any agreement exist whose implementation could at a later date result in a change in BNP Paribas' form of control.

SHARE PERFORMANCE

When the shareholders of BNP and Paribas approved the merger between the two banks at the Extraordinary General Meeting of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares have been registered under ISIN code FR0000131104.

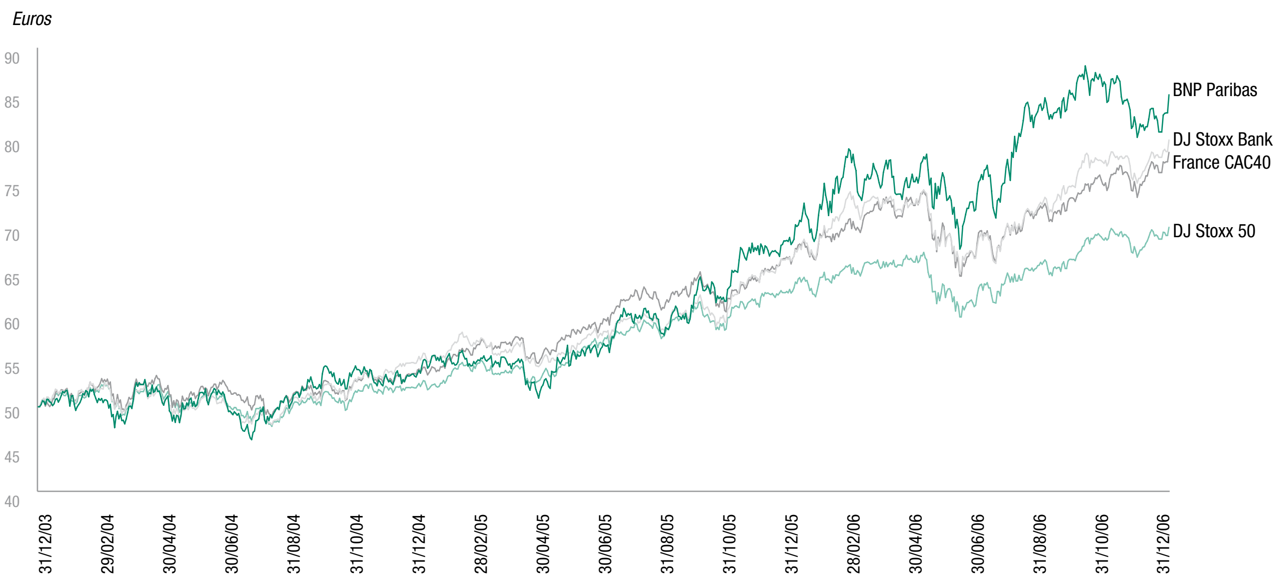
BNP shares were first listed on the Cash Settlement Market of the Paris Stock Exchange on 18 October 1993, following privatisation, before being transferred to the Monthly Settlement Market on 25 October of that year. When the monthly settlement system was eliminated on 25 September 2000, BNP Paribas shares became eligible for Euronext's Deferred Settlement Service (SRD). The shares are also traded on SEAQ International in London and on the Frankfurt Stock Exchange. Since 24 July 2006 they have been traded on the MTA International in Milan and have been listed on the Tokyo Stock Exchange since 13 March 2000 (and the First Section since 7 February 2005). Since privatisation, a Level 1 144A ADR programme has been active in the USA, where JP Morgan Chase is the depositary bank (2 ADRs correspond to 1 BNP Paribas share).

To help increase the number of shares held by individual investors, BNP Paribas carried out a two-for-one share split on 20 February 2002, reducing the par value of the shares to EUR 2.

BNP became a component of the CAC40 index on 17 November 1993 and of the Euro Stoxx 50 index on 1 November 1999. Since 18 September 2000, it has been one of the companies making up the Dow Jones Stoxx 50 index. BNP Paribas shares are also included in the main benchmark indexes for sustainable development: ASPI Eurozone, FTSE4Good (Global and Europe 50), DJ SI World and the DJ SI Stoxx indexes. All of these listings have fostered liquidity and share price appreciation, as BNP Paribas shares necessarily feature in every portfolio and fund that tracks the performance of these indexes.

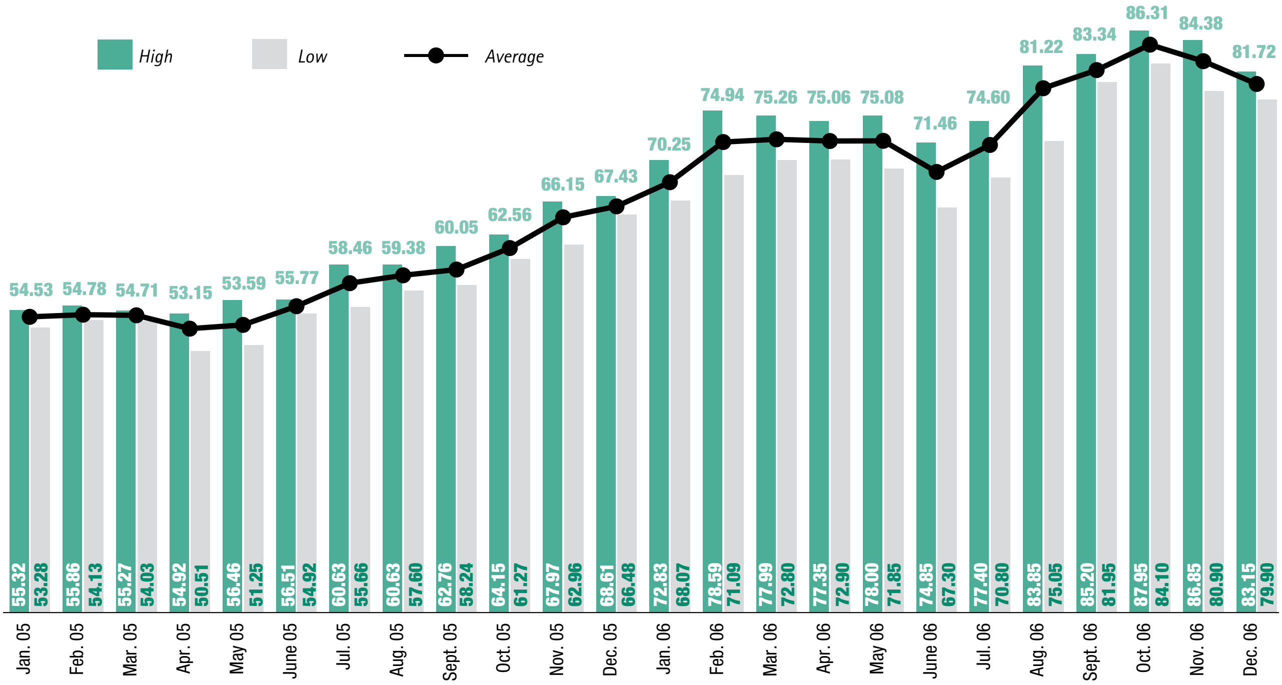
SHARE PERFORMANCE BETWEEN 2 JANUARY 2004 AND 29 DECEMBER 2006

Comparison with the DJ Stoxx 50, DJ Stoxx Bank and CAC40 (indexes rebased on share price)



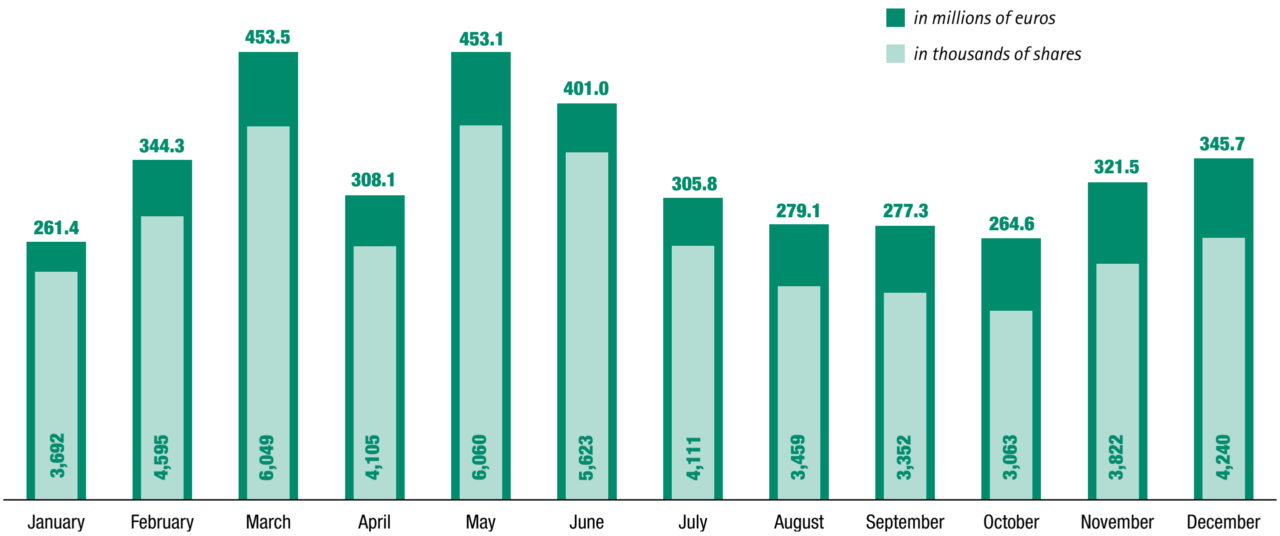
Source: Datastream

AVERAGE MONTHLY SHARE PRICES AND MONTHLY HIGHS AND LOWS SINCE JANUARY 2005



- As at 29 December 2006, **the BNP Paribas share was listed at EUR 82.65**, up 21.87% compared with 31 December 2005, when it was listed at EUR 67.82. By way of comparison, during 2006 the CAC40 index increased by 17.53%, the Stoxx 50 by 10.39% and the DJ Stoxx Bank index by 18.71%.
- From 2 January 2004 to 29 December 2006, the BNP Paribas share price gained 66.87%, compared with rises of 55.76%, 38.97% and 58.07% for the CAC40, DJ Stoxx 50 and DJ Stoxx Bank indexes respectively.
- BNP Paribas' market capitalisation totalled EUR 76.9 billion at 29 December 2006, representing the 4th-largest capitalisation in the CAC40 index, as opposed to the 5th-largest at the end of 2005. In terms of free float, BNP Paribas is still the 3rd-largest in the Paris index. During the same period, BNP Paribas was the 3rd-largest in the DJ Euro Stoxx 50 in terms of free float, compared to the 11th-largest at the end of 2005.
- Transaction volumes increased by 15.7%, with an average of 4,358,733 shares traded daily during the year, compared to 3,768,874 shares per session in 2005. This increase, which exceeds the creation of shares (1 for 10) in connection with the March 2006 share issue, reflects the stock's enhanced liquidity.

2006 TRADING VOLUME ON EURONEXT PARIS (DAILY AVERAGE)



Source: Euronext Paris.

YIELD AND PERFORMANCE DATA

(in euros)			French GAAP		IFRS
	2002	2003	2004	2005	2006
Earnings per share [(1)] *	3.8	4.3	5.5	7.0	8.0
Net assets per share [(2)] *	30.3	32.7	35.9	45.8	49.8
Net dividend per share	1.20	1.45	2.00	2.60	3.10 [(3)]
Payout rate (in %) [(4)]	32.6	34.8	37.9	37.4	40.3 [(3)]
Share price					
High [(5)] *	60.77	49.53	54.57	68.71	88.50
Low [(5)] *	28.77	32.40	45.71	50.31	66.65
Year-end *	38.53	49.53	52.89	67.82	82.65
CAC40 index on 31 December	3,063.91	3,557.90	3,821.16	4,715.23	5,541.76

(1) *Based on the average number of shares outstanding during the year.*
(2) *Before dividends. Net book value based on the number of shares outstanding at year-end.*
(3) *Subject to approval at the Annual General Meeting of 15 May 2007.*
(4) *Dividend recommended at the Annual General Meeting expressed as a percentage of earnings per share.*
(5) *Registered during trading.*
* *Data in the above table have been adjusted to reflect the two-for-one share split carried out on 20 February 2002 as well as the share issue with preferential subscription rights in March 2006 (adjustment ratio = 0.992235740050131).*

CREATING VALUE FOR SHAREHOLDERS

TOTAL SHAREHOLDER RETURN (TSR)

Calculation parameters

The dividend is assumed to have been reinvested in BNP shares then BNP Paribas shares and includes the *"avoir fiscal"* tax credit at a rate of 50% (until it was abolished at the beginning of 2005). Returns are gross returns, i.e. before any tax payments or brokerage fees.

Calculation results

The following table indicates, for the various durations given and up to 31 December 2006, the total return on a BNP share, then a BNP Paribas share, as well as the effective annual rate of return.

Holding period	Investment date (opening price)	Initial investment multiplied by	Effective annual rate of return
Since privatisation	18/10/1993	x 7.42	+16.38%
13 years	03/01/1994	x 5.71	+14.34%
12 years	03/01/1995	x 6.52	+16.92%
11 years	02/01/1996	x 7.08	+19.47%
10 years	02/01/1997	x 7.59	+22.46%
9 years	02/01/1998	x 4.57	+18.40%
8 years	04/01/1999	x 3.00	+14.71%
7 years	03/01/2000	x 2.31	+12.74%
6 years	02/01/2001	x 2.20	+13.98%
5 years	02/01/2002	x 2.00	+14.83%
4 years	02/01/2003	x 2.46	+25.27%
3 years	02/01/2004	x 1.88	+23.37%
2 years	03/01/2005	x 1.68	+29.55%
1 year	02/01/2006	x 1.26	+26.17%

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BNP Paribas uses two methods to measure the value created for shareholders, based on a long- to medium-term investment period reflecting the length of time that the majority of individual investors hold their BNP Paribas shares.

FIVE-YEAR COMPARISON OF AN INVESTMENT IN BNP PARIBAS SHARES WITH THE "LIVRET A" PASSBOOK SAVINGS ACCOUNT AND MEDIUM- TERM GOVERNMENT NOTES

In this calculation, we compare the creation of shareholder value over the same period through investment in BNP then BNP Paribas shares, with two risk-free investments: the "Livret A" passbook savings account offered by the French savings bank network and medium-term French government notes (OAT).

Investment of EUR 100.40 on 1 January 2002 in a "Livret A" passbook account

At the investment date, the official interest rate on Livret A accounts was 3%. The rate was decreased to 2.25% on 1 August 2003 and then to 2% on 1 August 2005. It was revised twice in 2006, on 1 February to 2.25% and 1 August to 2.75%. As at 31 December 2006, the account balance was **EUR 113.61**, representing growth of EUR 13.21, 13.2% of the increase achieved by the BNP Paribas share.

The value created through an investment in BNP Paribas shares, reflecting the additional risk, amounts to **200.41 – 113.61 = EUR 86.80 per share over five years.**

Investment of EUR 100.40 on 1 January 2002 in five-year French government notes

The five-year interest rate (BTAN) on that date was 4.4484%; at the end of each subsequent year, interest income is reinvested in a similar note under the following terms:

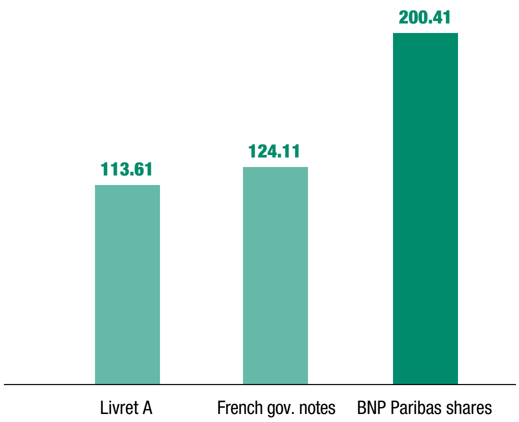
- 3.2489% (BTAN) in January 2003 for four years;
- 3.0106% (BTAN) in January 2004 for three years;
- 2.5006% (BTAN) in January 2005 for two years;
- 2.844% in January 2006 for one year (Euribor).

At the end of five years, the accrued value of the investment is **EUR 124.11**, representing growth of EUR 23.71, less than one-quarter of the increase achieved by the BNP Paribas share.

The additional value created by choosing BNP Paribas shares as the investment vehicle is therefore de 200.41–124.11 = EUR 76.30 per share over five years.

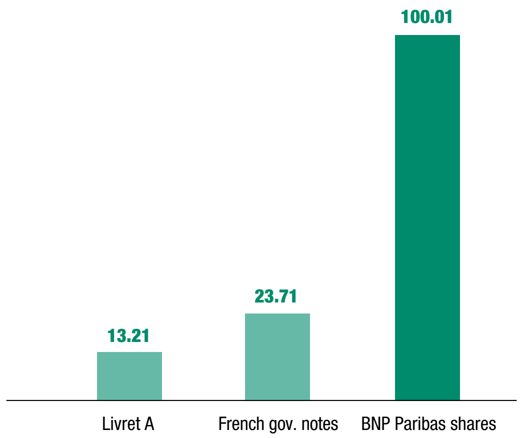
➤ COMPARISON OF GROWTH IN INVESTMENT OF EUR 100.40 OVER 5 YEARS

(in euros)



➤ COMPARATIVE TOTAL YIELDS OVER 5 YEARS FOR AN INVESTMENT OF EUR 100.40

(in euros)



COMMUNICATION WITH SHAREHOLDERS

BNP Paribas endeavours to provide all shareholders with clear, consistent, high-quality information at regular intervals, in accordance with best market practice and the recommendations of stock market authorities.

The Investor Relations team informs institutional investors and financial analysts, in France and abroad, of the Group's strategies, major events concerning the Group's business and, of course, the Group's results which are published quarterly. In 2007 for example, the following dates have been set [(1)]:

- 15 February 2007: publication of the 2006 annual results;
- 9 May 2007: results for the first quarter of 2007;
- 1 August 2007: publication of 2007 half-year results;
- 8 November 2007: results for the third quarter of 2007.

[(1)] *Subject to alteration at a later date.*

Informative briefings are organised several times a year, when the annual and half-year results are released, or on specific topics, providing senior management with an opportunity to present the BNP Paribas Group and its strategy. There is also a Relations Officer responsible for liaising with managers of ethical and socially responsible funds.

The **Individual Shareholder Relations Department** informs and attends to queries of the Group's 620,000 or so individual shareholders *(source: 29 December 2005 TPI survey)*. A half-yearly financial newsletter informs both members of the **Cercle BNP Paribas** and other shareholders of important events concerning the Group, and a summary of the matters discussed during the Annual General Meeting is sent out in July. During the year, senior management presents the Group's policy to individual shareholders at meetings organised in various French cities and towns (for example, in 2006, meetings were held in Bordeaux on 27 June, in Lille on 10 October and in Montpellier on 24 October). Also, BNP Paribas representatives met and spoke with over 1,100 people at the "Actionaria" trade show held in Paris on 17 and 18 November 2006.

The **BNP Paribas website (http://invest.bnpparibas.com)** can be consulted in both French and English. It provides information on the Group, including press releases, key figures and details of significant developments and presentations. All financial documents such as annual reports and reference documents can also be viewed and downloaded. Publications compiled by the Bank's Economic Research unit can be viewed on the website as well. The latest share performance data and comparisons with major indexes are also obviously available on this website, as are webcasts of the Annual General Meeting.

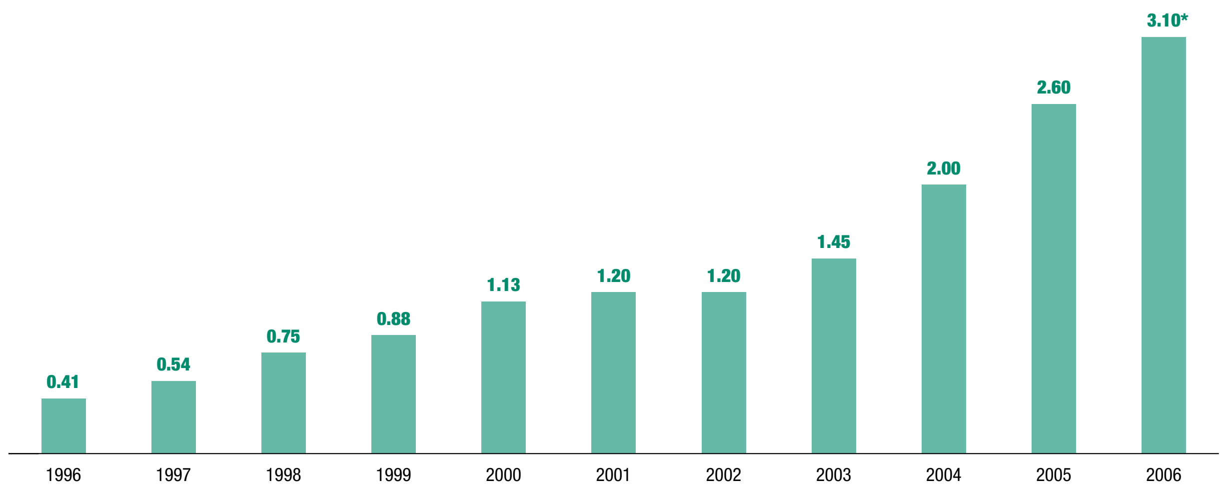
The Investors/Shareholders corner now includes all reports and presentations concerning the Bank's business and strategy, irrespective of the original target audience (individual shareholders, institutional investors, asset managers or financial analysts). The website also has a section entitled "To be a shareholder" which was specifically designed with individual shareholders in mind, offering information tailored to their needs and details of proposed events. In addition, there is a specific section dedicated to the Annual General Meeting of Shareholders which includes information regarding the conditions for attending the meeting, ways of voting, practical questions, as well as a presentation of the resolutions and the complete text of all speeches made by corporate officers.

DIVIDEND

At the 15 May 2007 Annual General Meeting, the Board of Directors will recommend a dividend of EUR 3.10 per share, an increase of 19.2% compared with the 2006 dividend. The dividend will be payable as from 24 May 2007, if approved at the Annual General Meeting.

The total amount of the payout is EUR 2,891.9 million, compared to EUR 2,183.0 million in 2006. The proposed payout rate is 40.3% [(1)].

➤ DIVIDEND GROWTH (IN EUROS PER SHARE)



* *Subject to approval at the Annual General Meeting of 15 May 2007.*
The dividends for the years 1996-2000 have been adjusted to reflect the two-for-one share split carried out on 20 February 2002.

The **Group's objective** is to increase the dividend to reflect growth in income and the optimised management of available capital.

Timeframe for claiming dividends: after five years, any unclaimed dividends will be forfeited and paid to the French Treasury, in accordance with applicable legislation.

(1) *Payout proposed to the Annual General Meeting expressed as a percentage of earnings per share.*

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ANNUAL GENERAL MEETING

The last Annual General Meeting was held on 23 May 2006 on second call. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website where the original live webcast took place. The composition of the quorum and the results of the votes cast were posted online the day after the meeting. In addition, the meeting was written about in the specialist press and a specific letter was sent to shareholders summarising the meeting. The quorum breaks down as follows:

	Number of shareholders	(%)	Number of shares	(%)
Present	1,622	*13.47%*	101,676,399	*29.51%*
Proxy given to spouse or another shareholder	17	*0.14%*	7,631	*nm*
Proxy given to Chairman	6,742	*56.00%*	25,930,772	*7.53%*
Postal votes	3,659	*30.39%*	216,970,911	*62.97%*
TOTAL	**12,040**	**100%**	**344,585,713**	**100%**
				Quorum
Total no. of shares issued excluding treasury stock			**914,962,240**	***37.66%***

All resolutions proposed to the shareholders were approved.

The procedures for BNP Paribas' General Meetings are defined in Article 18 of the Bank's Articles of Association.

The Board of Directors calls an Ordinary General Meeting at least once a year to vote on the agenda set by the Board.

The Board may call Extraordinary General Meetings for the purpose of amending the Articles of Association, and especially to increase the Bank's share capital. Resolutions are adopted by a two-thirds majority of shareholders present or represented.

The Ordinary and Extraordinary General Meeting may be called in a single notice of Meetings and held on the same date. BNP Paribas will hold its next Ordinary and Extraordinary General Meeting on 15 May 2007.

NOTICE OF MEETINGS

- Holders of registered shares are notified by post. The notice of meeting contains the agenda, the draft resolutions and a postal voting form.
- Holders of bearer shares are notified via announcements in the press, particularly investor and financial journals. In addition to legal requirements, BNP sends the following documents aimed at boosting attendance:
  - notices of meetings and a postal voting form for shareholders who own over a certain number of shares (set at 250 shares in 2006); these same documents may also be consulted by all on the website;
  - information letters concerning the Annual General Meeting and the attendance procedures. In 2006, these were sent to all holders of at least 150 bearer shares.

In total, nearly 73,000 of the Bank's shareholders personally received this year the information needed to participate.

In addition, staff at all sales facilities of the BNP Paribas network are specifically trained to provide the necessary assistance and carry out the required formalities.

ATTENDANCE AT MEETINGS

Any holder of shares may gain admittance to Annual and Extraordinary General Meeting, provided that the shares have been recorded in their accounts for at least three days. Holders of bearer shares must in addition present an entry card or certificate stating the ownership of the shares.

VOTING

Shareholders who are unable to attend a General Meeting may complete and return to BNP Paribas the postal voting form/proxy enclosed with the notice of meeting. This document enables them to either:

- vote by post;
- give proxy to their spouse or another shareholder, individual or legal entity;
- give the proxy to the Chairman of the Meeting or indicate no proxy.

Shareholders or their proxies present at the Meeting are given the necessary equipment to cast their votes. Since the General Meeting of 13 May 1998, BNP Paribas has used an electronic voting system.

Since the Meeting of 28 May 2004, shareholders can use a dedicated, secure internet server to send all the requisite attendance documents prior to Annual General Meeting (http://gisproxy.bnpparibas.com).

DISCLOSURE THRESHOLDS

In addition to the legal thresholds, and in accordance with Article 5 of the Bank's Articles of Association, any shareholder, whether acting alone or in concert, who comes to hold directly or indirectly at least 0.5% of the capital or voting rights of BNP Paribas, or any multiple of that percentage up to 5%, is required to notify BNP Paribas by registered letter with return receipt.

Once the 5% threshold is reached, shareholders are required to disclose any increase in their interest representing a multiple of 1% of the capital or voting rights of BNP Paribas.

The disclosures provided for in the above two paragraphs are also required in cases where a shareholder's interest falls below any of the above thresholds.

In the case of failure to comply with these disclosure requirements, the undisclosed shares will be stripped of voting rights at the request of one or more shareholders who hold a combined interest of at least 2% of the capital or voting rights of BNP Paribas.

2 CORPORATE GOVERNANCE

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2.1 Board of Directors

MEMBERSHIP OF THE BOARD OF DIRECTORS

Michel PEBEREAU
Principal function [1]: Chairman of the BNP Paribas Board of Directors

Elected on 23 May 2006. *Term expires at the* 2009 AGM
First elected to the Board on 14 May 1993

Born on 23 January 1942
Number of BNP Paribas shares held [2]: 121,006
Office address: 3, rue d'Antin,
75002 Paris, France

Functions at 31 December 2006 [1]
Director of: Lafarge, Compagnie de Saint-Gobain, Total, *Pargesa Holding SA (Switzerland)*
Member of the Supervisory Board of: Axa, *Banque Marocaine pour le Commerce et l'Industrie (Morocco)*
Non-voting director of: *Société Anonyme des Galeries Lafayette*
Chairman of: *European Banking Federation, Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris, Supervisory Board of Institut Aspen France, Institut de l'Entreprise*
Member of *the Executive Committee of: Mouvement des Entreprises de France, Haut Conseil de l'Éducation, European Financial Round Table, Institut International d'Études 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)*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:
Chairman of the Board Directors of BNP Paribas
Director of: Lafarge, Compagnie de Saint-Gobain, Total, Pargesa Holding SA (Switzerland)
Member of the Supervisory Board of: Axa
Non-voting director of: Société Anonyme des Galeries Lafayette
Chairman of: European Banking Federation, Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris, Supervisory Board of Institut Aspen France, Institut de l'Entreprise
Member of: Haut Conseil de l'Education, Institut International d'Études Bancaires, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Monetary Conference, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)

2004:
Chairman of the Board Directors of BNP Paribas
Director of: Lafarge, Compagnie de Saint-Gobain, Total
Member of the Supervisory Board of: Axa
Non-voting director of: Société Anonyme des Galeries Lafayette
Chairman of: European Banking Federation, Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris, Supervisory Board of Institut Aspen France
Member of: International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Monetary Conference, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)

2003:
Chairman of the Board Directors of BNP Paribas
Director of: Lafarge, Compagnie de Saint-Gobain, Total
Member of the Supervisory Board of: Axa
Non-voting director of: Société Anonyme des Galeries Lafayette
Chairman of: Association Française des Banques, Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris
Member of: International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Monetary Conference

2002:
Chairman and Chief Executive Officer of BNP Paribas
Director of: Lafarge, Compagnie de Saint-Gobain, Total
Member of the Supervisory Board of: Axa, Dresdner Bank AG (Germany)
Non-voting director of: Société Anonyme des Galeries Lafayette
Chairman of: Fédération Bancaire Française, Forecasting Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris
Member of: International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Monetary Conference

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

Patrick AUGUSTE
Principal function [1]: Real estate project manager

Director elected to a three-year term by BNP Paribas executive employees on 7 March 2006 *First elected to the Board on* 14 December 1993 Born on 18 June 1951 *Number of BNP Paribas shares held* [2]: 33 *Office address*: 14, rue Bergère, 75009 Paris, France	**Functions at 31 December 2006** [1] None

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
None	None	None	None

Claude BEBEAR
Principal function [1]: Chairman of the Supervisory Board of Axa

Elected on 23 May 2006. *Term expires at the* 2009 AGM *First elected to the Board on* 23 May 2000 Born on 29 July 1935 *Number of BNP Paribas shares held* [2]: 3,074 *Office address:* 25, avenue Matignon, 75008 Paris, France	**Functions at 31 December 2006** [1] **Chairman and Chief Executive Officer of:** Finaxa (Finaxa merged into Axa on 16 December 2005) **Director of:** *Axa Assurances Iard Mutuelle, Axa Assurances Vie Mutuelle* **Member of the Supervisory Board of:** Vivendi **Non-voting director of:** *Schneider Electric* **Chairman of:** *Institut du Mécénat de Solidarité, Institut Montaigne* **Member of:** *International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua School of Economics and Management, Beijing (China)*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman of the Supervisory Board of: Axa **Chairman and Chief Executive Officer of:** Finaxa (Finaxa merged into Axa on 16 December 2005) **Member of the Supervisory Board of:** Vivendi Universal **Non-voting director of:** Schneider Electric **Chairman of:** Institut du Mécénat de Solidarité, Institut Montaigne **Member of:** International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua School of Economics and Management, Beijing (China)	**Chairman of the Supervisory Board of:** Axa **Chairman and Chief Executive Officer of:** Finaxa **Director of:** Vivendi Universal **Non-voting director of:** Schneider Electric **Chairman of:** Institut du Mécénat de Solidarité, Institut Montaigne **Member of:** International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua School of Economics and Management, Beijing (China)	**Chairman of the Supervisory Board of:** Axa **Chairman and Chief Executive Officer of:** Finaxa **Director of:** Schneider Electric, Vivendi Universal, Lor Patrimoine **Chairman of:** Institut du Mécénat de Solidarité, Institut Montaigne **Member of:** International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua School of Economics and Management, Beijing (China) **Member of the Board of Directors of:** Association de Genève	**Chairman of the Supervisory Board of:** Axa **Chairman and Chief Executive Officer of:** Finaxa **Director of:** Schneider Electric, Vivendi Universal, Lor Patrimoine **Chairman of:** Institut du Mécénat de Solidarité, Institut Montaigne **Member of:** International Advisory Panel of the Monetary Authority of Singapore, International Advisory Board of Tsinghua School of Economics and Management, Beijing (China) **Member of the Board of Directors of:** Association de Genève

(1) *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
(2) *At 31 December 2006.*

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Jean-Louis BEFFA
Principal function [1]: Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

Elected on 23 May 2006. *Term expires at the* 2009 AGM
First elected to the Board on 22 October 1986

Born on 11 August 1941
Number of BNP Paribas shares held [2]: 3,956
Office address: « Les Miroirs »
18, avenue d'Alsace
92096 Paris-La Défense Cedex,
France

Functions at 31 December 2006 [1]
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 (USA)*
Permanent representative: Saint-Gobain PAM
Chairman of the Supervisory Board of: *AII (Agence de l'Innovation Industrielle)*
Member of the Supervisory Board of: Le Monde SA, *Le Monde Partenaire AS (SAS), Société Éditrice du Monde (SAS)*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Vice-Chairman of the Board of Directors of BNP Paribas **Chairman and Chief Executive Officer of** Compagnie de Saint-Gobain **Chairman of** Claude Bernard Participations **Director of:** Gaz de France, Groupe Bruxelles Lambert (Belgium) **Chairman of the Supervisory Board of** AII (Agence de l'Innovation Industrielle) **Member of the Supervisory Board of:** Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)	**Vice-Chairman of the Board of Directors of** BNP Paribas **Chairman and Chief Executive Officer of** Compagnie de Saint-Gobain **Chairman of** Claude Bernard Participations **Director of:** Gaz de France, Groupe Bruxelles Lambert (Belgium) **Member of the Supervisory Board of:** Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)	**Vice-Chairman of the Board of Directors of** BNP Paribas **Chairman and Chief Executive Officer of** Compagnie de Saint-Gobain **Chairman of** Claude Bernard Participations **Director of:** Groupe Bruxelles Lambert (Belgium) **Member of the Supervisory Board of:** Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)	**Vice-Chairman of the Board of Directors of** BNP Paribas **Chairman and Chief Executive Officer of** Compagnie de Saint-Gobain **Chairman of** Claude Bernard Participations **Director of:** Groupe Bruxelles Lambert (Belgium) **Member of the Supervisory Board of:** Le Monde SA, Le Monde Partenaire AS (SAS), Société Editrice du Monde (SAS)

Gerhard CROMME
Principal function [1]: *Chairman of the Supervisory Board of ThyssenKrupp AG*

Elected on 18 May 2005. *Term expires at the* 2008 AGM
First elected to the Board on 21 March 2003

Born on 25 February 1943
Number of BNP Paribas shares held [2]: 400
Office address: August-Thyssen-Strasse 1
Postfach 10 10 10
40001 Düsseldorf, Germany

Functions at 31 December 2006 [1]
Member of the Supervisory Board of: *Allianz AG (Germany), Axel Springer AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Siemens AG (Germany)*
Director of: Compagnie de Saint-Gobain, Suez
Chairman of: *German Governmental Commission on Corporate Governance*
Member of: *European Round Table of Industrialists (ERT)*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman of the Supervisory Board of ThyssenKrupp AG **Director of:** Compagnie de Saint-Gobain, Suez **Member of the Supervisory Board of:** Allianz AG (Germany), Axel Springer AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Hochtief AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany) **Chairman of:** German Governmental Commission on Corporate Governance **Member of:** European Round Table of Industrialists (ERT)	**Chairman of the Supervisory Board of** ThyssenKrupp AG **Director of:** Suez **Member of the Supervisory Board of:** Allianz AG (Germany), Axel Springer AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany),E.ON Ruhrgas AG (Germany), Hochtief AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany) **Chairman of:** German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)	**Chairman of the Supervisory Board of** ThyssenKrupp AG **Director of:** Suez **Member of the Supervisory Board of:** Allianz AG (Germany), Axel Springer Verlag AG (Germany), Deutsche Lufthansa AG (Germany), E.ON AG (Germany), Ruhrgas AG (Germany), Siemens AG (Germany), Volkswagen AG (Germany) **Chairman of:** German Governmental Commission on Corporate Governance, European Round Table of Industrialists (ERT)	

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

Jean-Marie GIANNO
Principal function (1): Sales associate

Director elected to a three-year term by BNP Paribas employees on 7 March 2006 *First elected to the Board on* 15 March 2004 (Jean-Marie Gianno was an employee representative on the Board of Banque Nationale de Paris from 1993 to 1999)	**Functions at 31 December 2006 (1)** **Member of:** *Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI), "Confrontation" (a European think tank)*
Born on 7 September 1952 *Number of BNP Paribas shares held (2):* 10 *Office address:* 21, avenue Jean-Médecin, 06000 Nice, France	

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004: None	2003:	2002:
Member of: Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI), "Confrontation" (a European think tank)			

François GRAPPOTTE
Principal function (1): *Honorary Chairman of Legrand, Director of companies*

Elected on 18 May 2005. *Term expires at the* 2008 AGM *First elected to the Board on* 4 May 1999	**Functions at 31 December 2006 (1)** **Director of:** Legrand, Legrand France, Valeo **Member of the Supervisory Board of** Michelin **Member of:** *Advisory Committee of Banque de France*
Born on 21 April 1936 *Number of BNP Paribas shares held (2):* 2,537 *Office address:* 128, avenue De-Lattre-de-Tassigny, 87045 Limoges, France	

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman of the Board of Directors of Legrand **Member of the Supervisory Board of** Michelin **Director of** Valeo **Member of:** Advisory Committee of Banque de France, Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens), Bureau de la F.I.E.E.C. (Fédération des Industries Électriques, Électroniques et de Communication), Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)	**Chairman of the Board of Directors of** Legrand **Member of the Supervisory Board of:** Galeries Lafayette, Michelin **Director of** Valeo **Member of:** Advisory Committee of Banque de France, Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens), Bureau de la F.I.E.E.C. (Fédération des Industries Électriques, Électroniques et de Communication), Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)	**Chairman and Chief Executive Officer of** Legrand **Director of** Valeo **Member of the Supervisory Board of** Michelin **Member of:** Advisory Committee of Banque de France, Bureau de la F.I.E.E.C. (Fédération des Industries Électriques, Électroniques et de Communication)	**Chairman and Chief Executive Officer of** Société Legrand **Director of** Fimep **Member of the Supervisory Board of** Michelin **Member of:** Advisory Committee of Banque de France, Bureau de la F.I.E.E.C. (Fédération des Industries Électriques, Électroniques et de Communication)

Alain JOLY
Principal function (1): Director of Air Liquide

Elected on 23 May 2006. *Term expires at the* 2009 AGM *First elected to the Board on* 28 June 1995	**Functions at 31 December 2006 (1)** **Director of:** Lafarge
Born on 18 April 1938 *Number of BNP Paribas shares held (2):* 5,227 *Office address:* 75, quai d'Orsay, 75007 Paris, France	

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman of the Supervisory Board of Air Liquide **Director of** Lafarge	**Chairman of the Supervisory Board of** Air Liquide **Director of** Lafarge	**Chairman of the Supervisory Board of** Air Liquide **Director of** Lafarge	**Chairman of the Supervisory Board of** Air Liquide **Director of** Lafarge

(1) *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
(2) *At 31 December 2006.*

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Denis KESSLER
Principal function [1]: Chairman and Chief Executive Officer of Scor

Elected on 23 May 2006. *Term expires at the* 2009 AGM
First elected to the Board on 23 May 2000

Born on 25 March 1952
Number of BNP Paribas shares held [2]*:* 1,194
Office address: Immeuble Scor
1, avenue du Général-De-Gaulle
92074 Paris-La Défense Cedex

Functions at 31 December 2006 [1]
Chairman of: Scor Global Life, *Scor Italia Riassicurazioni S.p.a. (Italy), Scor Life US Re Insurance (USA), Scor Reinsurance Company (USA), Scor US Corporation (USA)*
Director of: Bolloré Investissement SA, Dassault Aviation, *Amvescap Plc (United Kingdom), Cogedim SAS, Dexia SA (Belgium), Scor Canada Reinsurance Company (Canada)*
Member of the Supervisory Board of *Scor Deutschland (Germany)*
Permanent representative of *Fergascor in* SA Communication & Participation
Non-voting director of: *FDC SA, Gimar Finance & Cie SCA*
Member of: *Commission Économique de la Nation, Conseil Économique et Social, Conseil d'administration du Siècle, Association de Genève, Comité des Entreprises d'Assurance*
Global Counsellor of the Conference Board

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman and Chief Executive Officer of Scor **Chairman of** Scor Vie **Director of:** Bolloré Investissement SA, Dassault Aviation, Amvescap Plc (United Kingdom), Cogedim SAS, Dexia SA (Belgium) **Permanent representative of** Fergascor in SA Communication & Participation **Non-voting director of:** FDC SA, Gimar Finance & Cie **Member of:** Commission Économique de la Nation, Conseil Économique et Social, Conseil d'administration du Siècle, Association de Genève, Comité des Entreprises d'Assurance	**Chairman and Chief Executive Officer of** Scor **Chairman of** Scor Vie **Director of:** Bolloré Investissement SA, Dassault Aviation, Amvescap Plc (United Kingdom), Cogedim SAS, Dexia (Belgium) **Permanent representative of** Fergascor in SA Communication & Participation **Non-voting director of:** FDC SA, Gimar Finance & Cie **Member of:** Commission Économique de la Nation, Conseil Économique et Social, Conseil d'administration du Siècle, Association de Genève	**Chairman and Chief Executive Officer of** Scor **Chairman of** Scor Vie **Director of:** Bolloré Investissement SA, Dassault Aviation, Amvescap Plc (United Kingdom), Cogedim SAS, Dexia (Belgium) **Non-voting director of:** FDC SA, Gimar Finance & Cie **Member of:** Commission Économique de la Nation, Conseil Économique et Social, Conseil d'administration du Siècle, Association de Genève	**Chairman and Chief Executive Officer of** Scor **Chairman of** Scor Vie **Director of:** Bolloré Investissement SA, Dexia (Belgium), Cogedim SAS, Amvescap Plc (United Kingdom) **Member of the Supervisory Board of** Cetelem **Non-voting director of:** FDC SA, Gimar Finance & Cie **Chairman of the Scientific Council of** l'Association de Genève Vice-Chairman of Société d'Économie Politique **Member of:** Commission Économique de la Nation, Conseil Économique et Social, Conseil National des Assurances, Conseil d'administration du Siècle, Association de Genève

Jean-François LEPETIT

Elected on 18 May 2005. *Term expires at the* 2008 AGM
First elected to the Board on 5 May 2004

Born on 21 June 1942
Number of BNP Paribas shares held [2]: 825
Office address: 24, rue Saint-Nom
78112 Fourqueux, France

Functions at 31 December 2006 [1]
Associate Professor *at EDHEC business school*
Member *of the Board of QFCRA (Qatar Financial Center Regulatory Authority), Doha*
Director of: *Smart Trade Technologies S.A, Shan S.A.*
Chairman of *the Advisory Board of EDHEC Desk and Asset Management Research Center*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Director of Smart Trade Technologies SA			

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

Laurence PARISOT **Principal function** [1]**: Chairman of Mouvement des Entreprises de France (MEDEF)**	
Elected on 23 May 2006. *Term expires at the* 2009 AGM *First elected to the Board on* 23 May 2006 Born on 31 August 1959 *Number of BNP Paribas shares held:* 360 (acquired in February 2007) *Office address:* 6/8, rue Eugène-Oudiné 75013 Paris, France	**Functions at 31 December 2006** [1] **Chairman of the Board of Directors of** IFOP S.A. **Member of the Supervisory Board of** Michelin

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:

Hélène PLOIX **Principal function** [1]**:** *Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS*	
Elected on 18 May 2005. *Term expires at the* 2008 AGM *First elected to the Board on* 21 March 2003 Born on 25 September 1944 *Number of BNP Paribas shares held* [2]*:* 771 *Office address:*162, rue du Faubourg-Saint-Honoré 75008 Paris, France	**Functions at 31 December 2006** [1] **Director of:** Lafarge, *Boots Group plc (United Kingdom), Ferring S.A (Switzerland)* **Member of the Supervisory Board of** Publicis **Representative of Pechel Industries for:** *Aquarelle.com Group, CAE International, CVBG-Dourthe Kressman, Pechel Services SAS, Quinette Gallay* **Representative of Pechel Industries Partenaires SAS** (management company for the Pechel Industries II fund) on **the Board of Directors** *of SVP Management et Participations* **Legal Manager of:** *Hélène Ploix SARL, Hélène Marie Joseph SARL, Sorepe Société Civile* **Member of** *the Investment Committee of the United Nations Personnel Pension Fund*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS **Director of:** Lafarge, Boots Group plc (United Kingdom), Ferring S.A (Switzerland) **Member of the Supervisory Board of** Publicis **Representative of** Pechel Industries for various companies Legal Manager of Hélène Ploix SARL, Hélène Marie Josèph SARL, Sorepe Société Civile **Member of** the Investment Committee of the United Nations Personnel Pension Fund	**Chairman of** Pechel Industries SAS and Pechel Industries Partenaires SAS **Director of:** Lafarge, Boots Group plc (United Kingdom), Ferring S.A (Switzerland) **Member of the Supervisory Board of** Publicis **Representative of** Pechel Industries for various companies **Legal Manager of** Hélène Ploix SARL **Member of** the Investment Committee of the United Nations Personnel Pension Fund	**Chairman of** Pechel Industries SAS **Director of:** Lafarge, Boots Group plc (United Kingdom), Ferring S.A (Switzerland) **Member of the Supervisory Board of** Publicis **Representative of** Pechel Industries for various companies **Legal Manager of** Hélène Ploix SARL **Ad hoc Member of** the Investment Committee of the United Nations Personnel Pension Fund	

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

Baudouin PROT
Principal function [1]: Director and Chief Executive Officer of BNP Paribas

Elected on 18 May 2005. *Term expires at the* 2008 AGM *First elected to the Board on* 7 March 2000 Born on 24 May 1951 *Number of BNP Paribas shares held* [2]: 45,587 *Office address:* 3, rue d'Antin 75 002 Paris, France	**Functions at 31 December 2006** [1] **Director of:** Accor, Pinault-Printemps-Redoute, Veolia Environnement, *Banca Nazionale del Lavoro (Italy), Erbé SA (Belgium), Pargesa Holding SA (Switzerland)* **Chairman of** *Association Française des Banques*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Director and Chief Executive Officer of BNP Paribas **Director of:** Pinault-Printemps-Redoute, Veolia Environnement, Erbé SA (Belgium), Pargesa Holding SA (Switzerland) **Permanent representative of BNP Paribas** on the Supervisory Board of: Accor **Chairman of** Fédération Bancaire Française	**Director and Chief Executive Officer of** BNP Paribas **Director of:** Veolia Environnement, Erbé (Belgium), Pargesa (Belgium) **Member of the Supervisory Board of:** Pinault-Printemps-Redoute **Permanent representative of BNP Paribas** on the Supervisory Board of Accor	**Director and Chief Executive Officer of** BNP Paribas **Director of:** Pechiney, Veolia Environnement **Member of the Supervisory Board of:** Pinault-Printemps-Redoute, Fonds de Garantie des Dépôts **Permanent representative of BNP Paribas** on the Supervisory Board of Accor	**Director and Chief Operating Officer of** BNP Paribas **Director of:** Péchiney, Euro Securities Partners **Member of the Supervisory Board of:** Pinault-Printemps-Redoute, Fonds de Garantie des Dépôts **Permanent representative of BNP Paribas** on the Board of Accor

Louis SCHWEITZER
Principal function [1]: Chairman of the Board of Directors of Renault

Elected on 28 May 2004. *Term expires at the* 2007 AGM *First elected to the Board on* 14 December 1993 Born on 8 July 1942 *Number of BNP Paribas shares held* [2]: 6,255 *Office address:* 860, quai de Stalingrad 92109 Boulogne-Billancourt Cedex, France	**Functions at 31 December 2006** [1] **Chairman of the Board of Directors of** *AstraZeneca Plc (United Kingdom)* **Vice-Chairman of the Supervisory Board of** *Philips (Netherlands)* **Director of:** Electricité 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 Advisory Committee of:** *Banque de France, Allianz (Germany)* **Member of the Board of:** *Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
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 Advisory Committee of:** Banque de France, Allianz (Germany) **Member of the Board of:** Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly	**Chairman and Chief Executive Officer of** Renault **Chairman of the Management Board of** Renault-Nissan BV (Netherlands) **Director of:** Electricité de France, Veolia Environnement, AB Volvo (Sweden), AstraZeneca (United Kingdom) **Member of the Supervisory Board of:** Philips (Netherlands) **Member of the Advisory Committee of:** Banque de France, Allianz (Germany) **Member of the Board of:** Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre, Musée du Quai Branly	**Chairman and Chief Executive Officer of** Renault **Chairman of the Management Board of** Renault-Nissan BV (Netherlands) **Director of:** AB Volvo (Sweden), Electricité de France, Veolia Environnement **Member of the Supervisory Board of:** Philips (Netherlands) **Member of the Advisory Committee of:** Banque de France, Allianz (Germany) **Member of the Board of:** Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre	**Chairman and Chief Executive Officer of** Renault **Chairman of the Management Board of** Renault-Nissan BV (Netherlands) **Director of:** AB Volvo (Sweden), Electricité de France **Member of the Supervisory Board of:** Philips (Netherlands) **Member of the Advisory Committee of:** Banque de France, Allianz (Germany) **Member of the Board of:** Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Louvre

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

OTHER CORPORATE OFFICERS

Georges CHODRON DE COURCEL
Principal function [1]: Chief Operating Officer of BNP Paribas

Born on 20 May 1950 *Number of BNP Paribas shares held [2]:* 18,000 *Office address:* 3 rue d'Antin 75002 Paris, France	**Functions at 31 December 2006 [1]** **Chairman of:** *BNP Paribas Emergis SAS, Compagnie d'Investissement de Paris SAS, Financière BNP Paribas SAS, BNP Paribas (Suisse) SA (Switzerland), BNP Paribas UK Holdings Limited (United Kingdom)* **Director of:** Alstom, Bouygues, Société Foncière, Financière et de Participations SA, Nexans, *Banca Nazionale del Lavoro (Italy), BNP Paribas ZAO (Russia), Erbé SA (Belgium), Verner Investissements SAS* **Member of the Supervisory Board of** *Lagardère SCA* **Non-voting director of:** *Exane, Safran, Scor SA*

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chief Operating Officer of BNP Paribas **Director of:** Alstom, Bouygues, Société Foncière, Financière et de Participations SA, Nexans, Erbé SA (Belgium) **Member of the Supervisory Board of** Lagardère SCA **Non-voting director of:** Safran, Scor SA, Scor Vie	**Chief Operating Officer of** BNP Paribas **Director of:** Alstom, Bouygues, Nexans, Erbé SA (Belgium) **Member of the Supervisory Board of:** Lagardere SCA, Sagem SA **Non-voting director of:** Scor SA, Scor Vie	**Chief Operating Officer of** BNP Paribas **Director of:** Alstom, Bouygues, Nexans **Member of the Supervisory Board of** Lagardère SCA **Non-voting director of** Scor SA	

Jean CLAMON
Principal function [1]: Chief Operating Officer of BNP Paribas

Born on 10 September 1952 *Number of BNP Paribas shares held [2]:* 51,278 *Office address:* 3, rue d'Antin 75002 Paris, France	**Functions at 31 December 2006 [1]** **Director of:** Arval Service Lease, BNP Paribas Lease Group, *Banca Nazionale del Lavoro (Italy), Cassa di Risparmio di Firenze (Italy), Cetelem, Compagnie Nationale à Portefeuille (Belgium), Erbé SA (Belgium), Partecis* **Member of the Supervisory Board of:** Galeries Lafayette, *Euro Securities Partners SAS* **Representative of BNP Paribas on the Board of** UCB

Functions at previous year-ends
(the companies listed are the parent companies of the groups in which the functions were carried out)

2005:	2004:	2003:	2002:
Chief Operating Officer of BNP Paribas **Director of:** Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Erbé SA (Belgium), **Member of the Supervisory Board of:** Galeries Lafayette, Euro Securities Partners SAS	**Chief Operating Officer of** BNP Paribas **Director of:** Euro Securities Partners, Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Erbé (Belgium), **Member of the Supervisory Board of** Fonds de Garantie des Dépôts	**Chief Operating Officer of** BNP Paribas **Director of:** Euro Securities Partners, Cassa di Risparmio di Firenze (Italy), Compagnie Nationale à Portefeuille (Belgium), Erbé (Belgium)	

[1] *Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.*
[2] *At 31 December 2006.*

Corporate officers belonging to the Bank's senior leadership are prohibited from selling their shares in the three-month period following the end of their term of office.

There are currently no service contracts granting benefits between a member of the Board of Directors and BNP Paribas SA or any of its subsidiaries.

REMUNERATION

REMUNERATION AND BENEFITS PAID TO CORPORATE OFFICERS IN 2006

See note 8.f.3 to the financial statements.

Remuneration paid in 2006 *(2005 figures in italics)*	Type of remuneration			Directors' fees paid by Group companies	Benefits in kind	Total remunerations [5]
(in euros)	Fixed	Variable	Deferred [1]			
Michel PEBEREAU	**700,000**	**1,081,601**	**385,414**	**29,728**	**4,609**	**2,201,352**
Chairman of the Board of Directors	*(700,000)*	*(831,553)*	*(342,062)*	*(29,728)*	*(4,816)*	*(1,908,159)*
Baudouin PROT	**883,333**	**1,817,599** [2]	**325,940**	**120,078**	**5,227**	**3,152,177**
Chief Executive Officer	*(788,333)*	*(1,171,274)*	*(234,982)*	*(91,024)*	*(4,930)*	*(2,290,543)*
Georges CHODRON DE COURCEL	**500,000**	**1,316,247** [3]	**323,920**	**112,548**	**4,274**	**2,256,989**
Chief Operating Officer	*(491,667)*	*(943,518)*	*(258,985)*	*(89,230)*	*(4,303)*	*(1,787,703)*
Jean CLAMON	**460,000**	**567,370** [4]	**120,130**	**92,008**	**4,703**	**1,244,211**
Chief Operating Officer	*(455,000)*	*(406,970)*	*(102,640)*	*(92,297)*	*(4,703)*	*(1,061,610)*

(1) *Corresponding to the transfer of the final third of the deferred bonus awarded in 2002 in the form of BNP Paribas shares, to the second third of the 2003 deferred bonus in shares and to the first third of the 2004 deferred bonus in cash.*

(2) *Baudoin Prot's variable remuneration in respect of 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 in respect of 2005, paid in 2006, was reduced by EUR 89,230 corresponding to directors' fees received in 2005.*

(4) *Jean Clamon's variable remuneration in respect of 2005, paid in 2006, was reduced by EUR 114,228 corresponding to directors' fees received in 2005.*

(5) *The average payroll tax rate on these remunerations was 30.7% in 2006 (versus 35.8% in 2005).*

DIRECTORS' FEES

See Report of the Chairman (page 45).

INFORMATION ON STOCK OPTION PLANS

Employees other than corporate officers receiving/exercising the highest number of options:

	Number of options granted/exercised	Weighted average exercise price *(in euros)*	Date of grant	
Options granted in 2006 *(10 largest grants)*	357,000	75.25	05/04/2006	
Options exercised in 2006 *(10 employees)*	624,024	39.37	13/05/1998	*14,126*
			17/11/1998	*171,188*
			03/05/1999	*16,999*
			22/12/1999	*157,181*
			15/05/2001	*264,530*

SUMMARY TABLE OF TRANSACTIONS ON BNP PARIBAS STOCK REPORTED BY KEY INDIVIDUALS

Transactions on BNP Paribas stock carried out in 2006 by the corporate officers and other individuals listed in article L. 621-8-2 of the Monetary and Financial Code, and in articles 222-14 to 222-15-3 of the General Regulation of AMF:

Name Function	Transactions carried out	Type of financial instrument	Nature of the transaction	Number of transactions	Amount of the transactions *(in euros)*
BEFFA Jean-Louis Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 391 shares	1	25,571.40
	By a related party	BNP Paribas shares	Purchase of 6 shares	1	392.40
JOLY Alain Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 415 shares	4	27,141.00
	By a related party	BNP Paribas shares	Purchase of 60 shares	1	3,924.00
PEBEREAU Michel * Chairman of the Board Directors of BNP Paribas	Personally	BNP Paribas shares	Purchase of 11,000 shares	1	719,400.00
		BNP Paribas shares	Sale of 54,549 shares	4	4,295,570.10
	By a related party	BNP Paribas shares	Purchase of 18 shares	1	1,177.20
PROT Baudouin * Director and Chief Executive Officer of BNP Paribas	Personally	BNP Paribas shares	Purchase of 4,145 shares	1	271,083.00
	By a related party	BNP Paribas shares	Purchase of 2,563 shares	3	167,620.20
		BNP Paribas shares	Sale of 7,000 shares	3	576,100.00
CHODRON DE COURCEL Georges * Chief Operating Officer of BNP Paribas	Personally	BNP Paribas shares	Sale of 81,040 shares	5	6,026,431.70
		Certificates of preemptive rights	Sale of 15,000 certificates	1	10,050.00
CLAMON Jean * Chief Operating Officer of BNP Paribas	Personally	BNP Paribas shares	Purchase of 2,456 shares	1	160,622.40
		BNP Paribas shares	Sale of 106,774 shares	8	8,373,333.04
LEPETIT Jean-François Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 75 shares	1	4,905.00
		BNP Paribas shares	Exercise of 6,500 stock-options	1	240,175.00
		BNP Paribas shares	Sale of 6,500 shares	1	505,700.00
GRAPPOTTE François Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 237 shares	1	15,499.80
PLOIX Hélène Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 71 shares	1	4,643.40
SCHWEITZER Louis Director of BNP Paribas	Personally	BNP Paribas shares	Purchase of 425 shares	1	27,795.00

* *Excluding the exercise of stock-options, details of which are listed in note 8.f.3 to the financial statements.*

Specific information on these transactions is available on the AMF website, according to the statements filed by the directors.

2.2 Report of the Chairman

CORPORATE GOVERNANCE AT BNP PARIBAS

The following information has been prepared in accordance with article L. 225-37, paragraph 6 of the French Code de Commerce.

It makes reference to article 221-8 of the General Regulation of AMF, the French Financial Markets Authority, (hereafter "AMF GR") and, if appropriate, to Appendix 1 of European Commission Regulation n°.809/2004 (hereafter "EC 809/2004") as well as to the "Guide to preparing Registration documents" published on 27 January 2006 by AMF.

The corporate governance system with which this document is concerned has been described in "The Corporate Governance of Listed Corporations", published in October 2003 by the French employers' organisations AFEP *(Association française des entreprises privées)* and MEDEF *(Mouvement des entreprises de France)* and hereafter called "AFEP-MEDEF 2003".

This report also refers, where appropriate and for information purposes, to the document entitled "Enhancing Corporate Governance for Banking Organisations" published in February 2006 by the Basel Committee on Banking Supervision (hereafter "Basel Committee").

1. CONDITIONS FOR THE PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD

The Board of Directors' Internal Rules

- The internal rules define and determine conditions for the preparation and organisation of the work of the Board [1]. These rules were adopted in 1997 by the Board of the former BNP and are regularly updated to comply with legal requirements, regulations and French corporate governance guidelines and to keep pace with corporate governance best practices recognised as being in the best interests of both shareholders and the Bank.
- The internal rules set out [2] the terms of reference of the Board of Directors [3]; they describe the manner in which meetings are organised and the procedures for informing directors and for carrying out the periodic assessment of the Board's performance. They describe the terms of reference of the various Committees of the Board, their composition, the manner in which they function and the conditions relating to the payment of directors' fees. They provide guidelines concerning the conduct expected of a director of BNP Paribas. The main provisions of the internal rules are provided for information purposes in the report in the various sections to which they relate.
- According to the internal rules, the Board of Directors [4] is a collegial body that collectively represents all shareholders and acts at all times in the corporate interests of the Bank. It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.
- Based on proposals submitted by the Chief Executive Officer, the Board draws up the BNP Paribas business strategy [5] and monitors its implementation. It examines any and all issues related to the efficient running of the business, and makes any and all business decisions.
- It may decide to either combine or separate the functions of Chairman and Chief Executive Officer [6]. It appoints corporate officers. It proposes the appointment of directors for three-year terms. It may decide to limit the powers of the Chief Executive Officer. It approves the draft of the Chairman's report presented along with the management report.
- The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its accounts, review and approve the financial statements and ensure that the information disclosed to shareholders and financial markets is of a high quality [7].

Separation of the functions of Chairman and Chief Executive Officer

- At the Annual General Meeting held on 14 May 2003 [8], the Chairman announced the Board's intention to separate the functions of Chairman and Chief Executive Officer within BNP Paribas. This decision brought the Group into line with corporate governance best practice, while at the same time ensuring a smooth and transparent handover of the Chief Executive role.
- The Chairman organises and directs the work of the Board, and ensures that the corporate decision-making bodies of BNP Paribas operate effectively. Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for

(1) *In accordance with EC 809/2004 and the AMF "Guide to preparing Documents de référence" of 27 January 2006.*

(2) *Ibid.*

(3) *Of which "substantial" extracts are provided in the boxed texts (as recommended by the AMF report of 22 January 2007).*

(4) *AFEP-MEDEF 2003 (1.1 and 5).*

(5) *AFEP-MEDEF 2003 (1.2).*

(6) *AFEP-MEDEF 2003 (1.2 and 1.3).*

(7) *AFEP-MEDEF 2003 (1.2).*

(8) *AFEP-MEDEF 2003 (3).*

example, major clients and government authorities both domestically and internationally. He has no executive responsibilities.

- The Chief Executive Officer has the broadest powers to act in the Bank's name under all circumstances (see "Limitation of the powers of the Chief Executive Officer"). He has authority over the entire Group, including heads of core businesses, business lines, territories and Group functions. He is also responsible for Internal Control systems and procedures, and for all the statutory information in the report on Internal Control.

The Board of Directors and Annual General Meetings

- The organisation and running of Annual General Meetings are described in the "Shareholder information" section of the Registration document [1].
- At the Annual General Meeting of 23 May 2006, the Chairman pointed out that nearly the entire membership of the Board of Directors was in attendance, with only one exception. Laurence Parisot, whose appointment as a director was subject to the shareholders' vote, was also present.

Membership of the BNP Paribas Board of Directors

- Following the Annual General Meeting of 23 May 2006 and the elections held on 21 February and 7 March 2006 by which the directors appointed by employees were chosen, the Board of Directors had fifteen members, thirteen elected by shareholders and two elected by employees. There were no non-voting directors.
- Following the review of directors' personal circumstances carried out by the Corporate Governance and Nominations Committee, the Board considers that the following nine directors qualify as independent under French corporate governance guidelines: Gerhard Cromme, François Grappotte, Alain Joly, Denis Kessler, Jean-François Lepetit, Laurence Parisot, Hélène Ploix, Loyola de Palacio [2] and Louis Schweitzer.
- Four of the directors elected by the shareholders – Michel Pebereau, non-executive Chairman of the Board, Baudouin Prot, Chief Executive Officer, Claude Bebear and Jean-Louis Beffa – do not qualify as independent under the guidelines.
- The two employee representatives on the Board, Patrick Auguste and Jean-Marie Gianno, do not qualify as independent under the guidelines, despite their status and the method by which they were elected, which safeguards their independence.

Independence of directors

- The independence of directors is measured against the definition given by the AFEP-MEDEF document of October 2003: "A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment."
- Except for some of the directors who are BNP Paribas employees, the members of the Board have declared – as part of the implementation of IAS 24 – that they have no financial relationship with BNP Paribas SA or any Group company.
- The Board of Directors' internal rules set out a certain number of behavioural guidelines applicable to directors, listed below under Chapter 5. "Corporate governance". They are intended to promote directors' independence and responsibility in discharging their duties.

[1] *AFEP-MEDEF 2003 (5).*

[2] *Ms. Loyola de Palacio, who passed away on 13 December 2006, was unable to attend meetings of the Board and the Internal Control and Risk Management Committee in the fourth quarter of 2006.*

The following table presents the situation of each director with regard to the independence criteria recommended in the AFEP-MEDEF report:

	1st criterion	2nd criterion	3rd criterion	4th criterion	5th criterion	6th criterion	7th criterion
M. PEBEREAU	x	o	o	o	o	x	o
P. AUGUSTE	x	o	o	o	o	x	o
C. BEBEAR	o	x	o	o	o	o	o
J.-L. BEFFA	o	x	o	o	o	x	o
G. CROMME	o	o	o	o	o	o	o
J.M. GIANNO	x	o	o	o	o	o	o
F. GRAPPOTTE	o	o	o	o	o	o	o
A. JOLY	o	o	o	o	o	o	o
D. KESSLER	o	o	o	o	o	o	o
J.-F. LEPETIT	o	o	o	o	o	o	o
L. DE PALACIO (†)	o	o	o	o	o	o	o
L. PARISOT	o	o	o	o	o	o	o
H. PLOIX	o	o	o	o	o	o	o
B. PROT	x	o	o	o	o	o	o
L. SCHWEITZER	o	o	o	o	o	o*	o

Key:

"o" represents compliance with one of the independence criteria defined by AFEP-MEDEF
"x" represents non-compliance with one of the independence criteria defined by AFEP-MEDEF
Col. 1: Not an employee or corporate officer of the corporation within the previous five years.
Col. 2: No issue of cross-shareholdings with another corporation.
Col. 3: No material business relationships.
Col. 4: No close family ties to a corporate officer.
Col. 5: Not an auditor of the corporation within the previous five years.
Col. 6: Not a director of the corporation for more than twelve years.
Col. 7: No issue related to control by a major shareholder.

* *This criterion will apply only upon expiry of the term of office during which the 12-year limit will be reached – AFEP-MEDEF 2003 (8.4, footnote 4).*

Work of the Board and its Committees in 2006

- In 2006, the Board held ten meetings, including three specially convened meetings to deal with investment decisions. The average attendance rate at Board meetings was 86%.
- The Financial Statements Committee held four meetings, with an attendance rate of 92%, as well as a special session on selecting the Statutory Auditors (which all its members attended).
- The Internal Control and Risk Management Committee held four meetings, with an average attendance rate of 88%.
- Both the Compensation Committee and the Corporate Governance and Nominations Committee held two meetings, with 100% attendance.

ATTENDANCE AT MEETINGS OF THE BOARD AND COMMITTEES IN 2006

	Board meetings		Committee meetings		All meetings		
Director	Number of meetings attended	Total number of meetings for the year	Number of meetings attended	Total number of meetings for the year	Number of meetings attended	Total number of meetings for the year	Individual attendance rate
M. PEBEREAU	10	10			10	10	100%
P. AUGUSTE	9	10	3	4	12	14	86%
C. BEBEAR	7	10	2	2	9	12	75%
J.L. BEFFA	8	10	2	2	10	12	83%
G. CROMME	6	10	4	4	10	14	71%
J.M. GIANNO	10	10	4	4	14	14	100%
F. GRAPPOTTE	10	10	4	4	14	14	100%
A. JOLY	9	10	4	4	13	14	93%
D. KESSLER	7	10	4	4	11	14	79%
J.F. LEPETIT	10	10	4	4	14	14	100%
L. DE PALACIO (†)	7	10	2	4	9	14	64%
L. PARISOT	5	5			5	5	100%
H. PLOIX	10	10	4	4	14	14	100%
B. PROT	10	10			10	10	100%
L. SCHWEITZER	8	10	4	4	12	14	86%
J.F. TRUFFELLI	1	2			1	2	50%
Average		**86%**		**92%**			**88%**

As well as discussions and decisions required on issues of compliance with applicable laws and regulations, the Board and its Committees also deliberated on the following matters:

Extracts from the Board of Directors' Internal Rules: terms of reference of the Board of Directors

"The Board of Directors is a collegial body that collectively represents all shareholders and acts at all times in the corporate interests of the Bank.

It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.

Toward these ends:

Based on proposals submitted by the Chief Executive Officer, it draws up the BNP Paribas business strategy and monitors its implementation.

It examines any and all issues related to the efficient running of the business, and makes any and all business decisions.

It may decide to either combine or separate the functions of Chairman and Chief Executive Officer.

It appoints corporate officers for three-year terms.

It may decide to limit the powers of the Chief Executive Officer.

It approves the draft of the Chairman's report presented along with the management report.

The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its accounts, review and approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of high quality.

The Chairman, or the Chief Executive Officer if the functions have been separated, submits for review by the Board, at least once a year, drafts of the budget, of the management report and of the various reports required under applicable laws and regulations.

The Chief Executive Officer is required to submit to the Board for prior approval any investment or disinvestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer also regularly informs the Board of material transactions which fall below the EUR 250 million threshold.

Any material strategic operation which lies outside the approved business strategy must be submitted to the Board for prior approval.

When the Board of Directors grants the Chairman – or the Chief Executive Officer if the functions have been separated – the authority to issue debt securities as well as share and share equivalents, the holder of this authority is required to report to the Board, at least once a year, on the issuance of these securities."

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Extracts from the Board of Directors' Internal Rules: the Chairman of the Board

"Barring exceptional circumstances, only the Chairman may speak and act in the Board's name in conducting relations with other BNP Paribas management bodies and with outside parties, other than in cases where a specific assignment or function has been entrusted to another director.

Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for example, major clients and government authorities both domestically and internationally.

He monitors relations with shareholders, in close cooperation with the work of Executive Management in this area, to guarantee that these relations remain of a high quality.

He ensures that principles of corporate governance are defined and implemented at the highest levels.

He oversees the smooth running of BNP Paribas' management bodies.

With the help of the Corporate Governance and Nominations Committee, and subject to approval by the Board and by the Annual General Meeting, he endeavours to build an effective and balanced Board, and to manage replacement and succession processes that concern the Board and the nominations within its remit.

He organises the work of the Board of Directors. He sets the timetable and agenda of Board meetings and calls them.

He ensures that the work of the Board is well organised, in a manner conducive to constructive discussion and decision-making. He facilitates the work of the Board and coordinates its activities with those of the specialised Committees.

He sees to it that the Board devotes an appropriate amount of time to issues relating to the future of the Bank, particularly its strategy.

He ensures that directors from outside the Bank get to know the management team thoroughly.

He ensures that he maintains a close relationship based on trust with the Chief Executive Officer, to whom he provides help and advice while respecting his executive responsibilities.

The Chairman directs the work of the Board, to give it the means of exercising all the responsibilities which fall within its remit.

He ensures that the Board is provided in a timely fashion with the information it needs to carry out its duties and that this information is clearly and appropriately presented.

The Chairman is regularly informed by the Chief Executive Officer and other members of the executive management team of significant events and situations in the life of the Group, particularly those relating to strategy, organisation, investment or disinvestment projects, financial transactions, risks or the financial statements.

The Chief Executive Officer provides the Chairman with all information required under French law regarding the internal control report.

The Chairman may ask the Chief Executive Officer for any information that may help the Board and its Committees fulfil their duties.

He may interview the Statutory Auditors in order to prepare the work of the Board and the Financial Statements Committee.

He ensures that the directors are in a position to fulfil their duties, and in particular that they have the information they need to take part in the work of the Board, and that they can count on appropriate cooperation from the Bank's management in conducting the activities of the specialised Committees.

He also ensures that directors participate effectively in the work of the Board, with satisfactory attendance, competence and loyalty.

He reports, in a document submitted alongside the management report, on the preparation and organisation of the work of the Board, as well as on the Bank's internal control procedures and any limits the Board may have decided to place on the Chief Executive Officer's authority."

2. STRATEGY

Group strategy is among the key responsibilities of the Board of Directors of BNP Paribas [(1)]. Based on proposals submitted by Executive Management, the key elements of which are presented following a documented in-house process, directors approve the objectives set out; they then monitor implementation, particularly in the course of discussions on the financial statements and budgets.

In 2006, strategic issues accounted for a significant part of the Board's work. They were handled through three complementary approaches:

- the full Board meets in a strategic formation once a year, with the Group's key operational leaders attending. It met in this formation in 2006 for a session exclusively devoted to defining the Group's overall strategy. It discussed the outlook for banking groups worldwide and identified medium-term trends for each of the Group's core businesses. It set strategic focuses for the following year and launched the BNP Paribas three-year project for 2008-2011;
- three of the Board's ten meetings of the year were specially convened to deal with and decide upon, as the main or only order of business, major investment projects [(2)] furthering the Group's strategy;
- during the other regularly-scheduled meetings of the Board, the directors reviewed the progress – either of negotiations or of actual implementation – of the investment projects that they had previously authorized;

[(1)] *The strategic vocation of the Board of Directors is the very first principle of sound corporate governance identified by the Basel Committee (February 2006): the Board should "approve the overall business strategy of the bank..." It is also emphasised in the recommendations on "The Corporate Governance of Listed Corporations" of AFEP-MEDEF 2003 (1).*

[(2)] *The internal rules of the Board of Directors specify that the Board's prior approval is required for any investment or disinvestment project of more than EUR 250 million.*

In accordance with its internal rules, the Board must be consulted on an y material operation which lies outside the Bank's disclosed business strategy; such an operation requires its prior approval. This clause was not to be applied in 2006 [(1)].

The BNP Paribas Group's financial communications frequently include information on its strategic focuses. Such information is presented to shareholders: at the Annual General Meeting of 31 May 2002, the BNP Paribas "Project for 2005" had been described in detail; the Annual General Meeting of 18 May 2005 also included a presentation on the Group's "2007 Vision". These medium-term plans had also been disclosed to financial markets at the same time.

3. INTERNAL CONTROL AND RISK MANAGEMENT

- Risk management and internal control lie at the heart of the banking profession [(2)]. As early as 1994, the Board of Directors recognized this central role by setting up its specialised Committee [(3)]. Since that time, the responsibilities usually handled by a standard Audit Committee have been split between two specialised bodies: a Financial Statements Committee and an Internal Control and Risk Management Committee.
- The membership of the Internal Control and Risk Management Commit tee and its working processes [(4)] have been designed to meet the stringent requirements of the banking and prudential fields. BNP Paribas operations in these sectors are constantly changing in response to growing regulatory control of the banking industry, non-stop financial innovation in banking and BNP Paribas's own requirements regarding the quality of its internal control processes and risk management policy as key underpinnings of its development.

In 2006, the Board reviewed the report of the Chairman of the Internal Control and Risk Management Committee, drafted based on information provided by Executive Management, and examined the following issues:

- the Board was briefed on the activities and deliverables of the internal control function [(5)]. It was informed of the key findings of the internal audit function and of the progress achieved in implementing its recommendations. It was given two draft reports for the year ended 31 December 2005, one on internal control and the other on measuring and monitoring risks [(6)];
- the Board was informed of the Group's overall policy in the area of financial market operations and risks [(7)], of instruments used to assess Value at Risk, of the methodology applied for running stress tests [(8)] and of the effects of such stresses on financial market operations as well as on credit and portfolio operations;
- in the area of credit risk, it was informed of the breakdown by geographic area and industry of the bank's commitments, as well as of the concentration of individual major risks with respect to applicable capital-adequacy requirements;
- it was informed of the impacts of the Group's risk management policy on specific industries or on Group operations that represent significant factors in terms of competitive strategy, such as leveraged buyouts, securitisation, real estate financing or commodity financing;
- the Board was provided with draft reports [(9)] for the year ended 31 December 2005 from the Permanent Control and Periodic Control functions as well as with the first report from the Group Compliance function;
- the Board heard the briefing presented by the Chairman of the Internal Control and Risk Management Committee on the interviews – conducted in the absence of Executive Management – of key Group executives on their areas of responsibility: the Head of the General Inspection unit, in charge of periodic controls, and the Head of Group Risk Management, who oversees the Group's entire risk management policy [(10)];
- the Board was briefed, based on information provided by Executive Management, on how the Group Compliance unit was set up, including its organisation, resources and action plans. The Head of this new unit was interviewed by the Board;
- the Board received regular briefings from the Chairman of the Committee, based on information provided by Executive Management, on the Group's exchanges of correspondence with regulatory bodies in France and abroad;
- it heard a briefing from the Chairman of the Internal Control and Risk Management Committee on the findings of periodic controls reported by the Bank's General Inspection unit and on the follow-up to recommendations issued previously;
- it was notified of the new process implemented by the Group to manage relations with regulatory authorities;
- it received a progress report from Executive Management on Group entities' operations in jurisdictions which regulatory authorities consider to be "lacking in transparency [(11)]".

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(1) AFEP-MEDEF 2003 (4).

(2) The Board of directors should "approve [...] the overall risk policy and risk management procedures...", "meet regularly with senior management and internal audit to review policies..." ("Enhancing Corporate Governance" – 1st Principle – Basel Committee – February 2006).

(3) "The board can enhance the effectiveness of the internal audit function in promoting the independence of the internal auditor, for example though reporting to the board or the board audit committee ..." ("Enhancing Corporate Governance" – 5th Principle – Basel Committee Feb. 2006).

(4) The report of the Internal Control and Risk Management Committee is provided below in section VIII.

(5) CRBF 97-02 art. 38.

(6) CRBF 97-02 art. 44 – AFEP-MEDEF 2003 (2.3).

(7) AFEP-MEDEF 2003 (2.3).

(8) The Board is kept informed of the results of measurements carried out to assess the risks to which the Bank would be exposed in the event of substantial changes in the parameters of a market (CRBF 97-02 art. 27); of the results of measurements of the validity and consistency of market parameters and of risks related to breakdowns in the assumptions used in simulations (CRBF 97-02 art. 30); as well as of the results of measurements carried out at least once a year to assess the liquidity and settlement risks to which the Bank would be exposed in the event of substantial changes in the parameters of a market or of default by principals (CRBF 97-02 art. 31).

(9) CRBF 97-02 - art. 38.

(10) Basel Committee, 5th Principle - art. 43.

(11) Basel Committee, 8th Principle – "Know your structure".

4. FINANCIAL MANAGEMENT, BUDGET, FINANCIAL STATEMENTS AND RESULTS [1]

- **The 2007 budget**: as is customary at its last meeting of the year, the Board reviewed and approved the draft budget for the following year, presented by Executive Management. The draft budget concerned the Groupe as a whole as well as its core businesses and major business lines, including, for the first time, the budget of Banca Nazionale del Lavoro (BNL) for 2007.
- **Group and BNP Paribas SA financial statements**: the results and financial statements for the fourth quarter and full year 2005, for the first three quarters of 2006, as well as for the first half and first nine months of 2006 [2], presented by Executive Management, were reviewed and approved as required by the Board. Its work covered the entire consolidated Group as well as each of its core businesses and major business lines. The Board was briefed concerning the impact of the new accounting standards on the balance sheet and off-balance-sheet commitments of both the Group and BNP Paribas SA. The Board was informed of the Financial Statements Committee's findings concerning results for the period. It also heard the findings of the Statutory Auditors, who are entitled to attend Board meetings held to review results and financial statements.
- **Implementation of the new International Accounting Standards adopted by the European Union**: after having devoted a substantial part of its work in 2004 and 2005 to monitoring the preparation and implementation of the new accounting standards adopted by the European Union, the Board was kept abreast by the Financial Statements Committee, which relied on summaries presented by Executive Management, of the periodic findings of the accounting internal control unit concerning Group entities' appropriation of the new accounting standards following the end of the transition period. Based on the report submitted jointly by the Statutory Auditors and Executive Management at each meeting devoted to results, the Board reviews and approves the accounting choices made by the Group in implementing applicable accounting principles when these choices have a material impact on the financial statements.
- **Group financial management**: the Board reviewed and approved the terms and conditions of the increase in share capital related to the acquisition of BNL; it was regularly briefed on the implementation of share buyback plans which it had previously approved; it debated the profit distribution policy and approved the draft resolution concerning the dividend for the year ended 31 December 2005; it was kept informed of the progress of medium-and long-term bond issues and was briefed on their completion. It examined whether capital-adequacy ratios complied with the requirements of regulatory authorities and with the Bank's policy, in order to ensure that they are optimised as part of an active management of the Bank's capital position. In accordance with French regulatory requirements, the Board was kept informed of profitability trends in new lending.
- **Financial Communications:** the Board ensured that the timetable for publication of the financial statements was in line with French corporate governance guidelines [3]. It approved the draft 2005 annual report, which implemented French corporate governance guidelines on off-balance-sheet items and the Bank's risks [4]. Through the work of the Financial Statements Committee, and on the basis of information provided by Executive Management, the Board is kept abreast of the findings of the accounting internal control unit concerning compliance with reporting processes at each consolidated Group entity, as this compliance is central to the reliability of accounting data. The Board approves, at the end of each of its meetings devoted to results, a draft press release – as this is "the normal method" for informing the market [5]. The Board, acting on a recommendation from its Financial Statements Committee, adopted the draft Report of the Chairman on accounting internal control.
- **Selection of the Statutory Auditors:** based on the report of the Financial Statements Committee, which oversaw the process (see section VII below), the Board selected the Statutory Auditors for 2006-2011. The audit firms selected were presented for approval by the shareholders on 23 May 2006.

5. CORPORATE GOVERNANCE

Assessment of the performance of the Board of Directors in 2006

For the fifth consecutive year an assessment of the performance of the BNP Paribas Board of Directors and of its four specialised Committees was carried out.

- As in previous years, the methodology employed was a self-evaluation that used an anonymous survey dealing with the various aspects of the Board's work – overall processes, strategy, internal control and risk management, financial management, compensation – and with the operation of its Committees (Financial Statements; Internal Control and Risk Management; Corporate Governance and Nominations; Compensation).
- Overall, the directors concurred in expressing their satisfaction with the Board's working processes, stressing in particular that meetings were very well prepared, with high-quality documents provided, and that in Board and Committee meetings information was shared in a transparent and objective manner, and issues could be debated freely.
- One of the few areas for improvement suggested by directors was a request for more in-depth strategic analysis of the Group's major business lines in order to round out the data provided at the level of the core businesses.

[1] *AFEP-MEDEF 2003 (1.2) – The Bank's ratings from financial rating agencies are provided at the beginning of this Registration Document.*
[2] *AFEP-MEDEF 2003 (2.1.1).*
[3] *AFEP-MEDEF 2003 (2.2).*
[4] *AFEP-MEDEF 2003 (2.3).*
[5] *AFEP-MEDEF 2003 (2.1.2).*

Follow-up on the 2005 assessment of the performance of the Board of Directors [1]

Improvements requested by directors were implemented as early as 2006, particularly the following:

- greater representation of women in the Board's membership: Laurence Parisot was elected to a three-year term as a director at the Annual General Meeting of 23 May 2006, which brought to three the number of women directors; women then accounted for 23% of the directors elected by shareholders;
- broadening the Board's strategic review by including, in line with the Group's continuous international development, an analysis of the global competitive landscape: this request was taken into account for the Board's strategy seminar in 2006.

Updating the Board of Directors' Internal Rules

In 2006 the Board updated its Internal Rules as follows:

- by spelling out the duties and operating processes of the Corporate Governance and Nominations Committee on the one hand and the Compensation Committee on the other, which it had decided to create in 2005 by separating out the functions of the former Compensation and Nominations Committee [2];
- by establishing as a principle that, in the event of a significant change in their functions or positions held, directors agree to allow the Board to decide whether or not it is appropriate for them to continue to serve as directors of BNP Paribas.

Re-election of directors. Evaluation of directors' performance. Evaluation of the Chairman's performance

- Based on a report from the Corporate Governance and Nominations Committee, the Board discussed the re-election of directors whose terms of office were due to expire at the Annual General Meeting of 23 May 2006. The directors involved were Claude Bebear, Jean-Louis Beffa, Alain Joly, Denis Kessler and Michel Pebereau. The Board reviewed the independence of the first four against the AFEP-MEDEF corporate governance criteria [3] and assessed their individual contributions to the work of the Board and its Committees.
- The Corporate Governance and Nominations Committee conducted an evaluation of the performance of the Chairman, Michel Pebereau, in his absence [4].
- Following its deliberations, the Committee had deemed that the competence, experience and commitment of each of these directors made their contributions to the Board highly valuable. As a result, the Board recommended that resolutions be adopted to re-elect to three-year terms of office [5] Claude Bebear, Jean-Louis Beffa, Alain Joly, Denis Kessler and Michel Pebereau [6].
- Following the Annual General Meeting of 23 May 2006, the Board confirmed Michel Pebereau as Chairman.

Harmonising the timetable for elections of directors by employees

The Board adopted a draft resolution, which was submitted for approval by shareholders at the Annual General Meeting of 23 May 2006, providing that "*The timetable and terms and conditions applicable to elections shall be drawn up [...] such that the second round of elections can be held no later than fifteen days before the end of the term of office of the outgoing directors* [7]."

Compliance with European Commission regulation EC 809/2004 [8]

- To the best of the Board's knowledge, no directors are faced with conflicts of interest; in any event, the Board of Directors' Internal Rules require that they *"inform the Board of any situation involving even a potential conflict of interest"* and *"abstain from taking part in the vote on the matter concerned"*.
- To the best of the Board's knowledge, there are no family ties between Board members.
- To the best of the Board's knowledge, none of its members has been convicted in relation to fraudulent offences "*for at least the previous five years*", nor was involved in any bankruptcies, receiverships or liquidations while acting as a member of administrative, management or supervisory bodies, or as a senior manager, "*for at least the previous five years*".
- To the best of the Board's knowledge, there have been no "*official public incrimination and/or sanctions*" of members of the Board of Directors or of the Chief Executive Officer, none of whom have been disqualified by a court from acting in their current capacity, "*for at least the previous five years*". There are no arrangements or agreements with key shareholders, clients, suppliers or any other parties which involve a member of the Board of Directors.

Procedure for selecting directors [9]

The procedure for recruiting directors is based on information and assessments provided by the members of the Corporate Governance and Nominations Committee and the Chairman of the Board. This ensures that successful candidates have the personal and professional qualities required to carry out the function of director in a Group such as BNP Paribas.

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(1) *AFEP-MEDEF 2003 (9.3).*
(2) *AFEP-MEDEF 2003 (16).*
(3) *AFEP-MEDEF 2003 (8.1).*
(4) *AFEP-MEDEF 2003 (9.3).*
(5) *AFEP-MEDEF 2003 (12).*
(6) *AFEP-MEDEF 2003 (1.2).*
(7) *AFEP-MEDEF 2003 (6.3).*
(8) *AMF GR/ EC 809/2004 (14.1 and 14.2).*
(9) *AFEP-MEDEF 2003 (16.1).*

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Directors' access to information and initial training [1]

- When directors take up their appointment, they are provided with a summary document describing the Group, its profile and organisation, and providing recent financial statements as well a series of pointers on the information available from the Group's websites.
- The Board's support staff also organises a number of working meetings between the new directors and managers of Group functional and operating units that are of interest to the new directors in light of their functions and personal priorities.
- Committee meetings also provide opportunities to update the information available to directors on specific issues related to the items on the agenda. The Board is also kept informed of developments in regulatory guidelines on banking industry corporate governance, such as the document entitled "*Enhancing corporate governance for banking organisations*" published by the Basel Committee on Banking Supervision in February 2006.
- In accordance with the Board's internal rules, directors may request that the Chairman of the Board or the Chief Executive Officer provide them with all documents and information required to enable them to carry out their functions, participate effectively in Board meetings and make informed decisions, provided that such documents are useful for decision-making purposes and related to the Board's authority.

Code of ethics applicable to directors [2]

- According to the internal rules, *"... directors shall interact effectively with others in the workplace and respect their opinions, and shall express themselves freely on subjects debated in Board meetings, even in the face of opposition"*.
- *"They shall have a strong sense of responsibility towards shareholders and other stakeholders, show a high level of personal integrity during the term of their office, and respect the rules related to their responsibilities."*
- *"In the event of a significant change in their functions or positions held, directors agree to allow the Board to decide whether or not it is appropriate for them to continue to serve as directors of BNP Paribas."*
- *"All directors are required to comply with legal obligations and the stock market recommendations and regulations related to information that concerns directors personally."*
- *"The legislation banning insider trading applies to directors both in a personal capacity and when exercising responsibilities within companies that hold shares in BNP Paribas. Directors are also advised to purchase or sell BNP Paribas shares only within the six-week period following the publication of the quarterly and annual accounts, or of any press release concerning business performance. However, if they have access to privileged information that would make them insiders under stock exchange rules, no BNP Paribas shares may be purchased or sold during this six-week period."*
- *"Directors must not disclose any information that is not publicly available to any third party, including the manager of BNP Paribas shares."*
- *"If a director has any questions related to ethics and compliance, he or she can consult the Head of the Group Compliance and Permanent Control function."*
- *"Directors who deem that they are no longer able to effectively carry out their responsibilities on the Board or Committees of which they are a member should step down."*
- *"Any director or any other person who is called upon to attend meetings of the Board and the Committees of the Board is required to treat all matters discussed during the meeting as strictly confidential. In particular, such directors or other persons shall treat as strictly confidential all insider information as well as information that may interest competitors or external parties in connection with 'economic intelligence' and confidential information described as such by the Chairman. In case of failure to comply with this obligation, the director or other person may be exposed to a claim for damages."*
- *"Directors shall endeavour to participate regularly and actively in the meetings of the Board and the Committees of the Board and to be present at the Annual General Meeting of shareholders." (see section 1 above, "The Board of Directors and Annual General Meetings")* [3].
- *"In addition to the number of shares that directors are required to hold under the Articles of Association, directors elected at the Annual General Meeting should personally hold BNP Paribas shares equivalent to at least one year of director's fees"* (the number of shares held appears in the personal profile of each director).

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[1] *AFEP-MEDEF 2003 (11).*

[2] *AFEP-MEDEF 2003 (5 and 17).*

[3] *Extract from the minutes of the Annual General Meeting of 23 May 2006.*

Remuneration of directors [1]

- Directors who are not Group employees [2] receive no other form of remuneration than directors' fees.
- The overall amount of directors' fees was set at EUR 780,000 by the Annual General Meeting [3] of 18 May 2005. Acting on a recommendation from the Compensation Committee, the Board decided to grant directors a total appropriation of EUR 530,038 versus EUR 549,260 in 2005.
- The amount of fees payable to each director individually remained unchanged from 2005, at EUR 29,728, including EUR 14,864 – 50% of the total – as the fixed portion and EUR 1,486 per meeting. To take into account the additional constraints they face, directors who live outside France are paid 1.5 times the fixed portion of directors' fees. The Chairman of the Board of Directors does not, however, receive any additional fees under this rule.
- Members of the Board's Committees receive additional fees [4] totalling EUR 5,946, unchanged from 2005, with a fixed portion of EUR 2,973 and a variable portion of EUR 743 per meeting. The Chairmen of the Financial Statements Committee and the Internal Control and Risk Management Committee are paid a fixed portion of EUR 15,000 and a variable portion of EUR 1,239 per meeting.
- Upon a recommendation from Alain Joly, the director's fees attributable to him as Chairman of the Compensation Committee have been reduced to EUR 6,000, the same amount paid to him as Chairman of the Corporate Governance and Nominations Committee. The variable portion payable to the Chairman of each of these Committees is EUR 1,239 per meeting.

	DIRECTORS' FEES PAID IN 2006					
			BOARD	COMMITTEES		
(in euros)	Fixed	Variable	Total	Total	2006 Total	2005
M. PEBEREAU	14,864	14,864	29,728		29,728	29,728
P. AUGUSTE	14,864	13,378	28,242	5,203	33,445	35,674
C. BEBEAR	14,864	10,405	25,269	3,716	28,985	29,233
J.L. BEFFA	14,864	11,891	26,755	3,716	30,471	31,215
G. CROMME	22,296	8,918	31,214	7,432	38,646	40,134
J.M. GIANNO	14,864	14,864	29,728	5,946	35,674	33,444
F. GRAPPOTTE	14,864	14,864	29,728	19,955	49,683	38,020
A. JOLY	14,864	13,378	28,242	14,478	42,720	32,700
D. KESSLER	14,864	10,405	25,269	5,946	31,215	33,940
J.F. LEPETIT	14,864	14,864	29,728	5,946	35,674	30,471
L. OWEN JONES	1,486	1,486	2,972		2,972	22,296
L. DE PALACIO (†)	22,296	11,891	34,187	5,203	39,390	19,496
L. PARISOT	5,946	5,946	11,892		11,892	
H. PLOIX	14,864	14,864	29,728	5,946	35,674	33,693
B. PROT	14,864	14,864	29,728		29,728	29,728
L. SCHWEITZER	14,864	11,891	26,755	19,955	46,710	46,710
J.F. TRUFELLI	4,459	2,973	7,432		7,432	28,242
Others *						34,536
TOTAL	**234,851**	**191,745**	**426,596**	**103,442**	**530,038**	**549,260**

* *M. François-Poncet and J. Friedmann, directors who were in office in 2004-2005 and were therefore listed in the table of beneficiaries of directors' fees in the 2005 Annual Report.*

(1) *AFEP-MEDEF 2003 (18.3).*
(2) *Group employees on the Board: Patrick Auguste, Jean-Marie Gianno, Michel Pebereau and Baudouin Prot.*
(3) *AFEP-MEDEF 2003 (18.1).*
(4) *AFEP-MEDEF 2003 (18.2).*

6. REMUNERATION

- **Remuneration of corporate officers:** acting on a report from the Compensation Committee, the Board examined the remunerations of Michel Pebereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon, corporate officers [(1)]. It decided upon the variable portions of their remunerations for 2005, confirming that these variable portions matched trends in Group results. At that time, the Board was briefed on the evaluation of corporate officers' performance conducted by the Corporate Governance and Nominations Committee.
  - The Board set the fixed portions of their remunerations for 2006, as well as the bases for determining the variable portions, after having reviewed the practices in this area of comparable European banks. It updated the set of objectives-based individual criteria used to determine the variable portion of corporate officers' remuneration.
  - Neither the Chairman nor the Chief Executive Officer were involved in the preparation of decisions concerning their remuneration, nor did they take part in the Board's vote on decisions setting their remuneration.
  - In accordance with Group policy, the detailed individual amount of remuneration paid to the four corporate officers was presented at the Annual General Meeting of 26 May 2006.
  - Based on a report from the Compensation Committee, the Board took note of the fixed remuneration and variable portions set for 2006 for members of the Executive Committee other than corporate officers [(2)].

Detailed and individual information on the remuneration policy applied to corporate officers is provided in section 2.1 of the Registration document [(3)], which also reports on the implementation of the AFEP-MEDEF recommendations of January 2007 on the remuneration of corporate officers of listed companies ("Rémunération des dirigeants mandataires sociaux des sociétés cotées").

Stock options and bonus shares

- Acting on a recommendation from the Compensation Committee, the Board discussed and adopted the Group's global share-based incentive plan for 2006. This plan involves 3,894,770 stock options (representing 0.44% of the share capital) and 608,651 bonus shares (representing 0.07% of the share capital). It concerns 3,292 employees whose level of responsibility, contribution to results or professional potential make them the key players in the implementation of Group strategy as well as in the Group's development and profitability. The Board approved the payment for the two corresponding plans.
- The Board noted, based on the report submitted by the Compensation Committee, that the practices applied by BNP Paribas complied both with legal obligations and with French corporate governance guidelines [(4)]: respecting shareholders' prerogatives with regard to the granting of options; setting an exercise price for the options which cannot subsequently be revised or altered; not offering a discounted price; complying with tax and labour law rules on the vesting periods of options; barring directors who are neither corporate officers nor employees from receiving stock options; prohibiting executive managers from receiving loans for the purpose of exercising options; including in the management report information relating to the options awarded and exercised by the corporate officers, and by each of the ten employees having been granted or having exercised the largest numbers of options.

THE COMMITTEES OF THE BOARD OF DIRECTORS

- Under the Board's internal rules, specialised Committees may be set up to assist the directors of BNP Paribas in carrying out their functions. The terms of reference of the Committees neither reduce nor impinge on those of the Board.
- The Chairman of the Board of Directors must ensure that the number, terms of reference, composition, and functioning of the Committees are at all times adapted to the Board's needs and in line with corporate governance best practices.
- These Committees meet as and when required, with or without the participation of BNP Paribas management. They may use the services of external experts wherever necessary.
- The Chairman of a committee may make enquires of any manager within the Group concerning matters falling within the committee's terms of reference.
- The Committees submit recommendations to the Board of Directors and the Committee Chairman presents a summary of these recommendations at the next Board meeting. Minutes must be kept of all Committee meetings.
- In 2006, the Board's Committees were: the Financial Statements Committee, the Internal Control and Risk Management Committee, the Corporate Governance and Nominations Committee and the Compensation Committee.
- The last two resulted from out of the Board's decision at the end of 2005 to separate out the functions of the former Compensation and Nominations Committee. The two new Committees are meant to meet on the same days, to ensure that consistent approaches and methodologies are applied in evaluations, nominations and compensation.

(1) *AFEP-MEDEF 2003 (15.3.1).*
(2) *AFEP-MEDEF 2003 (15.3.1).*
(3) *AFEP-MEDEF 2007 and AFEP-MEDEF 2003 (15.3).*
(4) *AFEP-MEDEF 2003 (15.3.2).*

CONTENTS

7. FINANCIAL STATEMENTS COMMITTEE

- In 2006 the membership of the Financial Statements Committee, which was set up in 1994, was unchanged from the previous year and included Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix. Most of its members have extensive experience and expertise in the areas of corporate financial management, accounting and financial information.
- One of the features of a global banking group is the complexity of a growing number of its businesses and product offerings. To ensure that the Committee's knowledge remains fully up to date, its meetings include briefings on key issues, which are then examined in the presence of the Statutory Auditors. The information presented can be rounded out by meetings with managers of Group functional and operating units, organised by the Board's support staff for any Committee members who express a need for further clarification [1].
- The composition of the Committee complies with French corporate governance guidelines which recommend that at least two-thirds of the directors should be independent [2]. No members of the Bank's Executive Management have sat on the Committee since 1997 [3]. Its duties and mode of operation are set by the Board's internal rules, which are periodically updated to reflect changes in legislation, regulations and best practices [4].
- In 2006, the Committee met four times and the rate of attendance was 94% (one member having missed one meeting). Documentation on agenda items – presented in standardised layouts – was distributed on average three to four days prior to the meeting, in line with French corporate governance guidelines [5]. It also met, with all members attending, to select the Statutory Auditors for the 2006-2011 terms of office (see below).

Review of the financial statements and financial information

- In accordance with the Board's internal rules [6], in 2006 the Committee reviewed the financial statements based on the documents and information provided by Executive Management and the tests carried out by the Statutory Auditors. In doing so, it verified the relevance and consistency of accounting methods used in drawing up the Bank's consolidated and corporate accounts [7]. It examined the principle of materiality associated with the standards and the corresponding determination of materiality thresholds for the implementation of IFRS.
- It prepared the work and deliberations of the Board by analysing in depth the issues requiring particular attention, especially those related to the new international accounting standards. The Committee focused its attention on the Group's provisioning policy, management accounting data, profitability indicators, and all other accounting matters that raise methodological issues or give rise to potential risks. It reviewed the impact of changes in the scope of consolidation on profit and loss account intermediate balances and on results [8].
- When reviewing the financial results for each quarter, the Committee listened to the comments and findings of the Statutory Auditors without any member of Executive Management being present [9].
- Where questions of interpretation of accounting standards arose in connection with the presentation of results and involved choices with a material impact, the Statutory Auditors [10] and Group Management submitted a joint memorandum to the Committee analysing the nature and significance of the issues at play and presenting the rationale for the choices made [11].
- The Committee interviews the Head of Group Finance-Development and the Head of Group Accounting prior to the publication of results or when it discusses specific issues related to changes in international accounting standards or matters of accounting control [12]. During its review of the 2006 financial statements, it interviewed the Head of Group Finance-Development, without any member of Executive Management being present.
- The Committee reviews the quarterly report from the accounting internal control unit on verifying compliance with in-house procedures for the collection and review of information [13].

Selection of the Statutory Auditors for the 2006-2011 terms of office

- The Committee steered the procedure for selection [14] of the Statutory Auditors, by means of an invitation to tender extended to firms likely to be able to meet the statutory auditing needs of a corporation of BNP Paribas' size.
- The selection was made based on the bidders' written responses to the audit specifications, using a predefined set of criteria. These criteria were designed to determine whether the proposed auditing process provided a good fit with the Group's key features. They also assessed the quality of the dedicated teams and the bidders' compliance with ethical requirements related to auditor independence, particularly as regards rotation [15] of the lead audit partners and the incompatibility of audit and non-audit engagements. The Financial Statements Committee finalised the processing of bids by interviewing each audit firm individually.
- The entire process took place without any involvement of Executive Management.
- After having interviewed each of the firms, the Committee recommended that the Board propose the following three firms for approval by the shareholders: Deloitte & Associés, Mazars & Guérard, and PricewaterhouseCoopers Audit.

[1] *AFEP-MEDEF 2003 (14.3.1).*
[2] *AFEP-MEDEF 2003 (14.1).*
[3] *AFEP-MEDEF 2003 (14.1).*
[4] *AFEP-MEDEF 2003 (14.3).*
[5] *AFEP-MEDEF 2003 (14.2.1).*
[7] *AFEP-MEDEF 2003 (14.2.1).*
[6] *AFEP-MEDEF 2003 (1.4.3).*
[8] *AFEP-MEDEF 2003 (14.3.2).*
[9] *AFEP-MEDEF 2003 (14.2.2).*
[10] *AFEP-MEDEF 2003 (14.2.2).*
[11] *AFEP-MEDEF 2003 (14.2.1).*
[12] *AFEP-MEDEF 2003 (14.3.2).*
[13] *AFEP-MEDEF 2003 (14.2.1).*
[14] *AFEP-MEDEF 2003 (14.2.2).*
[15] *AFEP-MEDEF 2003 (14.2.2).*

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Relations with the Group's Statutory Auditors

- The Committee was provided with the Statutory Auditors' annual audit plan and examined it.
- It also received notification of the amount – calculated by Executive Management – of fees paid by the BNP Paribas Group to the Statutory Auditors and the networks to which they belong.
- It ensured, based on the information collected by Executive Management, that the portion of the audit firms' revenues which BNP Paribas represents was not likely to compromise the Statutory Auditors' independence [1].
- It tailored the rules governing the allocation of engagements to the new code of ethics for statutory auditors in France [2], by updating the procedure for approval and control of engagements not directly related to auditing.
- It received from each of the audit firms a written statement of its independence in conducting the engagement.
- The Committee reviewed the draft report of the Chairman of the Board on internal control procedures relating to the preparation and processing of accounting and financial information, and recommended it for adoption by the Board.
- It reviewed draft press releases concerning the Group's results prior to their presentation to the Board [3].
- At the end of each meeting, the Financial Statements Committee reported its findings to the Board of Directors, so as to provide the latter with full information and facilitate its deliberations and decision-making [4].

(1) *AFEP-MEDEF 2003 (14.2.2).*
(2) *And also AFEP-MEDEF 2003 (14.2.2).*
(3) *AFEP-MEDEF 2003 (2.1.2).*
(4) *AFEP-MEDEF 2003 (14.3).*

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Extracts from the Board of Directors' Internal Rules: the Financial Statements Committee

"The Committee shall hold at least four meetings per year.

Composition

At least two-thirds of the members of the Financial Statements Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.

No members of the Bank's Executive Management shall sit on the Committee.

Terms of reference

The Committee is tasked with analysing the quarterly, half-yearly and annual financial statements issued by the Bank and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of Directors.

The Committee shall examine all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues or give rise to potential risks.

Relations with the Group's Statutory Auditors

The Committee shall steer the procedure for selection of the Statutory Auditors, express an opinion on the amount of fees charged for conducting the statutory auditing engagements and report to the Board on the outcome of this selection.

It shall review the Statutory Auditors' audit plan, together with the auditors' recommendations and the implementation of these recommendations.

It shall be notified on a yearly basis of the amount and breakdown of the fees paid by the BNP Paribas Group to the Statutory Auditors and the networks to which they belong, calculated using a model approved by the Committee. It shall ensure that the portion of the audit firms' revenues that BNP Paribas represents is not likely to compromise the Statutory Auditors' independence.

Its prior approval shall be required for any engagement entailing total fees of over EUR 1 million (before tax). The Committee shall approve on an ex post basis all other engagements, to be reported to it by the Group Finance-Development Department. The Committee shall validate the Group Finance-Development Department's fast-track approval and control procedure for all "non-audit" assignments entailing fees of over EUR 50,000. The Committee shall receive on a yearly basis from the Group Finance-Development Department a report on all "non-audit" engagements carried out by the networks to which the Group's Statutory Auditors belong.

Each Statutory Auditor shall report on a yearly basis to the Committee on its internal control mechanism for guaranteeing its independence, and shall provide a written statement of its independence in auditing the Group.

At least once a year, the Committee shall devote part of a meeting to a discussion with the team of Statutory Auditors, without any member of Executive Management being present.

The Statutory Auditors shall attend the Committee meetings devoted to the review of quarterly, half-yearly and annual financial statements.

However, the Statutory Auditors shall not attend all or part of Committee meetings dealing with their fees or their re-appointment.

The Statutory Auditors shall not attend all or part of Committee meetings dealing with specific issues that concern a member of their staff.

Barring exceptional circumstances, the files containing the quarterly, half-yearly and annual results and financial statements shall be sent to Committee members at the latest on the Friday or Saturday morning preceding Committee meetings scheduled for the following Monday or Tuesday.

Where questions of interpretation of accounting principles arise in connection with the publication of quarterly, half-yearly and annual results, and involve choices with a material impact, the Statutory Auditors and the Group Finance-Development Department shall submit, on a quarterly basis, a memorandum to the Committee analysing the nature and significance of the issues at play, presenting the pros and cons of the various possible solutions and explaining the rationale for the choices made.

Report of the Chairman

The Committee shall review the draft report of the Chairman of the Board on internal control procedures relating to the preparation and processing of accounting and financial information.

Interviews

With regard to all issues within its purview, the Committee may, as it sees fit, and without any other member of Executive Management being present if it deems this appropriate, interview the Heads of Group Finance and Accounting, as well as the Head of Asset/Liability Management.

The Committee may request to interview the Head of Group Finance-Development with regard to any issue within its purview for which it may be liable, or the Bank's management may be liable, or that could compromise the quality of financial and accounting information disclosed by the Bank."

8. INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Composition and work

- The Internal Control and Risk Management Committee was set up in 1994 to handle the specific needs of banking operations. In 2006, its members were François Grappotte (Chairman), Jean-Marie Gianno, Jean-François Lepetit and Loyola de Palacio (Ms. de Palacio passed away on 13 December 2006). Three-quarters of its members were independent directors under the criteria set out in the AFEP-MEDEF document of 2003. No members of the Bank's Executive Management have sat on the Committee since 1997.
- In 2006, the Committee met four times and the rate of attendance was 88% (one member having missed two meetings). It examined the following issues.

Internal control, compliance and relations with regulatory authorities

- The Committee was informed concerning the internal control system implemented following the setting up of the Compliance function and the establishment of the distinction, now enshrined in legislation, between Periodic Control and Permanent Control.
- It was provided with draft reports for the year ended 31 December 2005 from the Permanent Control and Periodic Control functions as well as with the first report from the Group Compliance function.
- It received the report on periodic controls carried out by the General Inspection unit in first-half 2006.
- It was informed of developments in relations with the regulatory authorities of the United States and the United Kingdom, and reviewed the Group's exchanges of correspondence with the French banking regulator *(Commission bancaire).*
- It was notified of the new process and updated procedures implemented by the Group specifically to manage relations with regulatory authorities.
- It received a progress report from the Compliance function on operations of Group entities in jurisdictions which regulatory authorities consider to be "lacking in transparency".

Credit risks and market risks

- As it does periodically, based on reports from the Group Risk Management function, the Committee examined the Bank's credit portfolio, reviewing its key features and development trends, as well as the breakdown by industry and geographical area of commitments, in addition to their compliance with capital-adequacy requirements.
- It was notified of the findings of Risk Policy Committees convened regularly by Executive Management to review specific risks, such as real estate financing, commitments in emerging countries, commodity financing, leveraged buyouts or securitisation.
- At regular intervals, the Committee received reports from Executive Management on financial market operations and market risks. It was informed of the methodology and outcomes of stress tests, as well as of the methodology used for calculating the Value at Risk of operations. It received a report from Group Risk Management on credit derivatives operations and financing of hedge funds.

Interviews

- Without any member of Executive Management being present, the Committee interviewed the Head of the Bank's General Inspection unit, in charge of Periodic Controls, and the Head of Group Risk Management. It also interviewed the Head of the Compliance function.

Extracts from the Board of Directors' Internal Rules: Internal Control and Risk Management Committee

"The Committee shall hold at least four meetings per year.

Composition

A majority of the members of the Internal Control and Risk Management Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.

No members of the Bank's Executive Management shall sit on the Committee.

Terms of reference

The Committee is tasked with analysing reports on internal control and on measuring and monitoring risks, as well as the General Inspection unit's reports on its operations and key findings, and with reviewing the Bank's exchanges of correspondence with the General Secretariat of Commission bancaire.

It examines the key focuses of the Group's risk management policy, based on measurements of risks and profitability provided to it in accordance with applicable regulations, as well as on its analyses of specific issues related to these matters and methodologies.

Interviews

It may interview, without any other member of Executive Management being present if it deems this appropriate, the Head of the General Inspection unit responsible for Periodic Controls, the Head of the Group Compliance and Permanent Control function and the Head of Group Risk Management.

It gives the Board of Directors its assessment concerning the methodologies and procedures employed.

It expresses its opinion concerning the way these functions are organised within the Group and is kept informed of their programmes of work.

It receives a half-yearly summary on the operations and reports of the Internal Audit function."

9. CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

Composition

- The Corporate Governance and Nominations Committee resulted from the Board's decision to separate out the functions of the former Compensation and Nominations Committee which had been set up in 1993 by the former BNP. Its members are Alain Joly, Claude Bebear and Gerhard Cromme, two-thirds of whom qualify as independent directors.
- Each of its three members has a proven track record in major international corporations, both in France and abroad, especially with regard to building leadership teams and handling corporate governance issues.
- No members of the Bank's Executive Management sit on the Committee. It includes the Chairman of the Board of Directors in its work on seeking out and selecting directors [1].

Terms of reference

The Board of Directors' Internal Rules defines the Committee's terms of reference as follows:

- the Committee is tasked with monitoring corporate governance issues. Its role is to help the Board of Directors to adapt corporate governance within BNP Paribas and to assess the performance of Board members;
- it regularly follows developments in corporate governance at both global and domestic levels. It selects the measures best suited to the Group with the aim of bringing its procedures, organisation and conduct into line with best practices;
- it regularly assesses the performance of the Board using either its own resources or any other internal or external procedure that it deems appropriate;
- it examines the draft report of the Chairman of the Board on corporate governance and all other documents required by applicable laws and regulations;
- the Committee puts forward 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 puts forward recommendations for the post of Chief Executive Officer for consideration by the Board, and acting on the recommendation of the Chief Executive Officer, it puts forward candidates for the post of Chief Operating Officer;
- the Committee assesses the performance of the Chairman, in his absence. It also assesses the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present;
- it is also responsible for developing plans for the succession of corporate officers;
- it makes recommendations to the Board of Directors on the appointment of Committee Chairmen and Committee members;
- it is also tasked with assessing the independence of the directors and reporting its findings to the Board of Directors. The Committee shall examine, if need be, situations arising should a director be repeatedly absent.

Work

In 2006, the Committee met twice, with all members attending. It examined the following issues.

Succession planning

- With the Chairman of the Board of Directors, the Committee examined the situation of key members of the Group's Executive Management team, reviewing their future outlook and possible succession.

Assessing the performance of the Board of Directors

- In 2006, the Corporate Governance and Nominations Committee oversaw the assessment of the performance of the Board of Directors and of its specialised Committees. The findings are presented in section 5. "Corporate governance", above.

Follow-up on the 2005 assessment of the performance of the Board of Directors

Improvements requested by directors were promptly implemented in 2006, particularly the following:

- greater representation of women in the Board's membership;
- broadening the Board's strategic review.

Updating the Board of Directors' Internal Rules

In 2006 the Board updated its Internal Rules as follows:

- by spelling out the duties and operating processes of the Corporate Governance and Nominations Committee on the one hand and the Compensation Committee on the other;
- by establishing as a principle that, in the event of a significant change in their functions or positions held, directors agree to allow the Board to decide whether or not it is appropriate for them to continue to serve as directors of BNP Paribas.

Re-election of directors. Evaluation of directors' performance

- The Committee assessed the performances of the directors whose terms of office were due to expire at the Annual General Meeting of 23 May 2006. The directors involved were Claude Bebear, Jean-Louis Beffa, Alain Joly, Denis Kessler and Michel Pebereau.
- The Board reviewed the independence of the first four against the AFEP-MEDEF corporate governance criteria and assessed their individual contributions to the work of the Board and its Committees.

(1) *AFEP-MEDEF 2003 (16.1).*

Individual evaluations

- The Committee conducted an evaluation of the Chairman, Michel Pebereau, in his absence.
- It also assessed the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present.

Harmonising the timetable for elections of directors by employees

- The Committee recommended to the Board an adaptation of the company's Articles of Association, which was submitted for approval by shareholders at the Annual General Meeting of 23 May 2006, in order to simplify the timetable for the election of directors by employees.

Compliance with European Commission regulation EC 809/2004

- The Committee did not find any instance of non-compliance with EC Regulation no.809/2004 in the personal circumstances of directors, nor did it receive any statement from a director indicating that there was such an instance.

Approval of the Report of the Chairman

- The Committee reviewed and approved the draft of the Chairman's Report on corporate governance.

Code of ethics applicable to directors

- The Committee did not find any breaches on the part of directors.

10. COMPENSATION COMMITTEE

Composition

- The Compensation Committee resulted from the Board's decision in 2005 to separate out the functions of the former Compensation and Nominations Committee, which had been set up in 1993 by the Board of Directors of the former BNP. In 2006 its members were Alain Joly (Chairman), Jean-Louis Beffa and Gerhard Cromme, two-thirds of whom qualify as independent directors under French corporate governance guidelines.
- Each of its three members has a proven track record in major international corporations, both in France and abroad, especially with regard to building leadership teams and handling compensation and pension issues.
- No members of the Bank's Executive Management sit on the Committee. The Chairman of the Board of Directors is not a member of the Committee, but is invited to take part in its deliberations, except those which concern him personally. The Committee interviews the Head of Group Human Resources and, like all other Board Committees, it may use the services of external consultants wherever necessary.

Terms of reference

- According to the Board of Directors' Internal Rules, the Compensation Committee is tasked with addressing all issues related to the personal status of corporate officers, including remuneration, pension benefits, stock options and provisions governing the departure of members of the Bank's corporate decision-making or representative bodies.
- It reviews the terms, amounts and allocation of stock option plans. It also reviews the conditions for allocating bonus shares.
- Moreover, the Committee, in conjunction with the Chairman of the Board, is competent to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. Within the limits of the overall appropriation set by shareholders, the Committee proposes the calculation method and individual amount of annual directors' fees.

Work

In 2006, the Committee met twice, with all members attending (in person or via teleconferencing).

- It examined the remunerations of Michel Pebereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon, the corporate officers. It set the amount of the variable portion payable in respect of 2005, determined the fixed remuneration for 2006 and defined the method for determining the variable remuneration of the corporate officers for 2006.
- It was informed of the remunerations of the members of the Executive Committee.
- It defined the terms and conditions for granting stock options and bonus shares for 2006, approved the list of beneficiaries and specified the method for calculating the initial exercise price as well as the exercise prices following the increase in share capital of BNP Paribas.
- It noted the fulfilment of the conditions precedent provided for in the 2001 and 2002 stock option plans.
- It adapted the system governing grants of stock options and bonus shares in the event that the beneficiary resigns or is terminated.

Remuneration of directors

- The Committee examined the allocation of directors' fees against the overall appropriation set by shareholders at the Annual General Meeting of 18 May 2005.
- The individual amount of directors' fees was unchanged compared to 2005, except as regards the Chairman of the Compensation Committee and the Chairman of the Corporate Governance and Nominations Committee, for whom the fixed portions were reduced to EUR 6,000, instead of EUR 9,000 for the Chairman of the former Compensation and Nominations Committee.

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INTERNAL CONTROL

The information below concerning the Group's Internal Control system has been provided by Executive Management. The Chief Executive Officer is responsible for Internal Control systems and procedures, and for all the statutory information in the report on Internal Control.

INTERNAL CONTROL ENVIRONMENT

Controls within the French banking sector are governed by a wide range of laws and regulations, which have created a long-established internal control culture within the Bank's business lines.

The conditions for the implementation and monitoring of internal control within banks and investment firms are set out in CRBF Regulation n°.97-02 [1]. These rules lay down principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems. Under Article 42 of this Regulation, banks are required to prepare an annual statutory report on internal control.

As required by Regulation n°.97-02, BNP Paribas has set up an Internal Control system (referred to hereafter as Internal Control) in which distinct organisations and managers are in charge of permanent controls and periodic controls. The Internal Control system must also take into account, as appropriate, the General Regulation of AMF (French Financial Markets Authority), regulations applicable to branches and subsidiaries outside France and to specialised operations such as portfolio management and insurance, the most widely accepted industry practices in this area and the recommendations of the Basel Committee.

DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

The Executive Management of the BNP Paribas Group has set up an Internal Control system whose main aim is to ensure overall control of risks and provide reasonable assurance that the Bank's goals in this area have been met.

This system is defined in the Group's Internal Control Charter, which is widely distributed within the Group and freely available to all Group employees. It defines internal control as a mechanism for ensuring:

- the effectiveness and quality of the Group's internal operations;
- the reliability of internal and external information (particularly accounting and financial information);
- the security of transactions;
- compliance with applicable laws, regulations and internal policies.

The Charter lays down **rules relating to the organisation, lines of responsibility and remit of the various players involved in Internal Control**, and establishes the principle of the independence of the Periodic Control function (General Inspection unit).

SCOPE OF INTERNAL CONTROL

One of the fundamental principles of Internal Control is that it must be exhaustive in scope: it applies in the same degree to all types of risk and to all entities in the BNP Paribas Group (entities include core businesses, business lines, territories and functions) without exception. It also extends to any core activities that have been outsourced.

Because implementing this principle requires a precise overview of the allocation of responsibilities, a dedicated software application is being deployed toward that end.

ORGANISATION AND FUNDAMENTAL PRINCIPLES AND OF INTERNAL CONTROL

Internal Control, as defined in the Internal Control Charter of BNP Paribas, is based on four pillars:

- permanent and periodic Controls:
  - **permanent Controls** consist of ongoing risk identification and assessment, procedures, controls, and a dedicated reporting and monitoring system. Permanent Controls are carried out both by operational staff and by **specialised functions either within or** outside the entities;
  - **periodic Controls** are based on "ex post" reviews carried out by employees who are not involved in Permanent Controls. They are performed by the General Inspection unit;
- **separation of tasks:** this applies to the various phases of a transaction, from initiation and execution, to recording, settlement and control. The separation of tasks also exists between independent functions and between those involved in Permanent Controls and Periodic Controls;
- **responsibility of operational staff:** a large part of the Permanent Control mechanism is incorporated within the operational organisation under the direct responsibility of the core businesses and functions which should make sure that they have the resources required for effective control. Managers at all levels must ensure effective control over the activities for which they are responsible;
- **exhaustiveness of internal control:** see above, under "Scope of Internal Control".

Teams from the General Inspection unit verify that these four pillars are complied with by carrying out regular inspections.

[1] *Amended by Regulations 2001-01 and 2004-02 and the Decree of 31 March 2005.*

PLAYERS INVOLVED IN PERMANENT CONTROLS

The players involved in Permanent Controls are:

- the **operational staff** working in commercial, administrative or support functions. They directly control the operations for which they are responsible, based on Group procedures. These controls are known as **first-level permanent controls;**
- **managers,** who perform controls as part of operational or autonomous control procedures. These controls are known as **second-level permanent controls;**
- **specialised functions** autonomously integrated within operational units or independent of these units, which perform controls that are independent of operations. These controls are also known as **second-level permanent controls.**

PLAYERS INVOLVED IN PERIODIC CONTROLS

Periodic controls (known as third-level controls) are carried out on an independent basis by the General Inspection unit, which includes:

- **inspectors** based at headquarters, who are authorised to carry out controls throughout the Group;
- **auditors** within the various entities of the Group, who now report to the General Inspection unit.

Periodic Controls fall under the responsibility of the Head of the Bank's General Inspection unit, who reports operationally to the Chief Executive Officer and reports functionally both to the CEO and to the Board's Internal Control and Risk Management Committee.

COORDINATION OF INTERNAL CONTROL

The Internal Control Coordination Committee (ICCC), which meets on a monthly basis, includes the following participants:

- the key players involved in Permanent Controls:
  - the Heads of Group Compliance, Group Finance-Development and Group Risk Management;
  - the Heads of Group Tax Affairs, Group Legal Affairs and the Group Operational Effectiveness function;
  - the Heads of the four core businesses;
- the Head of Periodic Controls.

Members of the Bank's Executive Management may participate in all ICCC meetings. The heads of other Group functions may be invited to participate in the Committee's meetings.

At Group level, coordinating Compliance work is the responsibility of the Head of Compliance, who sits on the Executive Committee and chairs the Internal Control Coordination Committee. The ICCC:

- is not intended to replace the different Group Risk Management Committees but to enhance their effectiveness within the overall system;
- guarantees the consistency of the Internal Control system and its compliance with regulations;
- seeks to promote the use of internal control tools as widely as possible within the Group;
- enhances the consistency of annual reports on internal control and control of investor services prepared by the Permanent Control and Periodic Control functions as required under their "Charter of responsibilities", and of the report of the Chairman of the Board of Directors on internal control procedures prepared in accordance with Article L. 225-37 of the French Commercial Code.

The Chairman of the ICCC reports to the Chief Executive Officer and, if the CEO or the Board of Directors deem it necessary, to the Board of Directors or the relevant Committee of the Board (the Internal Control and Risk Management Committee).

In 2006, the ICCC's work covered the following main topics:

- the Internal Control report for 2005 and the first results reported by the Permanent Controls function;
- the Group's key charters or policies in the area of controls;
- relations with regulatory authorities, particularly outside France, in terms of how these policies are managed and overseen;
- the organisation of internal control processes within the core businesses and ways of harmonising the tools used, risk assessment methodologies and the overall quality assurance programme of the Periodic Controls function;
- major operational issues such as the implementation of European directives on markets in financial instruments and on market abuse as well as the new policy requiring validation of exceptional transactions and new activities.

PROCEDURES

Written guidelines are distributed throughout the Group and provide the basic framework for the Group's internal control, setting out the organisational structures, procedures and controls to be applied. A central team within the Compliance function is responsible for ensuring that the procedural guidelines are regularly monitored for completeness, drawing on the support of a network of Procedures Coordinators.

Following the completion in 2004 of the Group's cross-functional guidelines (levels 1 and 2), regular updating of their content is an ongoing process in which all the core businesses and functions actively participate.

In 2006, the Compliance function brought a number of updates to the guidelines. As regards the organisation of controls, the twice-yearly surveys on the effectiveness of processes have been integrated into the twice-yearly reporting of the Permanent Controls function – in recognition of the fact that checking procedures is among the key duties of Permanent Controls, alongside identifying and assessing risks, running controls, verifying reporting processes and overseeing the monitoring system.

Among the Group's cross-functional procedures that were updated in 2006, the one dealing with the validation of exceptional transactions, new products and new activities deserves a particular mention. This procedure was modified to reflect changes in regulations and the Group's new Internal Control organisation. It is applicable to all Group entities and represents one of the pillars of the system for controlling all forms of risk that the Group takes on.

Efforts are ongoing to streamline the set of procedures and improve their distribution, make them more accessible and design better tools for storing them.

INTERNAL CONTROL STANDARDS

In 2006, the main players involved in Internal Control continued to work on standardising the main components of the system, covering families of risks, risk assessments, standards for controls and implementation of recommendations issued by Periodic Controls, Management, regulatory authorities or the Statutory Auditors.

HIGHLIGHTS OF 2006

Following two consecutive years of large-scale change, Group Internal Control gradually strengthened its position in 2006 with the ramp-up of new processes set up by the Group Compliance and Permanent Controls functions, on the one hand, and the General Inspection unit on the other.

Group Compliance function

Compared to the former Ethics Department which it replaced at the end of 2004, the Compliance function has a broader remit: it is tasked with enhancing compliance, defined as "conforming to legal and regulatory provisions, professional and ethical standards, as well as the overall strategy of the Board of Directors and Executive Management guidelines".

The Compliance function has also significantly enhanced its independence by establishing supervised knowledge-sharing arrangements with the heads of operating units for the teams in charge of compliance in the core businesses and support functions. These arrangements are far more extensive than previously existing ones. The Head of Compliance reports to the Chief Executive Officer and represents the Bank at the *Commission bancaire* with regard to all matters concerning Permanent Controls.

In 2006, the organisation of the Compliance function was tailored to changes in the regulatory environment and in the Group's scope of consolidation.

Regarding regulations, the entry into force of the European directive on "market abuse" has expanded the reach of requirements in the area professional ethics, which now cover new areas related to protecting market integrity (by detecting any market price manipulation and insider trading, and maintaining lists of insiders) and is applicable to all Group entities outside France.

BNP Paribas anticipated the entry into force of the directive on markets in financial instruments, by setting up a dedicated unit in charge of overseeing the important measures that will need to be taken in operational and sales functions as well as in the Compliance Department – with regard to conflicts of interest, improved execution, "suitability" and more.

The organisation of the Compliance function was also modified in response to the Group's expansion, especially the addition of Banca Nazionale del Lavoro. This subsidiary's Compliance function was aligned with the BNP Paribas model, to enable it to bring its Permanent Controls and Compliance processes up to Group standards in the shortest possible timeframe.

On another front, Compliance teams developed – and are continuing to develop – important software tools to assess and manage compliance risks, particularly in the areas of combating money-laundering and regulatory compliance. These tools are expected to play an increasingly significant part in the organisation and oversight of Compliance work, as well as in Permanent Controls methodologies.

Permanent Controls

The Bank's Permanent Control processes are being implemented through a network of coordinators that was for the most part in place by the end of 2005 in the main entities. As result, the Group was able to count, from the beginning of 2006, on an organisation in line with the new regulatory requirements; it brought together all the players involved, for a first global seminar. To bolster synergies at an operational level between identifying the various risks and managing them, the Permanent Controls coordinators often also have responsibilities related to operational risks, or even compliance, as well as management of procedures. These coordinators facilitate the translation of policies at operational level and follow up on action plans implemented by management. Internal control coordination committees have also been set up within each entity to help spread best practices.

Thus 2006 can be described as the year of operational implementation for the Permanent Controls system. The Group coordination team further documented its methodological framework, following extensive consultations among all stakeholders. At the same time, several software application projects were launched to support Permanent Controls staff in their work, particularly for following up on second-level controls.

In 2006, BNP Paribas decided not to delay setting up an operational reporting process for Permanent Controls, but rather to use it to contribute to ongoing improvement of the system. Though still in the design stage, the process has already benefited from preparatory work and mid-year testing. It already provides a high-level view of the structure of the Group's system and highlights the need for specific action plans.

Periodic Controls

The new organisation of Periodic Controls that integrates internal audit staff had its first full year of implementation in 2006. The General Inspection unit also continued to extend its capabilities, by providing additional training to the auditors, strengthening specialised teams and bringing in the specific resources needed for auditing models.

It implemented a single, consistent risk-assessment application for the entire Group, which allows it to plan audit engagements by taking into account the risk weightings applicable to the various entities. The Periodic Controls function also implemented an overall quality assurance programme to ensure that Internal Auditing meets the requirements and expectations of regulatory authorities, complies with professional standards and provides Bank management with an accurate picture of the risks at play, as this is the basis for genuine added value.

Lastly, the General Inspection unit also took part in the work of integrating BNL through the harmonising of in-house practices.

HUMAN RESOURCES

At the end of 2006, the number of full-time equivalent employees (FTEs) within the different Internal Control functions was as follows:

	2005	2006	% change
Compliance	465	614	+32%
Coordination of Permanent Controls	50	70	+40%
Periodic Controls	746	902	+21%

Second-level Permanent Controls

- Permanent Control processes are coordinated by 70 FTEs that help implement Group policies throughout the different entities. This figure concerns the head teams in the core businesses and functions. A more finely tuned approach will be applied in order to identify all the teams involved in Permanent Controls, especially in the Group's international operations.
- The Compliance function had 614 FTEs at the end of 2006, reflecting 32% year-on-year growth in its staff (24% growth excluding BNL). This trend is clearly in line with the sustained expansion in Group operations, mainly through several acquisitions, and with the forthcoming major changes in regulations, especially regarding activities on financial markets. All core businesses except French Retail Banking contributed significantly to this trend. Corporate and Investment Banking, as an example, expanded its Compliance teams significantly at certain sites.

Periodic Controls

- With a total of 902 employees at 31 December 2006, the Periodic Controls function grew 21% compared to a year earlier, as a result of integrating BNL. The ratio of auditors to auditees rose to 0.7% at the end of 2006.

LIMITATION OF THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of BNP Paribas and to represent the Bank in its dealings with third parties.

He shall exercise these powers within the limits of the corporate purpose and subject to those powers expressly granted by French law to Shareholders' Meetings and the Board of Directors.

Within the Group, the internal rules of the Board of Directors require the Chief Executive Officer to submit to the Board for prior approval any investment or disinvestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer must seek preliminary approval from the Financial Statements Committee of the Board for audit engagements entailing total fees of over EUR 1 million (before tax).

INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The information below concerning the Group's Internal Control system has been provided by Executive Management. The Chief Executive Officer is responsible for Internal Control systems and procedures, and for all the statutory information in the report on Internal Control.

ROLES AND RESPONSIBILITIES REGARDING THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Acting under the authority of the Chief Executive Officer, the Group Finance-Development function is responsible for the preparation and processing of accounting and financial information. Its roles, as described in its Charter, include:

- the production and distribution of high quality financial statements;
- the production and quality control of management accounts, and providing all forecast quantitative data needed for steering Group policy;
- project management for the Group's financial information systems;
- overseeing the Group's financial optimisation;
- ensuring that the Group's financial position is well presented to financial markets;
- driving strategic thinking on Group development.

The responsibilities of the Finance function are carried out by the local Finance departments within each entity, by core business Finance teams and by the Group Finance-Development function.

The production of accounting and financial data, and controls designed to ensure their reliability, are first handled by the Finance Department of the accounting entity [(1)] which reports this information to the core business then to the Group and attests that they are reliable, based on the internal certification procedure described below.

The core businesses/business lines then perform further controls at their level on the financial statements prepared by the accounting entities. They enhance the quality of the reporting by running appropriate reconciliations of accounting and management data.

The Group Finance-Development function gathers all the accounting and management information produced by the accounting entities in line with formalised reporting procedures validated by the core businesses/business lines. It then consolidates these data for use by Executive Management or for external reporting to third parties.

PREPARATION OF FINANCIAL INFORMATION AND PERMANENT CONTROL SYSTEM

Accounting policies and rules

The local financial statements for each entity are prepared under local GAAP. Since 1 January 2005, the Group consolidated financial statements have been prepared under IFRS (International Financial Reporting Standards) as adopted for use by the European Union and French GAAP is no longer used.

The Accounting Policies Department of the central Group General Accounting Department defines, based on IFRS, the accounting policies to be applied on a Group-wide basis, monitors regulatory changes and prepares new internal accounting policies and interpretations in accordance with such changes. An IFRS accounting manual has been produced and distributed to accounting teams within core businesses, business lines and entities.

The central Budget and Strategic Management Control Department draws up management control rules that apply to all the Group's business lines. The Group's accounting policies and management control rules can be accessed by the accounting and management teams in real time via the Group intranet.

As far as the definition of Internal Control, the organisation of the Internal Control environment and its general underlying principles are concerned, the BNP Paribas Group refers to the framework set out in CRBF Regulation n°.97-02 on internal control within banks and investment firms, as amended by the Decree of 31 March 2005.

Procedures and systems for preparing consolidated financial data

The information used to prepare the BNP Paribas Group consolidated financial statements is derived from the Bank's transaction processing systems through two separate reporting channels, one dedicated to accounting data and the other to management data. Both data collection channels use an integrated consolidation software package known as MATISSE ("Management & Accounting Information System"). This integrated consolidation package is operated and maintained by a dedicated team within the Group Finance-Development function. At local level, the Finance teams enter validated financial and accounting data into the system.

(1) "Accounting entity" refers to the parent company BNP Paribas as well as each of the consolidated subsidiaries and branches.

The reporting process is as follows:

- **Accounting data:** the procedures for preparing the Group's financial statements are set out in the guidelines distributed to all entities consolidated for accounting purposes. This facilitates the standardisation of accounting and financial data and compliance with Group accounting standards. Each Group entity closes its accounts on a monthly or quarterly basis and prepares a consolidation reporting package and management accounts in accordance with Group reporting deadlines. The validation procedures which accompany each phase in the reporting process seek to verify that:
  - Group accounting standards have been correctly applied;
  - inter-company transactions have been correctly adjusted and eliminated for consolidation purposes;
  - pre-consolidation entries have been correctly recorded.
- **Management data:** management information is reported by each entity and business line to the Finance function of the relevant core business, which then reports consolidated data for the core business to the Budget and Strategic Management Control unit within the Group Finance-Development function.

For each entity and core business, a reconciliation is performed between the main income and expense items based on management data and the interim accounting profit balances, prior to submitting the package to the Group reporting system. This is supplemented by an overall reconciliation performed by the Group Finance-Development function to ensure consistency between consolidated accounting profits and management reporting profits. These two reconciliations form part of the procedure for ensuring reliable accounting and management data.

Accounting Internal Control within the Group Finance-Development Function

To further strengthen its role in controlling accounting risks centrally, in 2006 the Group Finance-Development Function brought together the teams from "Group Accounting Internal Control" and "BNP Paribas SA (France) Permanent Accounting Internal Control" teams into a single unit known as "Permanent Accounting Internal Control".

The "Group Accounting Internal Control" team has the following key responsibilities:

- monitoring the creation of an Accounting Internal Control Department and defining Group policy in this area, as well as ensuring the correct functioning of an accounting internal control environment within the Group, in particular through the internal certification procedure described below;
- monitoring implementation by the entities of the Statutory Auditors' recommendations in conjunction with the core businesses/business lines;
- reporting back to Group Management and the Financial Statements Committee of the Board of Directors on the quality of the financial statements being produced within the Group.

The "BNP Paribas SA Mainland France Permanent Accounting Internal Control" team is in charge of providing quality control on accounting information provided by the French Retail Banking network and by Corporate and Investment Banking businesses that report to BNP Paribas SA Mainland France. The team has the following key responsibilities:

- monitoring the control of accounting processes, systems and procedures within back offices;
- providing the link between the main back offices and the Group Accounting Department;
- coordinating accounts closing processes and training back office teams in accounting controls;
- validating on a quarterly basis the "elementary certification process" (described below) for the accounting quality of back offices;
- setting up recurring cross-functional controls that validate first-level controls carried out by the back offices.

Internal certification process

At Group level

The Group Finance-Development function has introduced a process of internal certification of quarterly data produced by the different accounting entities over which the Group has sole or joint control, as well as of the controls performed within Finance departments of the core businesses/business lines and by the Consolidation Department within the Group Finance-Development function. The process uses the FACT (Finance Accounting Control Tool) internet/intranet-based application.

The heads of Finance of the entities concerned certify to Group Finance-Development that:

- the accounting data reported to the Group Finance-Development function are reliable and comply with Group accounting policies;
- the accounting Internal Control system designed to ensure the quality of accounting data is operating effectively.

This internal certification process forms part of the overall Group accounting internal control monitoring system and enables the Group Finance-Development function, which has overall responsibility for the preparation and quality of the Group's consolidated financial statements, to detect any problems in the financial statements and to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to set aside appropriate provisions. A report on this procedure is sent to the Financial Statements Committee of the Board of Directors at the close of the Group's quarterly consolidated accounts.

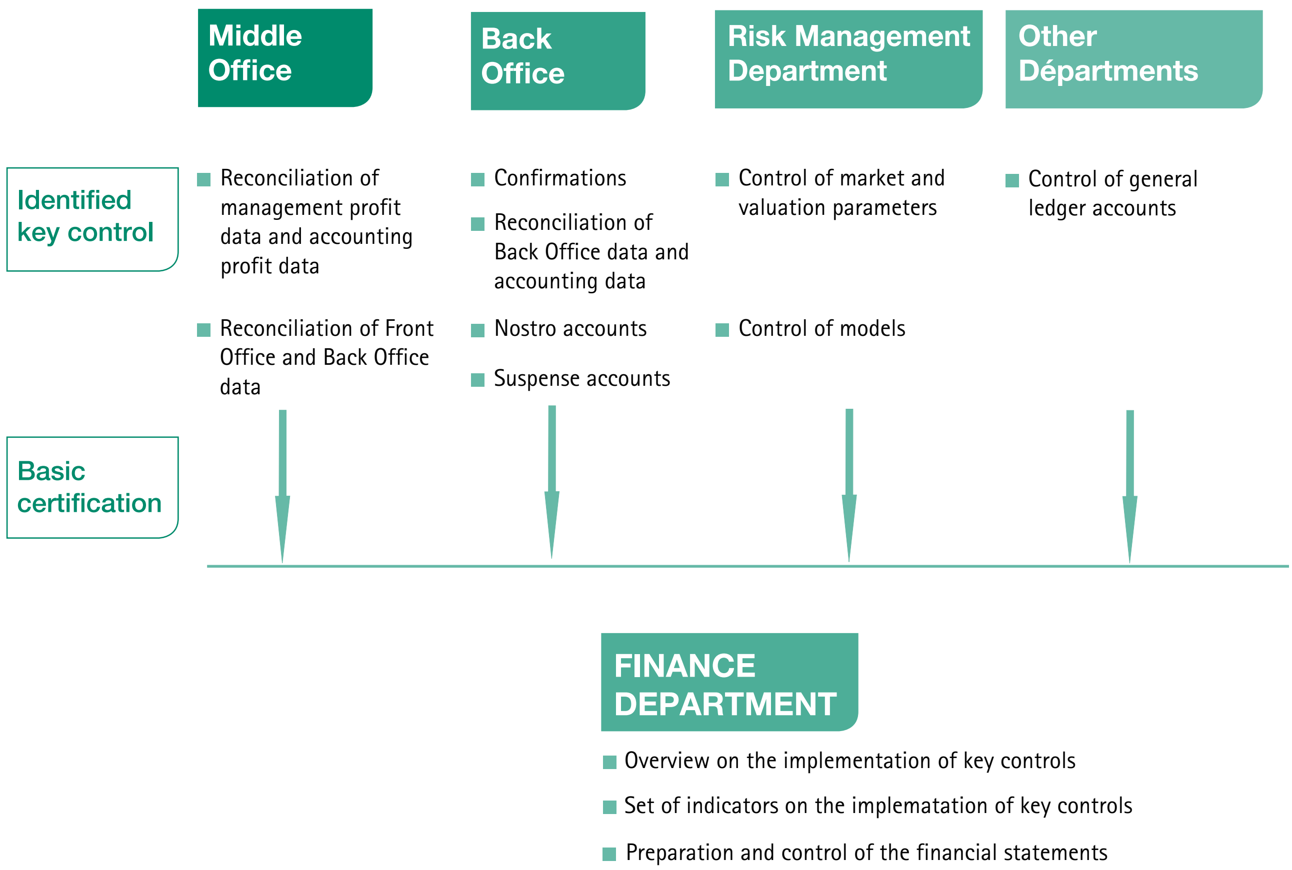
At entity level

The procedure for certification vis-à-vis the Group requires a suitably adapted accounting Internal Control system for each accounting entity that gives the local Finance function an overview of the entire accounting process. Toward this end, Group Accounting Internal Control has made it a rule that an "elementary certification" (or "sub-certification") process be implemented for accounting data.

This process requires that those who prepare accounting data and performs accounting controls (e.g., Middle Office, Back Office, Human Resources, Risk Management, Tax Department, Management Accounting/Planning, Accounts Payable, Treasury, IT Department, etc.) formally certify that the information provided is accurate and that the basic controls designed to ensure the reliability of the financial data for which they are responsible are working effectively. The elementary certificates are sent to the local Finance department, which analyses them, prepares a summary report and liaises with the other players in order to monitor the effectiveness of the system.

The FACT application also makes it possible to automate basic certification procedures by providing entities with a dedicated environment in which they can manage directly the processes set up at their level.

The following diagram summarises this procedure:



PERIODIC CONTROL — CENTRAL ACCOUNTING INSPECTION TEAM

Inspections are performed by the General Inspection unit as well as by the Internal Audit Department of each core business, entities and functions. To strengthen these controls procedures, an accounting inspection team was established in 2004 with the objective to perform specific audits on financial accounting and transversal accounting matters throughout the Group. This team reports to the General Inspection unit and receives the necessary technical support on accounting-related matters from Group Finance-Development.

Its action plan, set up by the General Inspection unit, in consultation with the Group Finance-Development function, is based on the remote accounting internal control tools available to the Group Finance-Development function (internal certification processes) as well as the risk evaluation chart set up by the General Inspection unit.

The core aims of the team are as follows:

- to constitute an accounting and financial expertise in order to reinforce the capability of the General Inspection unit when carrying inspections in such areas;
- to disseminate internal audit best practices and standardise the quality of audit work of financial accounting throughout the BNP Paribas Group;
- to identify and inspect the areas of accounting risk at Group level.

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DEVELOPMENT OF THE ACCOUNTING INTERNAL CONTROL SYSTEM

The accounting Internal Control system is constantly being adapted to the Group's requirements. The aforementioned procedures form part of an evolving system that aims to guarantee an adequate level of control throughout the Group.

RELATIONS WITH THE GROUP'S STATUTORY AUDITORS

Each year, the Statutory Auditors issue a report in which they give their opinion concerning the fairness of the consolidated financial statements of the BNP Paribas Group as well as the annual financial statements of the Group's subsidiaries.

The Statutory Auditors also carry out limited reviews on the quarterly accounts close. As part of their statutory audit assignment:

- they examine any significant changes in accounting standards and present their recommendations concerning choices with a material impact to the Financial Statements Committee;
- they present the entity/business line/core business Finance functions with their findings, observations and recommendations for the purpose of improving certain aspects of the Internal Control system for the preparation of accounting and financial information, reviewed in the course of their audit.

The Financial Statements Committee of the Board of Directors is briefed concerning accounting choices that have a material impact, as discussed in the paragraph on "Corporate Governance" section above.

Following up and implementing the recommendations of the Statutory Auditors in respect of the Internal Control system is the responsibility of the BNP Paribas Group Finance-Development function. The heads of Finance departments use the dedicated FACT application, which facilitates the implementation of the Statutory Auditors' recommendations.

CORPORATE COMMUNICATIONS — PRESS RELEASES, SPECIAL PRESENTATIONS, ETC.

Financial reports are prepared for external publication by the Investor Relations and Financial Communications team, within the Group Finance-Development function, for the purpose of presenting the Group's different activities, explaining its financial results and providing details of its development strategy to shareholders, institutional investors, analysts and rating agencies. The team, which reports to Executive Management and the Chief Financial Officer, devises the format in which financial information is published by the BNP Paribas Group. The team liaises with the core businesses and functions when designing the presentation of the Group's results, strategic projects and special presentations for external publication.

Due to the growing demands of investors and the Group's determination to be at the leading edge of European corporate communications, BNP Paribas has adopted a detailed communications format designed to present its results to the financial markets on a quarterly basis. The Statutory Auditors are involved in validating and reviewing the press releases containing the quarterly, half-yearly and annual financial results, before they are submitted to the Financial Statements Committee and to the Board of Directors.

2.3 Statutory Auditors' report

Prepared in accordance with the final paragraph of article L. 225-235 of the French Commercial Code, on the Report of the Chairman of the Board of Directors describing internal control procedures relating to the preparation and processing of accounting and financial information.

Year ended 31 December 2006

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	61, rue Henri Regnault 92400 Courbevoie

BNP Paribas
16, boulevard des Italiens
75009 Paris

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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of BNP Paribas and in accordance with article L. 225-235 of the French Commercial Code (Code de commerce), we report to you on the report prepared by the Chairman of your Company in accordance with article L . 225-37 of the Commercial Code for the year ended 31 December 2006.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with the professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures used for the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and the general organisation of the Company's internal controls and the internal control procedures relating to the preparation and processing of financial and accounting information, as described in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the Company's internal control procedures relating to the preparation and processing of financial and accounting information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, and Courbevoie, 1 March 2007

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
Pascal Colin	Etienne Boris	Hervé Hélias

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2.4 Executive Committee

Throughout 2006, the Executive Committee of BNP Paribas was composed 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 Finance and Development;
- Jacques d'Estais, Head of Corporate and Investment Banking;
- Hervé Gouëzel, Head of Group Information Systems;
- Bernard Lemée, Head of Group Human Resources;
- Vivien Lévy-Garboua, Head of Compliance and Internal Control Coordinator;
- Pierre Mariani, Head of International Retail Banking and Financial Services;
- Alain Papiasse, Head of Asset Management and Services.

Two changes have already been announced for 2007:

- Alain Marbach, 44, joined the BNP Paribas Group on 6 November 2006. He was previously a member of the Executive Committee of Schneider Electric as Head of Products and Technology.

  Alain Marbach will initially join Hervé Gouëzel in managing the Group's information systems. In the first half of 2007, he will recommend an overall strategy for the Group's industrial and technology branches. He will be in charge of implementing this strategy and will then become a member of the Executive Committee of BNP Paribas. Hervé Gouëzel, currently Head of Group Information Systems, will then become an advisor to Executive Management;
- Frédéric Lavenir, Chairman and Chief Executive Officer of BNP Paribas Lease Group until September 2006, joined the Group Human Resources function in October 2006, marking the beginning a three-month transition period. He replaced Bernard Lemée as Head of Group Human Resources and member of the Executive Committee on 1 January 2007.

  At that date, Bernard Lemée was appointed as an advisor to Executive Management, in charge of conducting cross-functional assignments on behalf of the Chief Executive Officer or the Chairman. He will in particular contribute to integrating the largest acquisitions into the Group.

3 RISK MANAGEMENT

3.1 Risk factors

RISK CATEGORIES

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 credit quality migration of the Bank's debtors, which can ultimately result in default. Credit quality is primarily measured based on the probability of default, combined with expected recovery on the loan or receivable in the event of 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, investment and payment transactions that potentially expose the Bank to the default risk of the counterpart.

Counterparty risk is the bilateral credit risk relating to the third party with which a transaction is entered into. The amount of this risk may vary over time in line with market parameters that impact the value of the instrument.

MARKET AND LIQUIDITY RISK

Market risk is defined as the risk of incurring a financial loss as a result of adverse changes in market parameters. These parameters may be directly tradable or not.

Tradable market parameters include, but are not limited to, foreign exchange rates, security and commodity prices, derivatives prices, and prices of other marketable assets such as realestate property or cars, as well as related factors such as interest rates, credit spreads, implied volatility or implied correlation.

Non-tradable market parameters are based on assumptions — such as models — or statistical analysis, such as correlations.

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

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

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

ASSET-LIABILITY MANAGEMENT RISK

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

LIQUIDITY AND REFINANCING RISK

Funding risk [1] corresponds to the risk of the Bank being unable to fulfill its obligations at an acceptable cost in a given currency and location.

INSURANCE UNDERWRITING RISK

BNP Paribas' insurance activities — which primarily relate to personal insurance — are exposed to underwriting risk. This type of risk corresponds to an unexpected increase in insurance claims. Depending on the type of insurance business (life insurance, personal risks, or annuities), this risk may be statistical, macro-economic, or behavioural, or may be related to public health issues or natural disasters.

OPERATIONAL RISK

Operational risk corresponds to the risk of incurring a financial loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. The management of operational risk is underpinned by an analysis of the cause - event - effect chain.

The internal processes may involve issues including human resources and systems. External events include but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or a change in value that affects credit and market risks do not fall within the scope of operational risk.

In general, therefore, operational risk encompasses legal risks, tax risks, information system risks and compliance risks. However, due to its importance and link with reputation risk, the Bank addresses compliance risk separately from operational risk.

[1] *Often called liquidity risk in regulatory documents.*

COMPLIANCE RISK

According to French regulations, 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 pure financial loss and may harm the institution's reputation. It is for this reason that the Bank treats compliance risk separately.

REPUTATION RISK

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

OTHER RISK FACTORS SPECIFIC TO BNP PARIBAS AND RELATED TO THE BANKING INDUSTRY

ADVERSE MARKET OR ECONOMIC CONDITIONS MAY CAUSE A DECREASE IN NET BANKING INCOME OR PROFITABILITY

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

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

THE BANK MAY INCUR SIGNIFICANT LOSSES ON ITS TRADING AND INVESTMENT ACTIVITIES DUE TO MARKET FLUCTUATIONS AND VOLATILITY

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in private equity, property and other assets. These positions could be adversely affected by volatility, 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 realise a loss on those paired positions. Such losses, if significant, could adversely affect the Bank's results of operations and financial position.

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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.

A LONG TERM MARKET DECLINE 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, long term 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 which enjoy limited liquidity. 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 such assets is difficult and could lead to unexpected losses.

SIGNIFICANT INTEREST RATE VARIATIONS COULD ADVERSELY AFFECT THE BANK'S NET BANKING INCOME OR PROFITABILITY

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

A SUBSTANTIAL INCREASE IN WRITE-OFFS OR A SHORTFALL IN THE LEVEL OF PREVIOUSLY RECORDED LOAN LOSS RESERVES COULD ADVERSELY AFFECT THE BANK'S OPERATING RESULTS AND FINANCIAL STRENGHT

In connection with its lending activities, the Bank regularly posts reserves 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 loan loss reserves in the future as a result of increases in non-performing assets or for other reasons. Any significant increase in loan loss reserves or a significant change in the Bank's estimate of the risk of loss embedded 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 operating result and financial strenght.

THE BANK'S COMPETITIVE POSITION COULD BE HARMED IF ITS REPUTATION IS DAMAGED

In the highly competitive environment arising from globalisation and convergence in the financial services industry, the Bank's reputation for financial strength and integrity is critical to its ability to attract and retain customers. The Bank's reputation could be harmed if it were to use inappropriate means to 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 would fail, or appear to fail, to address potential conflicts of interest properly. Futhermore, the Bank's reputation could be damaged by employee misconduct, a decline in, a restatement of, or corrections to its financial statements, 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 operating result and financial strengh. An illustration of this risk is the UN Oil-for-Food program, in which the Bank's role has come under scrutiny, even though no risk has materialised so far.

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 operate. 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, execution and/or loan servicing 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 operating result and financial strenght.

UNFORESEEN EVENTS CAN INTERRUPT THE BANK'S OPERATIONS AND CAUSE SUBSTANTIAL LOSSES AND ADDITIONAL COSTS

Unexpected 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 staff. Such 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 A STRICT REGULATORY FRAMEWORK IN THE COUNTRIES AND REGIONS 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.

ANY CHANGE IN THE FOLLOWING AREAS IS LIKELY TO IMPACT THE GROUP

- The monetary, interest rate and other policies of central banks and regulatory authorities;
- General changes in government or regulatory policy that may influence investor decisions, particularly in the markets in which the Group operates;
- General changes in regulatory requirements, for example prudential rules relating to the capital adequacy framework;
- Changes in the competitive landscape and pricing strategies;
- Changes in the financial reporting standards;
- Expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign asset ownership;
- Any unfavourable 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.

THE BANK'S RISK MANAGEMENT POLICIES, PROCEDURES AND METHODS MAY LEAVE IT EXPOSED TO UNIDENTIFIED OR UNANTICIPATED RISKS, WHICH COULD LEAD TO MATERIAL LOSSES

The Bank has devoted considerable resources to developing its risk management policies, procedures and assessment methods and intends to further develop them 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 conditions or against all types of risk, particularly risks that the Bank would have fail to identify or anticipate. Some of the Bank's qualitative tools and metrics for managing risk are based on the use of observed historical market behaviour. The Bank applies statistical and other tools to these observations to derive the quantification of its risk exposures. These tools and metrics may deliver inadequate results on future risk exposures, e.g. if the Bank may not anticipate or correctly evaluate certain factors in its statistical models. This could limit the Bank's ability to mitigate its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantitative models does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unexpected losses.

THE BANK'S HEDGING STRATEGIES MAY NOT FULLY 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 inefficient hedges are recorded may result in additional volatility in the Bank's reported earnings.

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THE BANK MAY HAVE DIFFICULTY IN IMPLEMENTING ITS EXTERNAL GROWTH STRATEGY, 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 acquisition 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 entity with which it combined its operations. 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 eroded profitability if the Bank felt compelled to offer them financial incentives to remain.

INTENSE COMPETITION, ESPECIALLY IN THE BANK'S LARGEST MARKET IN FRANCE, COULD ADVERSELY AFFECT 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 presure, 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 favourable terms. An example of such a competitive threat in France is the creation of the Post Office Bank *(La Banque Postale)*, which commenced retail banking operations on 1 January 2006, and is authorised to extend in particular mortgage loans.

3.2 Risk management framework

CREDIT RISK

(See section 5.5 Financial statements – note 4.a. – Credit risk.)

MARKET AND LIQUIDITY RISK

(See section 5.5 Financial statements – note 4.b. – Market risks related to financial instruments.)

ASSET-LIABILITY MANAGEMENT RISK

(See section 5.5 Financial statements – note 4.c. – Market risks related to banking intermediation activities and investments.)

LIQUIDITY AND REFINANCING RISK

(See section 5.5 Financial statements – note 4.d. – Liquidity risk.)

INSURANCE UNDERWRITING RISK

Insurance underwriting risk is monitored by BNP Paribas Assurance's Actuarial function, based on three main tools: underwriting policy, portfolio reviews and reinsurance (see the section entitled "Risk mitigation" for details of the reinsurance policy).

In each of BNP Paribas Assurance's two business lines (savings and protection), central Actuarial teams have a functional responsibility over local Actuarial departments in place in the various countries.

PRODUCT DEVELOPMENT

BNP Paribas Assurance's actuaries based in head office or in local entities apply common underwriting methodologies and calculations. To take into account the various risks to which BNP Paribas Assurance is exposed (statistical, macro-economic, behavioural, or related to public health issues or natural disasters), the historical databases used to price policies are built locally and validated by the central team.

This ensures that risk-taking is consistent across the Group and that products are suitably adapted to local markets.

PORTFOLIO REVIEWS

The central Actuarial teams review the portfolio and provisioning policy every quarter. The teams validate the level of provisioning (mainly premiums, claims and equalisation reserves) and identify any risk overruns on given portfolios, allowing them to take immediate steps in the event of any shortfalls noted.

As a result of this process, the historical databases used for pricing policies are regularly updated and adjusted to reflect changes in the various statistical, behavioural or macro-economic risks to which the business is exposed.

The process also helps to provide a consolidated view of the Group's exposure to certain underwriting risks.

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COMPLIANCE RISK

Compliance is integral to the Group's internal control framework, and managing compliance risk is high on the Group's agenda. Compliance covers adherence to applicable laws, regulations, codes of conduct and standards of good practice. Compliance also involves protecting the Group's reputation as well as the reputation of its investors and customers; publishing accurate and complete information; ensuring that members of staff act in an ethical manner and avoid conflicts of interest; implementing anti-money laundering procedures, combating corruption and the financing of terrorism; and respecting financial embargoes.

The Compliance function manages compliance risks for all of the Group's domestic and international businesses. Reporting to the Chief Executive Officer, the Compliance function has direct, independent access to the Internal Control and Risk Management Committee of the Board.

The function includes a central structure in Paris responsible for overseeing and supervising all compliance matters, and local teams within the different divisions and business lines acting under delegated authority from the central team. All material Group entities have dedicated Compliance teams, at both global and local level. The Compliance function has grown continuously since 2004, with a 24% surge in employees in 2006 (at constant scope).

Management of compliance 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 unauthorised 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 embargos,
  - controls over transactions carried out by staff, particularly on the stock markets.

  In 2006, general guidelines were expanded to include policies relative to some major compliance risks such as managing conflicts of interests. The Group also updated its authorisation procedures for exceptional transactions, and new products and business validation. This represents one of the most important part of the Group's permanent control framework, and is therefore an essential part of its permanent controls regarding compliance risk;
- Coordination of action taken by the various Group entities to guarantee the effectiveness and efficiency of monitoring systems and tools;
- Internal control tools. BNP Paribas is currently rolling out (i) the new Regulatory Risk Matrix, which makes it possible to measure and monitor compliance risk with regard to applicable laws and regulations; and (ii) new tools designed to prevent money laundering, the financing of terrorism and corruption (see below). These new capabilities are key to enhancing the effectiveness of permanent controls of compliance risk;
- Training initiatives, which are being implemented across the Group (introduction of an e-learning training module on Compliance risk) and within the various divisions and business lines (for example as regards the application of the European Market Abuse Directive).

The changing international environment, proliferation of illegal practices and the tightening of regulations in many countries, coupled with a determination to safeguard the Group's reputation, have prompted BNP Paribas to intensify its efforts against money laundering, terrorism financing and corruption:

- Know Your Customer (KYC) procedures are regularly updated and are based on continuously reassessed sensitivity criteria;
- action is currently underway to review information about all existing customers based on KYC rules, and a KYC reporting system has been set up;
- the Customer Acceptance Committees and Intermediary Selection Committees (referral agents, brokers and non-Group asset managers) have been strengthened and embedded more deeply in the organisation;
- computerised monitoring systems are continuously developed and updated. These systems include the Vigilance database, containing the names of more than 1,800 individuals suspected of being members of terrorist organisations or subject to financial embargoes; and the Lynx/Factiva database, containing the names of politically sensitive individuals. Funds transfer screening systems have been updated and broadened in scope (Shine project), and money-laundering detection applications for abnormal account activity are being rolled out as part of the IRIS project;
- training and awareness-raising initiatives focusing on the combat against money laundering, the financing of terrorism and corruption.

The European Market Abuse Directive came into force in the year, aimed at safeguarding the integrity of the financial markets and protecting client interests. The Group is currently preparing for the new European Markets in Financial Instruments Directive (MiFID), which is applicable as from November 2007. The MiFID introduces far-reaching changes in European financial markets and contains important sections on compliance, particularly as regards the suitability of banking products and services with customers' risk profiles, best execution practices, conflicts of interest and outsourcing. The Group has been closely monitoring developments and has already put into place a part of the required framework, for example as regards outsourcing practices and avoidance of conflicts of interests.

OPERATIONAL RISK

OVERVIEW OF OPERATIONAL RISK

The dual aim of the operational risk management framework is (i) to ensure compliance with regulatory requirements and criteria prescribed by rating agencies; and (ii) to improve the Group's internal processes, resulting in an improvement in performance and a reduction in the frequency and impact of operational risk events.

This goal implies the dedicated implementation of dedicated policies, methodologies and procedures for managing operational risk, applied across all of the Group's core businesses and functions.

Principles

Operational risk management practices are rooted in four key principles:

- a focus on internal processes both within Group entities and cross-functionally between Group entities through the analysis of key processes;
- a methodology based on the analysis of the cause – event – effect chain, with the main focus on the "event". The analysis is designed to identify and monitor potential or actual operational risk events and assess the causes in order to prevent the event from materialising or recurring, and mitigate the severity of the impact for the organisation;
- a monitoring of operational risk based on risk profiles and tolerance levels, with qualitative and quantitative data stored in the reporting system to be used as the basis for decision making on determining risk profiles and setting tolerance levels;
- a clear definition and supervision of responsibilities: it is vital that managers and staff take individual responsibility for operational risk management.

Operational risk management process

To meet regulatory requirements on regular high-quality risk reporting to senior management, BNP Paribas has set up a two-way information flow (bottom up and top down) that acts as a loop.

The information originates in the entities managing the processes. The data compiled for management purposes are then analysed and centralized and the issues are discussed at the appropriate level prior to review and validation. Standards and tolerance levels are then defined and decisions taken to approve or reduce the risk level, which are then communicated top down to the relevant entity.

In the top down infomation loop, the Functions are responsible for communicating on the principles and standards regarding their particular functional area that are to be applied by the core businesses, business lines, territories and subsidiaries.

Committees

In line with the Group's operational risk management policy, committees comprising members of the Executive or Management Committee are held three times a year at all levels of the organisation. Group Risk Management (GRM) is responsible for gathering and summarising all of the information stemming from these committees as a basis for discussion at Group level. The Group's operational risk committee is made up of the members of the Group's Executive Committee.

These committees are tasked with supervising the management of operational risk and implementing the risk infrastructure within their particular functional scope. The committees are also responsible for formally validating the quality and consistency of reporting data and for examining the risk profile adopted in light of the tolerance levels set by either the committee itself or the Group. The decisions to accept or reduce the exposure are also taken at these committee meetings.

Resources

In accordance with regulatory requirements, BNP Paribas ensures that internal audit teams are fully independent of operational risk management personnel within its core businesses and functions.

Group Risk Management – Operational Risk ("GRM-OR") is responsible for designing and maintaining the risk infrastructure on an ongoing basis, to ensure that operational risk is identified, assessed, controlled and managed, and that the related exposure is reduced.

Group entities have set up a risk management framework based on a network of operational risk analysts and part-time correspondents. These analysts can be found in all core businesses, business lines and main territories, as well as within the Bank's major functions, and are responsible for validating the operational risk management process falling within their own particular area and implementing the operational risk management policy as well as the associated methodologies and tools.

Data gathering and risk analysis

Two categories of data are compiled, based on historical experience and prospective scenarios.

Historical data: operational risk data has been systematically compiled since the beginning of 2002 and the process was rolled out to all of the Group's business lines and territories in 2002 and 2003. The operational risk data compilation process was strengthened by data quality reviews in 2004 and certification procedures in 2005. An analysis of historical data enables the Bank to determine the remedial action needed to ensure that operational risk events do not recur.

Prospective scenarios: the Group adopts an integrated approach to modelling risks and analysing potential incidents, based on an analysis of its internal processes. A qualitative analysis of the causes, corresponding controls and impacts of potential incidents is carried out for each process, with the results quantified and input into the internal capital calculation model. This procedure highlights the Group's main risk exposures and enables the organisation to identify the necessary remedial actions.

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Possible risk mitigation factors include:

- action plans, including control programmes and strengthened business continuity plans;
- subscription of insurance policies.

LEGAL, TAX AND INFORMATION TECHNOLOGY RISKS

Legal risk

BNP Paribas is bound by regulations applicable to financial institutions in each countries and in each business where it operates, including banking, insurance and financial services. The Group is notably required to respect the integrity of the markets and the primacy of clients' interests.

For many years, the Group Legal Affairs function has had an internal control system designed to anticipate, detect, measure and manage legal risks.

The system is organised around:

- Specific committees, including:
  - the Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs function,
  - the Legislation Tracking Committee, which 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 Global Legal Committee, which coordinates the activities of the legal function throughout the Group and in all countries that have their own legal staff,
  - the Group Legal Coordination Department, which ensures that the Group's legal policies are consistent and deals with cross-functional issues.
  - The Legal function is a permanent member of the Compliance Committee and the Internal Control Coordination Committee;
- Internal procedures and databases providing a framework for managing legal risk, in close collaboration with the Compliance function for all matters which also fall under their responsibility, and for the activities of the Group's legal staff. At the end of 2004, a procedures database comprising all internal procedures, in French and in English, was set up on the Group 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 vulnerable countries, to check the effectiveness of the systems developed by foreign units to manage legal risks;
- Internal reporting systems, model documents and analysis systems, which are upgraded on an ongoing basis by Group Legal Affairs and contribute to the analysis of operational risk.

This framework contributes to an even better control of legal risk, both in France and abroad.

Tax risk

In the various countries where it operates, BNP Paribas is subject to the local tax laws and regulations applicable to its business areas such as banking, insurance and financial services companies.

Group Tax Affairs is a global function, responsible for overseeing the consistency of the Group's tax solutions. It also shares with Group Finance and Development the responsability to monitor the global tax risk. In addition, it performs a second level control to ensure that tax risks remain at an acceptable level and are consistent with the Group's reputation and profitability objectives.

Group Tax Affairs resources include:

- a **network of tax correspondents**, covering all of the countries where the Group operates, backed by **dedicated tax specialists** in 12 countries;
- a **qualitative data reporting system**, which contributes to controlling tax risks and monitoring compliance with local tax laws;
- a **regular reporting to Group Executive Management** on the use made of delegations of authority and compliance with internal standards.

Group Tax Affairs is a member of the **Tax Coordination Committee** chaired by Group Finance and Development and extended to all core business and the Compliance function. The committee is responsible for analysing key tax issues and making appropriate decisions. Group Finance and Development has the duty to consult Group Tax Affairs on any tax issues relating to the transactions processed.

Group Tax Affairs have also drawn up **procedures** covering all core business, designed to ensure that tax risks have been identified and are being 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. The objectives cover a wide range of subjects, including:

- the tax risk management framework. The tax risk charter is used to draw up job descriptions for local tax managers and to specify the responsibilities of core business heads with regard to entities that do not have their dedicated tax manager. The tax risk charter is updated regularly to reflect changes in the charter applicable to Territory Chief Executives;
- validation procedures by Group Tax Affairs for all new products featuring a material tax component, together with all new activities and "specific" transactions structured in France or abroad;
- procedures for seeking outside tax advice;
- description of tax-driven operational risk incidents and common filing and reporting standards;
- definition and disclosure of groupwide tax rules and regulations, and validation of any framework agreement or internal circular/document presenting complex tax issues;
- tax inspection reporting procedures;
- control procedures relating to the delivery of tax opinions and advice.

Information systems security

The ever-greater role played by IT in banking activities, alongside with the increasing external exposure of information systems (internet, open source software, network interconnections between different economic players, etc.) present a specific risk associated with information technologies.

Managing information systems security is part of a wider approach to operational risk and is closely related to changes in permanent and periodic controls in all banking activities (particularly as regards Directive CRBF 97-02 in France and similar regulations in other countries). The ISO 27001 standard (amended version of ISO 17799 – formerly BS 7799) is taken as the basis of information systems security best practices.

Each of BNP Paribas' business lines is exposed to some specific form of information systems security risk, and some risks are common to all businesses. The Group's policy for managing IT risks takes into consideration the specific nature of the business, often made more complex by local regulations in the different countries in which the Group operates.

Like most global banking players, the Group's online retail banking businesses suffered a number of phishing/pharming attacks in 2006. All of these attacks were countered – with no harm whatsoever to our customers – thanks to the measures put in place by BNP Paribas to prevent and detect such risks in an expedient, efficient manner. The Group's businesses will continue to invest in tools designed to improve e-banking security while seeking to avoid unnecessary complexity for the internet user. BNP Paribas on its own and as a member of the French banking community and the online community at large, will continue to raise users' awareness of the intrinsic dangers of the net, and recommend the steps to take when facing various sensitive situations.

The availability of information systems is vital to allow the Bank to continue operating in a crisis or emergency. The BNP Paribas Group maintains, develops and regularly verifies its information back-up capabilities and system robustness, in line with its values of operational excellence, and in response to tighter regulations and to cope with extreme risk scenarios (flu pandemia, natural disasters or other catastrophies).

BNP Paribas seeks to minimise and control its IT risks, by:

- regularly updating and distributing information security procedures at Group and business line level, and continually raising the awareness of its staff to these security imperatives;
- requiring all business lines to formally document the risks to which they are exposed along with their strategies for mitigating such risks, and to develop measurable key performance indicators and a multi-year action plan to implement their strategy;
- monitoring incidents and developing intelligence of technological developments and attacks schemes in the area of IT security.

3.3 Risk exposure in 2006

CREDIT RISK

2006 saw a further improvement in credit risk in all of the geographical areas in which BNP Paribas operates. The credit quality of BNP Paribas' loan book improved throughout the year, leading to a reduction in the cost of risk, particularly in the Corporate and Investment Banking core business.

Outstanding commercial loans as of 31 December 2006 totalled EUR 715 billion. The 24% growth year on year reflects the integration of BNL and other international retail banking networks, as well as expanded business in North America – partly offset by the fall in the value of the dollar – and the vigorous sales momentum in French Retail Banking.

COUNTERPARTY DIVERSIFICATION

Diversification of commitments by counterparty is a matter of constant attention and is closely and regularly monitored. The Group's concentration of credit risks is well below the thresholds set in the European Directive on major banking risks. The top 10 client groups represented less than 3% of total commitments as of 31 December 2006.

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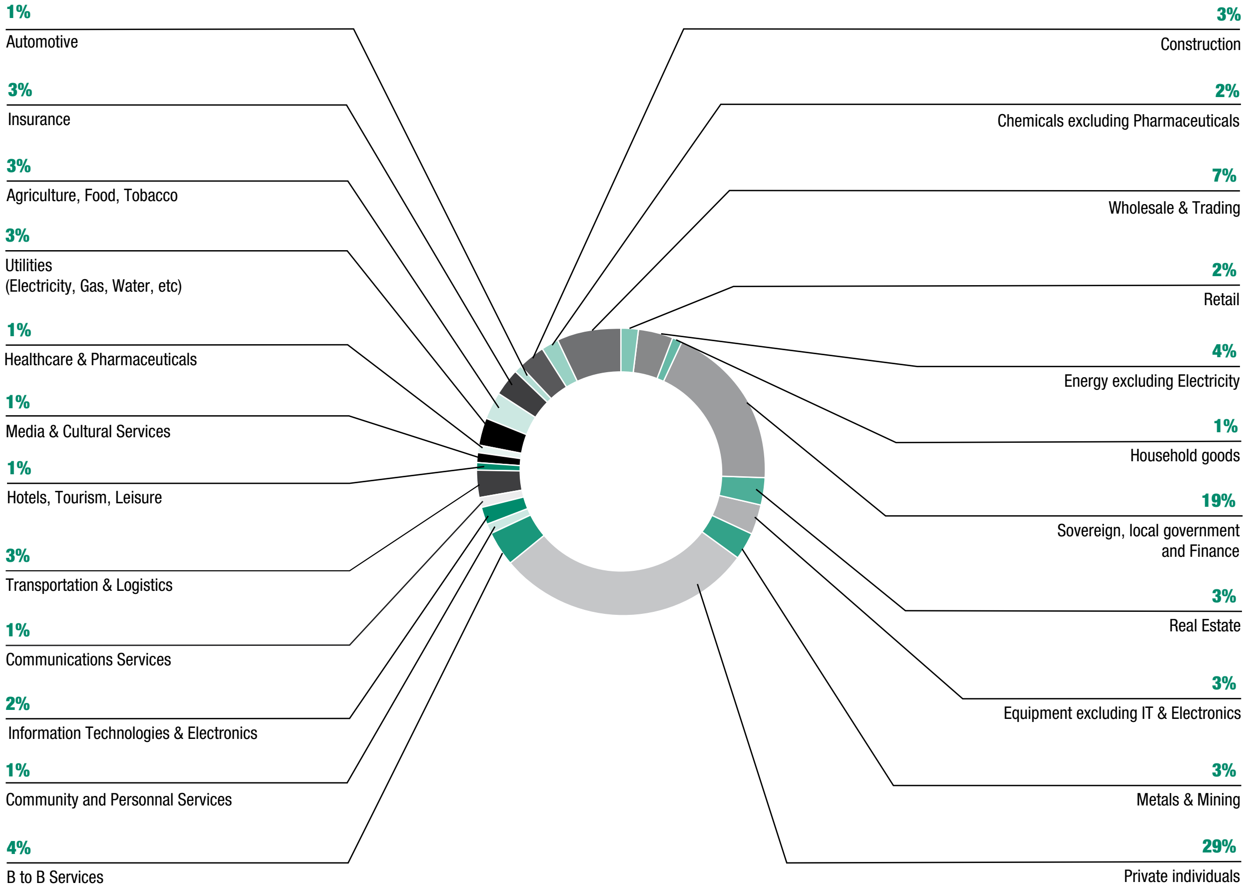
INDUSTRY DIVERSIFICATION

➤ BREAKDOWN OF COMMERCIAL LOANS AND COMMITMENTS BY INDUSTRY AS OF 31 DECEMBER 2006



Industry diversification remains at a healthy level, with no further concentrations of risk arising in 2006. Cyclical industries continue to be regularly monitored and no such industry represents more than 3% of the portfolio, with the exception of energy and commodities. Areas where the proportion increased such as "Sovereign, local government and Finance", do not represent sensitive risks. Commitments also increased towards the energy and commodities sector, corresponding mainly to financing granted in respect of commodity trading, which is dominantly highly structured and secured by collateral.

- Our automotive industry portfolio, which has traditionally been an important sector for the Bank, remains principally focused on the financial subsidiaries of leading car makers. This industry has been regularly monitored this year, particularly in the US which is considered to be more sensitive. Total loans and commitments in this industry are down on year on year.
- The airline industry, which is also closely monitored, only represents a very small portion of loans and risk exposure.
- The Bank's high-tech industry commitments (information and communication technologies) account for only a very small portion of total commitments. The Bank adopts a highly selective approach and its high-tech client base consists essentially of major players that are rated investment grade.
- The real estate sector as a whole was closely monitored in 2006. Real estate companies and mortgages accounted for 3% and 13%, respectively, of the Group's total commitments. Most of the commitments in the real estate sector are made in France. Within the real estate companies segment, the Group lends primarily to counterparties with diversified and stable revenue streams (property companies).
- The utilities portfolio (mainly companies producing and distributing electricity) is reviewed every six months. The client base in this industry consists mainly of major players.
- Commodity financing commitments (production and international trade) is also reviewed on a regular basis.

GEOGRAPHIC DIVERSIFICATION

The Bank's portfolio remains fairly evenly balanced geographically, after some changes observed mainly within Europe. France now accounts for only 36% of commitments, due to the 29% jump in business in other European countries. This is mainly attributable to the integration of BNL.

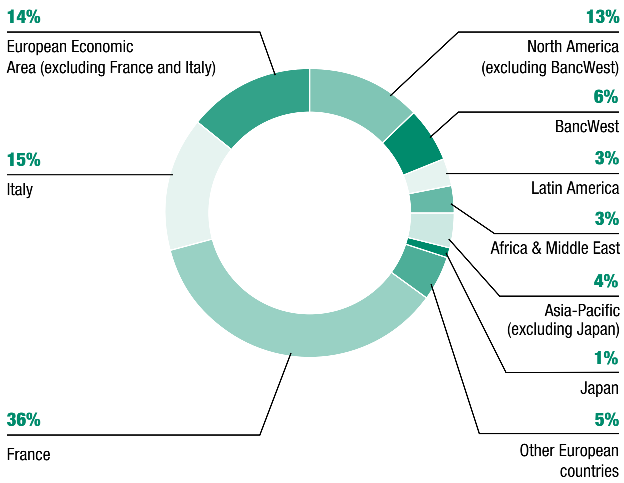
North America (including BancWest) remains BNP Paribas' 2nd-largest region in the portfolio. However, the region accounted for 19%

of commitments in 2006, falling significantly year-on-year due to the increase in the Bank's commitments in Europe.

Asia represents 5% of total commitments, down slightly on the year-earlier period. China is a major focus of growth plans in the region, tempered by a selective risk policy.

Commitments in high-risk countries represent 14% of total commitments, but only 7% after taking into account eligible collateral. These commitments are closely monitored and exposure limits are reviewed each year. Commitments in these countries continue to consist primarily in export credit and short-term commercial commitments. Longer term financing is generally secured and, in most cases, highly structured.

GEOGRAPHIC BREAKDOWN OF COMMERCIAL LOANS AND COMMITMENTS AS OF 31 DECEMBER 2006



PORTFOLIO QUALITY

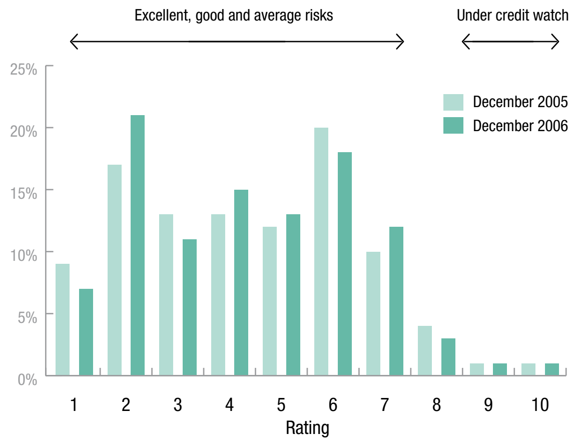
The rating policy that is being progressively but vigourously rolled out across the Group now covers all of the Corporate and Investment Banking and French Retail Banking portfolios, as well as a significant part of other core businesses.

The corporate portfolio (companies, government agencies, banks and institutions) in both CIB and FRB are of a high quality. The vast majority of commitments are towards Investment Grade borrowers, reflecting the Bank's strong presence among large multi-nationals and financial institutions.

A significant proportion of commitments to borrowers with lower credit ratings are highly structured or secured by high quality guarantees implying a higher recovery in the event of default. This includes export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

The distribution of the Bank's portfolio by credit quality is fairly stable year on year, with however an improvment of the credit quality on the highest credit ratings (1 to 5).

BREAKDOWN OF SOUND COMMITMENTS OF THE CORPORATE & INVESTMENT BANKING AND FRENCH RETAIL BANKING DIVISIONS (EXCLUDING PRIVATE INDIVIDUALS) BY INTERNAL CREDIT RATING



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DOUBTFUL COMMITMENTS

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

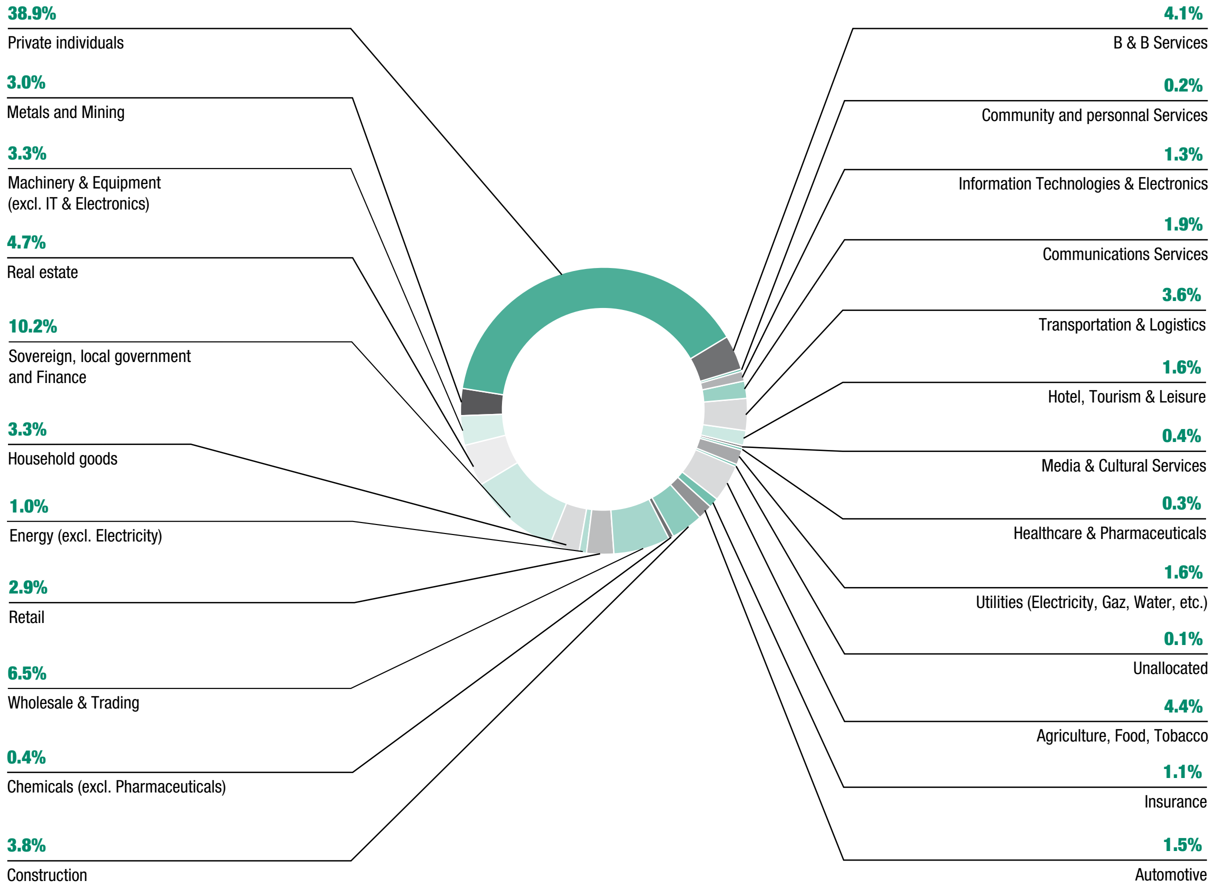
➤ COVERAGE RATIO

In billions of euros	31 December 2005	31 December 2006
Doubtful commitments	12.7	15.7
Provisions	11.1	13.9
Coverage ratio	87%	89%

➤ GEOGRAPHIC BREAKDOWN OF DOUBTFUL LOANS ON BALANCE SHEET AND PROVISIONS

At 31 December 2006	Doubtful loans	Provisions
France	40.5%	43.2%
Italy	34.2%	30.2%
European Economic Area (excl. France and Italy)	4.5%	5.2%
North America	6.6%	5.6%
Latin America	2.6%	2.4%
Africa and Middle East	6.1%	7.1%
Asia — Pacific	2.4%	1.5%
Japan	0.1%	0.0%
Other European countries	3.0%	4.8%

➤ INDUSTRY BREAKDOWN OF DOUBTFUL LOANS ON BALANCE SHEET AS OF 31 DECEMBER 2006



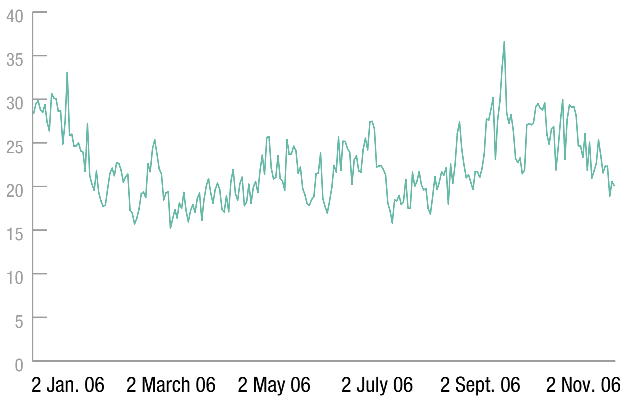
MARKET AND LIQUIDITY RISK

VALUE AT RISK (VAR)

VaR calculation methods are continually being refined to factor in new risks arising from changes in the structure of products and financial markets.

Evolution of VaR for all of the Group's trading activities in 2006 were as follows:

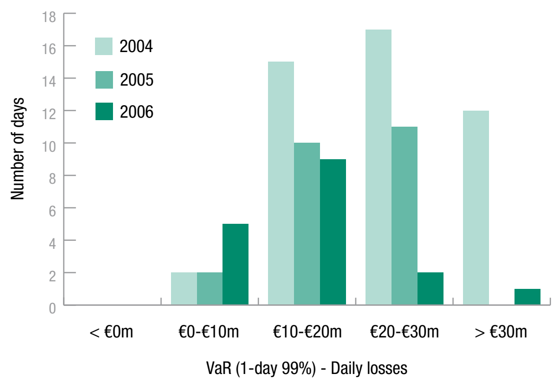
➤ **EVOLUTION OF VAR IN 2006 (1 DAY, 99%)**
(in millions of euros)



The strong growth in the Bank's capital markets business has not resulted in notable changes to the overall VaR, owing mainly to the significant netting effects between the different risk factors. On average, total VaR in 2006 was 1.8 to 3 times below the sum of its components by risk factor, thus reflecting the Group's healthy diversification of its market risks.

GRM-MLR continuously tests the relevance of its model through a variety of techniques including that of regularly comparing over a long-term horizon the actual daily losses observed on capital market transactions with the 1-day VaR. A 99% confidence level means in theory that the Bank should not incur daily losses in excess of VaR more than two or three days during the year. The chart below reflects the quality of the valuation model and its disciplined implementation by traders.

In 2006, daily losses from capital market activities were never in excess of VaR; dayly losses were only experienced on 17 occasions in the year, compared with 23 occasions in 2005 and 46 in 2004. Daily losses have always remained within the 1-day VaR limit.



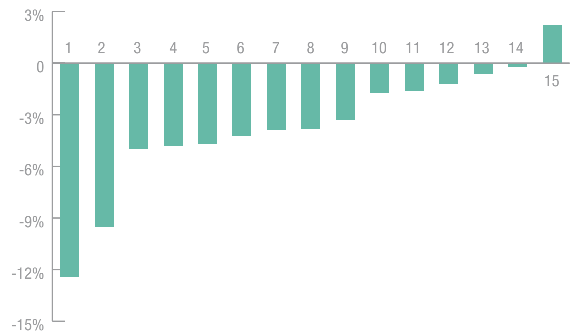
STRESS TESTS

The 15 scenarios presented capture the impact of crisis situations, i.e. severe stresses occuring suddenly (generally within one day) on each of the risk parameters (interest rate, equities, credit, volatility, currency, etc.), but with a very low probability of occurence. The resulting level of potential losses confirms the Group's strong resilience to market risks, since none of the scenarios despite their worst-case nature would have a serious adverse impact on the Bank's financial strength.

Fifteen different scenarios capture a variety of different stresses, as follows:

- equity market crisis triggering a severe drop in share prices in one trading day;
- crisis in emerging markets;
- terrorist attack;
- sudden hike in inflation;
- hedge fund crisis, triggered by the bankruptcy of several key players and leading to a general decline in hedge fund performance, coupled with corrections on certain markets;
- crisis caused by a pandemia such as post-war Spanish influenza.

➤ **IMPACT ON CAPITAL MARKET REVENUES SIMULATED FOR 15 EXTREME STRESS SCENARIOS AT 31 DECEMBER 2006 (IN % OF 2006 CAPITAL MARKET REVENUES)**



ASSET-LIABILITY MANAGEMENT RISK

INTEREST RATE RISKS

(See Financial statements – note 4.c. – Market risks related to banking intermediation activities and investments.)

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 takes into account of the replication portfolios used to model conventional maturities, especially in relation to the Bank's equity and customer demand deposits.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an interest expense of approximately EUR 315,000 at 31 December 2006, compared with an interest expense of approximately EUR 460,000 at 31 December 2005.

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

(in thousands of euros)					31 December 2006, under EU IFRS	
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
EUR	(33)	(362)	(1,146)	(1,681)	(4,468)	1,246
USD	(99)	71	(390)	(185)	(768)	(1,371)
GBP	(8)	(57)	(61)	(49)	(5)	(180)
Other currencies	(20)	(53)	(12)	17	58	(10)
TOTAL	**(160)**	**(401)**	**(1,609)**	**(1,898)**	**3,753**	**(315)**

LIQUIDITY AND REFINANCING RISK

MOVEMENTS IN THE CONSOLIDATED BALANCE SHEET

The Group had total assets of EUR 1,440 billion at 31 December 2006.

Balance sheet assets to be refinanced in cash represent EUR 700 billion, an increase of EUR 146 billion on the year-earlier period, including EUR 30 billion relating to interbank loans, EUR 92 billion relating to loans to customers, EUR 17 billion relating to securities and EUR 7 billion relating to non-current assets.

The increase in assets was refinanced by customer deposits (EUR 51 billion), loans from credit institutions (EUR 25 billion), senior and junior debt securities (EUR 53 billion), and shareholders' equity and provisions (EUR 10 billion). The remaining EUR 7 billion corresponds to the increase in the net value of the derivatives trading book over the period.

(See also – Balance sheet review in section 4.3.)

CHANGE IN OFF-BALANCE SHEET FINANCING COMMITMENTS

At 31 December 2006, outstanding financing commitments given totalled EUR 236 billion, including EUR 36 billion relating to credit institutions and EUR 200 billion relating to customers. Financing commitments given increased by EUR 26 billion year-on-year, with commitments to credit institutions and commitments to customers rising EUR 18 billion and EUR 9 billion, respectively.

Outstanding financing commitments received totalled EUR 76 billion, including EUR 71 billion from credit institutions and EUR 5 billion from customers. Financing commitments received increased by EUR 20 billion year-on-year, with commitments received from credit institutions and customers EUR 16 billion and EUR 4 billion, respectively.

On a net basis, commitments with credit institutions rised EUR 2 billion and commitments with customers advanced EUR 5 billion.

REGULATORY RATIOS

The average **1-month regulatory liquidity coefficient** for BNP Paribas SA (French operations and foreign branches) was **112%** in 2006.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all the Group's French credit institutions, but only covers **euro-denominated** assets and liabilities with maturities of more than five years.

INTERNAL MEDIUM- AND LONG-TERM LIQUIDITY RATIOS

The maturity gap, at one year plus, of outstandings compared with use of funds with the same maturity was **11.7%** at end-2006 [(1)] for the entire BNP Paribas Group, versus 17.9% one year earlier.

The permanent funds coefficient came to **94%** at end-2006 1, versus 92% at end-2005.

INSURANCE UNDERWRITING RISKS

BNP Paribas Assurance is exposed to varying degrees of underwriting risk on written insurance policies, and applies a distinction between savings, annuities and protection policies.

Savings policies are essentially financial commitments. The main underwriting risk on this business arises from the guaranteed additional capital paid out on multi-investment policies in the event of death of the policyholder. These policies have a low level of sensitivity to underwriting risk due to (i) the small amount of capital at risk; and (ii) the term of the commitment, which is limited to one year for virtually all policies. These additional benefits linked to savings policies generated premiums of EUR 18 million in 2006.

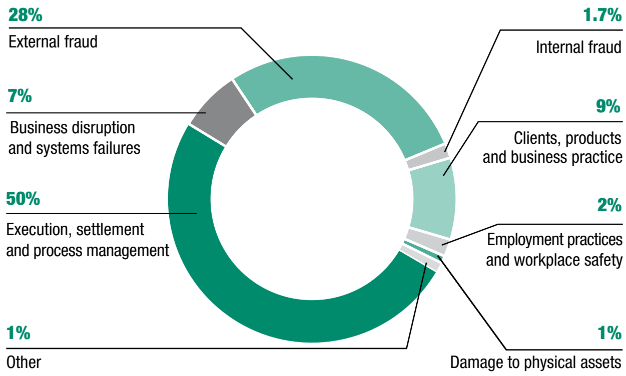
Policies providing for annuities, granted almost exclusively in France, are exposed to long-life risk. However, this risk is largely offset by the possibility of passing on all or part of the losses that may be incurred through lower annuities. The size of the annuity portfolio remains limited (mathematical annuity reserves of around EUR 1 billion). Furthermore, BNP Paribas Assurance seldom writes policies providing for deferred annuities, which would expose it to the long-life risk over a greater period of time.

The bulk of underwriting risk is incurred in the protection business (EUR 3 billion in premiums), which cover death, incapacity or unemployment. The risk is highly diversified, with 35 million policyholders in 26 different countries. The maximum exposure (capital at risk) on a given policyholder is EUR 450,000. Catastrophic risk in respect of policies granted in vulnerable areas or those in France presenting a high concentration risk are covered by specific reinsurance contracts.

OPERATIONAL RISK

Data is collected on historical risk incidents according to the type of event (as defined by regulators), as follows:

At 31 December 2006, most of the 2,500 loss events reported across the Group had a low severity impact on the organisation. The loss events consist in mainly execution errors and external frauds relating mostly to the credit card business.



[(1)] *Estimate. The liquidity position at end-December 2006 will be available at the end of February 2007.*

3.4 Risk mitigation strategies

CREDIT RISK

The BNP Paribas Group uses a number of different techniques to protect itself against credit risk.

COLLATERAL AND OTHER SECURITY

(See Financial statements – note 4.a. – Credit risk – Risk reduction techniques.)

NETTING AGREEMENTS

(See Financial statements –note 4.a. – Credit risk – Risk reduction techniques.)

PURCHASES OF CREDIT PROTECTION

BNP Paribas' active management of its loan book enables the Bank to reduce its exposure to credit risk and the related capital consumption by contracting hedging instruments such as credit default swaps and carrying out funded or non-funded synthetic securitisations.

➤ ACTIVE MANAGEMENT OF THE CORPORATE LOAN BOOK

(in billions of euros)	31 December 2005 Nominal amount	31 December 2005 Retained tranches *(o/w investment grade)*	31 December 2006 Nominal amount	31 December 2006 Retained tranches *(o/w investment grade)*	Average maturity at 31 December 2006 *(in years)*
Consolidated SPVs	2.0	0.2	20.4	0.9	4.3
(Euroliberté and Global Liberte 3, 4 & 5)		*0.1*		*0.2*	
Non-consolidated SPVs	10.5	0.5	9.5	0.5	3.6
(Global Liberte 1 & 2)		*0.1*		*0.1*	
Other securitisations	19.4	0.6	21.2	0.6	2.2
(RCT 1 through 7, Condor)		*0.0*			
Credit default swaps	4.4		4.1		1.7
TOTAL	**36.3**	**1.2**	**55.2**	**2.0**	**3.2**

In 2006, the face value of the hedging portfolio rose EUR 18.9 billion to EUR 55.2 billion from EUR 36.3 billion. During the year, credit markets remained attractive due to low spreads and investors' continuing appetite for this type of risk, which prompted the development of new transactions and led to increased activity.

BNP Paribas set up a large-scale securitisation programme, Global Liberte 3, 4 & 5 and RCT 7. As part of its strategy of actively managing its loan book, the Group contracted new credit default swaps for a face amount of EUR 1.8 billion, mostly to replace preexisting hedges that were expiring.

As the bulk of the Bank's credit protection was contracted in US dollars, the face amount of assets protected at 31 December 2006 (EUR 55.2 billion) was also impacted by currency movements (negative impact of EUR 5.9 billion between end-2005 and end-2006).

Savings achieved in terms of risk-weighted assets thanks to the hedging strategy jumped 72% year-on-year to EUR 25.3 billion at 31 December 2006, and relate mainly to hedges of CIB exposures.

At 31 December 2006, the residual average maturity of the overall hedge portfolio was 3.2 years.

MARKET RISK

Trading activities involve arbitrating between different financial instruments to build up hedging relationships whose correlation patterns will be reflected in the VaR model.

ASSET-LIABILITY MANAGEMENT RISK

INTEREST RATE RISKS

The Bank's strategy for managing overall interest rate risk is based on closely monitoring the sensitivity of the Bank's earnings to changes in interest rates. In this way, it can determine how to achieve an optimum level of offset between different risks. This procedure requires an extremely accurate assessment of the risks involved so that the Bank can determine the most appropriate hedging strategy, after taking into account the effects of netting the different types of risk.

In 2006, the imbalance widened between fixed-rate lending to customers and long-term deposits: outstanding medium/long-term fixed-rate loans granted by French Retail Banking rose 13% in the year, while outstanding long-term deposits grew by only 3%. This is mainly attributable to an 8% fall in home savings plans (PEL/CEL) on the back of tax measures introduced at the end of 2005.

In the euro zone, markets witnessed a rise in nominal and actual interest rates, a flattening of the yield curve, lower volatility and greater swap/security spreads. This favored a strategy to extend maturities of borrowing hedges and the use of options.

To hedge the net position generated by these new flows, the Bank contracted mainly fixed-rate borrower swaps or options aimed at controlling the cost of financing new loans.

The hedges consist mainly of forwards, futures and options, and purchases of government securities. Derivatives are almost systematically reported as fair value hedges (pursuant to the EU IAS 39 carve-out) or as cash flow hedges. Government securities are mostly recorded in the "Available for sale" category.

No hedging relationship was disqualified from hedge accounting in 2006.

CURRENCY RISK

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

A hedge relationship is applied and documented for investments financed by foreign currency loans so that the impacts of movements in exchange rates can be recorded in a symmetrical fashion and have no impact on the profit and loss account. Such instruments are designated as investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of consolidated subsidiaries and branches. Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies.

No hedging relationship was disqualified from hedge accounting in 2006.

The Group hedges the variability of the components of BNP Paribas' earnings, in particular it may hedge the high probability future revenue streams (mainly interest and external commission fees) denominated in currencies other than the euro generated by the Group's main businesses, subsidiaries or branches.

No hedges of future revenue flows were disqualified from hedge accounting in 2006 on the grounds that the future flow was no longer highly probable.

LIQUIDITY AND REFINANCING RISK

The Group continued to diversify its sources of financing in 2006 in terms of structures, investors and collateralised financing.

A "deposit" product line was created in order to diversify the corporate and institutional investors basis and in order to reduce interbank borrowings. This strategy aims to dilute the impact of a fall in deposits that may be triggered by an adverse change in the Bank's rating.

In the last quarter of 2006, BNP Paribas set up a covered bond programme worth EUR 25 billion. Its first EUR 2.5 billion issue compired property loans granted by the French Retail Banking business. The forthcoming issues may be secured by property loans granted by UCB or BNL subsidiaries.

SENIOR DEBT

Senior debt issued by BNP Paribas SA and subsidiaries totalled EUR 42 billion in 2006, a rise of 30% on 2005.

Issues with an economic life of more than one year (after modelling the maturity of callable instruments with a statistical rule), amount to EUR 38 billion, a rise of 30% on the previous year.

Instruments with an economic life of one year or less due to the exercise of a call provision represent an amount of EUR 4.5 billion, or 20% more than in 2005, essentially due to the Equity Linked Notes issed by the Group's Hong Kong branch.

Structured debt issues amounted to EUR 17.9 billion in 2006 compared with EUR 18.1 billion in 2005, while non-structured debt issues totalled EUR 20.2 billion in 2006 versus EUR 13.2 billion a year earlier.

Collateralized instruments totalled EUR 3.9 billion, including EUR 2.5 billion of covered bonds and EUR 1.4 billion of debt relating to the *Caisse de refinancement de l'habitat* (CRH) and the European Investment Bank (EIB).

SUBORDINATED DEBT AND HYBRID SECURITIES

During the year, BNP Paribas issued subordinated notes for EUR 2.0 billion and four undated super subordinated notes (TSSDI - two denominated in euros and two in pounds sterling) for a total amount of EUR 2.0 billion.

CASH SECURITISATION

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 customes, as well as loans granted to corporate customers.

Total funds of EUR 4.5 billion (attributable to the Group) were raised from securitisations in 2006, relating to UCI (UCB's Spanish subsidiary) for EUR 1.6 billion (attributable to the Group) and to BNL for EUR 2.9 billion.

At 31 December 2006, loans totalling EUR 15.2 billion had been refinanced through securitisations, including EUR 7.0 billion for the Specialized Financial Services business lines and EUR 8.2 billion for BNL (EUR 7.4 billion and EUR 5.8 billion, respectively, at end-2005).

INSURANCE UNDERWRITING RISK

BNP Paribas Assurance's reinsurance policy is monitored by the central Actuarial teams and is developed with the aim of reducing peak risks (no exposure in excess of EUR 450,000 on a given individual), minimising catastrophic and statistical risks (coverage of policies presenting a high degree of geographical concentration, or relating to risk-sensitive areas, or policies whose risks are not adequately diversified) and reducing exposure on guarantees for which the Bank does not dispose of adequate claims experience.

The Group also ensures that insurance risk transfers in different countries adheres to the standard reinsurance policy, which seeks to minimise counterparty risk on reinsurers.

INSURANCE — PROTECTION OF BNP PARIBAS

BNP Paribas risks are covered by major insurers, with the dual aim of effectively protecting the Bank's balance sheet and profit and loss account.

The Group's insurance programme covers fraud, theft, property and casualty, business interruption, liability and other risks.

In order to optimise costs and effectively manage risks, certain risks whose frequency and financial impact can be adequately estimated are self-insured. Risks insured on the market include:

- property and contents damage (fire, explosion, etc), taking into account replacement cost (approved by the Group's insurers following risk assessment visits to key sites);
- fraud and misappropriation of assets;
- corporate liability (for example property damage or consequential loss caused to a third party, etc.);
- business interruption (loss of net banking income or revenues, additional costs, etc.);
- theft of valuables on company premises and from safes;
- liability of corporate officers in the event of errors or emissions, for example;
- business liability (for example, personal injury, property damage or consequential loss caused to a third party);
- terrorist attacks.

Insurance policies are subscribed based on the Bank's known claims experience industry benchmarks and the global insurance and reinsurance market capacity.

Some business units may take out insurance policies locally to cover certain specific activities, or if adequate coverage cannot be obtained on the French market.

The insurance market in 2006 continued to evolve in line with its performance in 2005, allowing the Group to improve its high-quality coverage at competitive rates.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned.

Lastly, detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality of coverage and risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis.

BUSINESS CONTINUITY PLAN

ENSURING BUSINESS CONTINUITY HAS BEEN A KEY CONCERN FOR THE BNP PARIBAS GROUP FOR MANY YEARS

In the 1980s, both BNP and Paribas implemented information system security procedures. To address outside events, changes in regulations and increased pressure from customers, these procedures are continually upgraded in all of the Bank's businesses and territories.

The approaches adopted by BNP and Paribas in this area were aligned as early as December 2000, with the implementation of a coordination team at Group level. In 2006 these initiatives became part of a global business continuity approach and helped to provide a clearer cross-functional perspective across the fast-growing Group. Numerous local initiatives were also implemented, including the creation of a dedicated site in New York, and improved coordination of business continuity and disaster recovery plans in London.

ORGANISATION OF GROUPWIDE BUSINESS CONTINUITY EFFORTS

BNP Paribas is organised around three main pillars:

- Group Compliance defines the standard business continuity guidelines applicable across the Group;
- Group Operating Efficiency:
  - develops methodology, rules and regulations based on the guidelines defined by Group Compliance,
  - acts in accordance with the principles of consistency and resource pooling,
  - coordinates and oversees the operational implementation of the strategy.
- The entities draw up, implement and test their continuity plan.

A dedicated Group Security team has also been set up to coordinate the implementation of a proactive and effective crisis management policy throughout the Group.

OPERATIONAL MANAGEMENT OF BUSINESS CONTINUITY PLANS

All BNP Paribas entities are directly responsible for identifying their continuity requirements and drawing up an appropriate action plan (business continuity plan), testing the effectiveness of the plan on a regular basis, and defining and implementing specific crisis management procedures.

These responsibilities are part of a standard methodology designed to ensure that the continuity plan covers all relevant issues and is highly effective. The methodology consists of the following phases:

Phase 1: preliminary steps:

- Identifying continuity solutions, in particular:
  - disaster recovery plans in respect of material and equipment,
  - user business continuity plans in the event that employees are unable to access the Group's premises or to process transactions, or where public transport is unavailable following a power cut, fire, flood, earthquake, landslide, terrorist attack, strike, etc.;
- Designating key players;
- Assessing the regulatory requirements, including outsourced activities;
- Identifying critical business components: key employees, systems, applications and data, logistics (availability, access, security, utility, supplies).

Phase 2: Analysing and reporting continuity imperatives. Each entity is responsible for defining the critical components necessary to continue operating in a crisis or emergency:

- Strategic activities and their financial, commercial, regulatory or reputational impacts are listed, prioritised and validated by the appropriate line of management. The maximum period of allowable interruption for each strategic activity are defined by the competent personnel, validated and reviewed on a regular basis;

CONTENTS

- Strategic databases and tools are listed, prioritised and validated by the appropriate line of management, in particular constraints in system usage mode and data access, together with the maximum allowable data losses;
- Logistics and communication tools identified;
- Conditions ensuring employee and data security (authentification, authorisation management, back-ups and data warehousing) are defined.

Phase 3: Launch and implementation of business continuity strategies:

- Procedures drawn up for trigerring and implementing continuity solutions in each crisis situation;
- Organisational, functional and technical procedures are documented and updated at least once a year.

Phase 4: Continuous review: the business continuity plans are regularly tested and the corresponding documentation is updated in line with changes in the technical or regulatory environment.

Over the past few years, the BNP Paribas Group has significantly increased its resilience, even though it may be difficult to protect the Group against every eventuality, by having a robust Business continuity strategy in place the impact of such a disaster is considerably reduced. Business continuity is not only a requirement imposed by banking regulations, it is also a major focus of attention for the BNP Paribas Group which seeks to offer its clients, shareholders and employees a commitment of the Bank's strength and resilience in an increasingly complex and volatile environment where tensions may be experienced more frequently.

This imperative is reflected in the business continuity plans in place, which help to improve the performance of operational risk control and crisis management systems, while ensuring that resources are allocated in an efficient manner.

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4 2006 REVIEW OF OPERATIONS

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4.1 Consolidated results of the BNP Paribas Group

In millions of euros	2006	2005	2006/2005
Net banking income	**27,943**	**21,854**	**+27.9%**
Operating expenses and dep.	(17,065)	(13,369)	+27.6%
Gross operating income	**10,878**	**8,485**	**+28.2%**
Cost of risk	(783)	(610)	+28.4%
Operating income	**10,095**	**7,875**	**+28.2%**
Share of earnings of associates	293	352	-16.8%
Other non-operating items	182	197	-7.6%
Non-operating items	**475**	**549**	**-13.5%**
Pre-tax income	**10,570**	**8,424**	**+25.5%**
Tax expense	(2,762)	(2,138)	+29.2%
Minority interests	(500)	(434)	+15.2%
Net attributable income	**7,308**	**5,852**	**+24.9%**
Cost/income ratio	**61.1%**	**61.2%**	**-0.1 pt**
Cost/inc.ratio excl. BNP Paribas Capital	**61.7%**	**62.2%**	**-0.5 pt**
Pre-tax ROE	**21.2%**	**20.2%**	**+1.0 pt**

2006: A YEAR OF ACCELERATED GROWTH FOR THE GROUP

In 2006, the Group's net banking income soared 27.9% to EUR 27,943 million, reflecting vigorous 13.5% organic growth at constant scope and exchange rates, and a strong external growth momentum, in particular with the acquisition of BNL in the second quarter of the year.

More generally, 2006 saw the Group's international operations gain considerable ground: the share of net banking income (NBI) generated in France fell to 48% on average (compared to 55% in 2005), and declined to 43% in the fourth quarter of the year. French Retail Banking accounted for only 20% of the Group's net banking income in the three months to 31 December 2006.

Operating expenses and depreciation advanced 27.6% to EUR 17,065 million, or 11.1% at constant scope and exchange rates. Gross operating income jumped 28.2% to EUR 10,878 million, or 17.2% at constant scope and exchange rates.

Cost of risk climbed 28.4% to EUR 783 million, due to the Bank's larger scope. At constant scope and exchange rates, however, it fell back 38.6%.

Operating income came in at EUR 10,095 million, up 28.2% on a reported basis or 21.6% at constant scope and exchange rates.

Non-operating items contributed EUR 475 million, down 13.5% compared to 2005 primarily because LaSer Cofinoga is now proportionately consolidated and not accounted for by the equity method, as in previous years. Tax expense rose 29.2% to EUR 2,762 million, while minority interests gained 15.2% to EUR 500 million.

Net attributable income surged 24.9% to EUR 7,308 million. This takes into account a 23.9% increase in payments to employees in connection with the Group's employee profit-sharing and incentive programmes in France.

Taking into account the capital increase carried out to fund the BNL acquisition, return on equity (ROE) was 21.2% after tax, while earnings per share came to EUR 8.03, up 15.4% despite a 6.9% increase in the average number of shares outstanding.

ALLOCATION OF CAPITAL

Revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division 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 Capital Adequacy Directive concerning 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.

4.2 Core business results

FRENCH RETAIL BANKING

In millions of euros	2006	2005	2006/2005
Net banking income	**5,850**	**5,451**	**+7.3%**
o/w interest margin	*3,380*	*3,189*	*+6.0%*
o/w fees and commissions	*2,470*	*2,262*	*+9.2%*
Operating expenses and dep.	(3,811)	(3,699)	+3.0%
Gross operating income	**2,039**	**1,752**	**+16.4%**
Cost of risk	(153)	(194)	-21.1%
Operating income	**1,886**	**1,558**	**+21.1%**
Non-operating items	1	0	nm
Pre-tax income	**1,887**	**1,558**	**+21.1%**
Income attributable to AMS	(117)	(88)	+33.0%
Pre-tax income of French Retail Bkg	**1,770**	**1,470**	**+20.4%**
Cost/income ratio	65.1%	67.9%	-2.8 pts
Allocated equity	5.5	5.1	+7.3%
Pre-tax ROE	32%	29%	+3 pts

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

In 2006, the net banking income of the French Retail Banking network [(1)] advanced 7.3% to EUR 5,850 million. However, revenue items related to the PEL/CEL [(2)] provision, which contributed only EUR 13 million in 2005, came to EUR 179 million in 2006, introducing a heterogeneous element of volatility to Retail Banking's other revenue components. Excluding the impact of home ownership savings plans and accounts, net banking income edged up 4.3% compared to 2005:

- the interest margin nudged up 0.8% excluding the impact of home ownership savings plans and accounts, with the flattening of the yield curve and the rise in regulated interest rates in the second half of the year offsetting the robust rise in the average volume of loans outstanding (up 9.6%, of which 15.5% relating to individual customers and 4.4% relating to corporates) and deposits (up 4.4%, of which 6.4% relating to demand deposits);
- fees and commissions rose 9.2% on the back of a buoyant sales performance, in particular in connection with financial savings: stock market and financial services fees surged 19.7%. The 3.7% rise in banking services fees was fuelled by an increase in customer numbers and from larger transaction volumes with these customers. BNP Paribas continued to pursue its moderate pricing strategy, maintaining its charges on financial transactions broadly stable.

The sales and marketing drive aimed at winning new customers, developing customer loyalty and ensuring individual customers' satisfaction continued at a fast pace. The number of demand accounts grew by 170,000 during the year. Growth in outstanding consumer loans (up 7.2% on average year-on-year) outpaced the market, while mortgages (up 17.1% on average) continued on a strong upward trend, in line with the market. Growth in gross financial savings inflows also outperformed the market, coming in at 35.9% between fourth-quarter 2005 and fourth-quarter 2006.

For corporate clients, especially SMEs, the Business Centres have rolled out a high value-added business model focusing on structured finance and cross-selling with the other core businesses, in particular Corporate and Investment Banking (Corporate Finance, Fixed Income and Structured Finance) and AMS (mutual fund investments). Growth in outstanding loans was chiefly powered by capital investment loans, which were up 12.4% on average compared to 2005, and factoring, which advanced 17.9%.

The 3.0% year-on-year rise in operating expenses and depreciation remained modest. Gross operating income jumped 16.4% to EUR 2,039 million (up 7.0% excluding the impact of home ownership savings plans and accounts). The cost/income ratio, excluding the impact of home ownership savings plans and accounts, improved 0.8 point to 67.2%.

Cost of risk fell 21.1% to EUR 153 million.

After allocating a portion of French Private Banking's income to AMS, French Retail Banking posted EUR 1,770 million in pre-tax income for the year, up 20.4% on a reported basis or 9.2% excluding the impact of home ownership savings plans and accounts.

Pre-tax return on allocated equity, excluding the impact of home ownership savings plans and accounts, edged up one point to 29%.

[(1)] *Including 100% of revenues from French Private Banking.*

[(2)] *Home ownership savings plans and accounts.*

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INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

In millions of euros	2006	2005	2006/2005
Net banking income	**7,296**	**5,968**	**+22.3%**
Operating expenses and dep.	(4,173)	(3,385)	+23.3%
Gross operating income	**3,123**	**2,583**	**+20.9%**
Cost of risk	(708)	(559)	+26.7%
Operating income	**2,415**	**2,024**	**+19.3%**
Share of earnings of associates	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 pt
Allocated equity	7.1	5.8	+22.4%
Pre-tax ROE	36%	38%	-2 pts

Net banking income reported by the International Retail Banking and Financial Services core business jumped 22.3% year-on-year, to EUR 7,296 million. This major growth driver for the Group was boosted by strong revenue gains from all of its businesses: 16.7% at BancWest, 33.2% at Cetelem, 5.6% for other retail financial services, and 35.4% for Emerging Markets. At constant scope and exchange rates, net banking income for the IRFS core business rose 6.1%.

Operating expenses and depreciation advanced 23.3% to EUR 4,173 million (up 7.4% at constant scope and exchange rates) and gross operating income climbed 20.9% to EUR 3,123 million (up 4.3% at constant scope and exchange rates).

As a result of the scope adjustments, including the full-year proportionate consolidation of LaSer Cofinoga and the acquisition of UkrSibbank in 2006, cost of risk rose 26.7% to EUR 708 million. At constant scope and exchange rates, cost of risk fell 5.8%, reflecting the commitment to pursuing organic growth while respecting the Group's risk management policy. Operating income jumped 19.3% to EUR 2,415 million, or 7.0% at constant scope and exchange rates. The proportionate consolidation of LaSer Cofinoga (equity-accounted in previous years) prompted a sharp 51.8% fall in the contribution of associates to EUR 54 million. Pre-tax income for the core business came in at EUR 2,514 million, up 15.6% or 6.6% at constant scope and exchange rates.

Pre-tax return on allocated equity remained at a high 36% (down 2 points).

BANCWEST

In millions of euros	2006	2005	2006/2005
Net banking income	**2,191**	**1,877**	**+16.7%**
Operating expenses and dep.	(1,104)	(954)	+15.7%
Gross operating income	**1,087**	**923**	**+17.8%**
Cost of risk	(58)	(32)	+81.3%
Operating income	**1,029**	**891**	**+15.5%**
Share of earnings of associates	0	0	nm
Other non-operating items	1	0	nm
Pre-tax income	**1,030**	**891**	**+15.6%**
Cost/income ratio	50.4%	50.8%	-0.4 pt
Allocated equity	2.6	2.0	+30.5%
Pre-tax ROE	40%	45%	-5 pts

BancWest pursued its sales and marketing drive in 2006, posting a 4.9% increase in loans and an 8.7% jump in deposits. Growth in loans and deposits in the fourth quarter was particularly pronounced, and outperformed competitors. Despite the continued squeeze on the interest margin rate, which fell 38 basis points between fourth-quarter 2005 and fourth-quarter 2006, net banking income edged up 1.9% at constant scope and exchange rates. Taking into account the successful integration of Commercial Federal Bank, BancWest's net banking income surged 16.7% to EUR 2,191 million.

The rise in operating expenses and depreciation (up 15.7%, or 2.7% at constant scope and exchange rates) was held in check, in particular thanks to the synergies achieved as a result of the afore-mentioned integration. Cost of risk, which advanced from EUR 32 million to EUR 58 million based on the adjusted scope, remained low at only 0.15% of risk-weighted assets. BancWest holds a high-quality real estate portfolio, with only a minor exposure to subprime mortgages. Pre-tax income for the business climbed 15.6% to EUR 1,030 million, a rise of 0.7% at constant scope and exchange rates.

CETELEM

In millions of euros	2006	2005	2006/2005
Net banking income	**2,684**	**2,015**	**+33.2%**
Operating expenses and dep.	(1,518)	(1,098)	+38.3%
Gross operating income	**1,166**	**917**	**+27.2%**
Cost of risk	(520)	(453)	+14.8%
Operating income	**646**	**464**	**+39.2%**
Share of earnings of associates	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	1.9	1.6	+14.8%
Pre-tax ROE	39%	37%	+2 pts

Cetelem, n°.1 in continental Europe for consumer credit, continued to enjoy strong growth. Outstanding loans excluding the BNP Paribas network totalled EUR 52.1 billion at 31 December 2006 (including LaSer-Cofinoga), and net banking income surged 33.2% to EUR 2,684 million. The growth performance remains robust even without the figures for LaSer-Cofinoga, with a rise of 8.0% in net banking income at constant scope and exchange rates.

Operating expenses and depreciation, amounting to EUR 1,518 million (up 38.3%, or 11.5% at constant scope and exchange rates) include the costs of the "2008 Challenge" reorganisation programme targeting the commercial branch network in France for a total of EUR 23 million, including EUR 18 million relating to the fourth quarter.

Due to the limited rise in cost of risk, which advanced 14.8% on a reported basis but was down 13.4% at constant scope and exchange rates due to a one-off EUR 28 million provision write-back in Spain in fourth-quarter 2006, pre-tax income jumped 21.9% to EUR 734 million (up 16.3% at constant scope and exchange rates).

ARVAL, BNP PARIBAS LEASE GROUP, UCB

In millions of euros	2006	2005	2006/2005
Net banking income	**1,384**	**1,310**	**+5.6%**
Operating expenses and dep.	(868)	(830)	+4.6%
Gross operating income	**516**	**480**	**+7.5%**
Cost of risk	(44)	(58)	-24.1%
Operating income	**472**	**422**	**+11.8%**
Share of earnings of associates	(5)	4	nm
Other non-operating items	4	7	-42.9%
Pre-tax income	**471**	**433**	**+8.8%**
Cost/income ratio	62.7%	63.4%	-0.7 pt
Allocated equity	1.8	1.6	+11.6%
Pre-tax ROE	26%	26%	+0 pt

UCB took full advantage of buoyant real estate markets in Europe. Outstandings grew 16.3% during 2006 (up 30.4% outside France). **BNP Paribas Lease Group** continued to deliver vigorous organic growth in Europe, thereby offsetting challenging market conditions in France. **Arval** saw an 8.4% rise in its outstandings for the year. In total, these three major retail financial services subsidiaries delivered a 5.6% year-on-year rise in net banking income to EUR 1,384 million, and an 8.8% jump in pre-tax income to EUR 471 million.

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EMERGING MARKETS

In millions of euros	2006	2005	2006/2005
Net banking income	**1,037**	**766**	**+35.4%**
Operating expenses and dep.	(683)	(503)	+35.8%
Gross operating income	**354**	**263**	**+34.6%**
Cost of risk	(86)	(16)	nm
Operating income	**268**	**247**	**+8.5%**
Share of earnings of associates	7	0	nm
Other non-operating items	4	2	nm
Pre-tax income	**279**	**249**	**+12.0%**
Cost/income ratio	65.9%	65.7%	+0.2 pt
Allocated equity	0.8	0.5	+49.4%
Pre-tax ROE	36%	47%	-11 pts

The retail banking businesses in **Emerging Markets** continued their sales and marketing push. A large number of branches were opened during the year, and synergies were developed with the Group's other business lines. This momentum, combined with value-creating acquisitions, fuelled a 35.4% year-on-year rise in net banking income, which came in at EUR 1,037 million (up 17.0% at constant scope and exchange rates).

In 2006, the Group acquired a controlling interest in Ukrsibbank, which was Ukraine's fifth biggest bank in terms of net assets at that time, moving up to no.3 at the end of the year. The Ukrainian market is characterised by a large population (47 million inhabitants), strong economic growth (GDP up more than 6.5% over 10 months in 2006), falling inflation (an annualised rate of 6.8% in first-half 2006) and a fledgling banking industry.

This acquisition, consolidated over three quarters in 2006, coupled with new branch openings, led to a strong 35.8% rise in operating expenses and depreciation. However, the 14.4% rise in operating expenses and depreciation at constant scope and exchange rates remains well below revenue growth.

Taking into account cost of risk (EUR 86 million based on the adjusted scope, compared to EUR 16 million in 2005), pre-tax income in Emerging Markets moved up 12.0% year-on-year to EUR 279 million (up 9.5% at constant scope and exchange rates).

ASSET MANAGEMENT AND SERVICES

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

The Asset Management and Services core business delivered another strong growth performance, posting a 22.5% year-on-year surge in net banking income (EUR 4,350 million) on the back of a record EUR 36.9 billion in net asset inflows (2005: EUR 34.1 billion). These net asset inflows, combined with the financial performance for the year, bring total assets under management to EUR 491.5 billion at 31 December 2006. All business lines contributed to the growth momentum: Wealth & Asset Management reported 20.1% growth in net banking income, Insurance 25.6% and Securities Services 24.0%.

The 18.5% rise in operating expenses and depreciation to EUR 2,763 million reflects this robust growth but generates a positive scissors effect of 4 points in relation to revenue growth. Gross operating income leapt 30.0% to EUR 1,587 million and pre-tax income came in 26.1% higher at EUR 1,596 million.

WEALTH AND ASSET MANAGEMENT

In millions of euros	2006	2005	2006/2005
Net banking income	**2,174**	**1,810**	**+20.1%**
Operating expenses and dep.	(1,465)	(1,270)	+15.4%
Gross operating income	**709**	**540**	**+31.3%**
Cost of risk	(1)	0	nm
Operating income	**708**	**540**	**+31.1%**
Non-operating items	7	1	nm
Pre-tax income	**715**	**541**	**+32.2%**
Cost/income ratio	67.4%	70.2%	-2.8 pts
Allocated equity	1.3	1.1	+22.1%
Pre-tax ROE	55%	51%	+4 pts

The **Wealth and Asset Management** business continued to enjoy strong sales and marketing momentum, and reaped the benefits of upbeat equity and real estate markets. The business posted EUR 715 million in pre-tax income, up 32.2%. Private Banking, which ranks no.1 in France, more than doubled its asset inflows outside France, primarily in Asia. Asset Management is also developing new, high-potential businesses, with the launch of the Parvest Brazil and Parvest Turkey investment funds and the creation of a dedicated subsidiary, CooperNeff Alternative Managers in the fourth quarter of the year. Cortal Consors grew its customer base by 100,000 in 2006.

Real Estate Services continued their robust growth in 2006. One of BNP Paribas' historic businesses, the Group's Real Estate Services arm became Europe's foremost real estate player – particularly in B2B services – following the acquisition of Atis Real in 2004. The business serves clients in eight countries.

INSURANCE

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

The **Insurance** business pressed ahead with its sales and marketing efforts and reported record gross asset inflows. France reported gross personal savings inflows of EUR 11 billion in 2006, of which 40.9% were invested in unit-linked insurance products – a much higher percentage than its competitors. Outside France, gross asset inflows totalled EUR 4.5 billion, with a strong showing from Taiwan and India (savings), and from Italy, Brazil, Japan and Chile (credit protection insurance). Pre-tax income for the Insurance business jumped 17.2% to EUR 680 million.

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SECURITIES SERVICES

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

Securities Services reported a rise of 18.2% in assets under custody in 2006, to EUR 3,614 billion. Assets under administration grew at a fast pace: from EUR 520 billion at 31 December 2005 to EUR 623 billion at 31 December 2006. BNP Paribas was named Fund Administrator of the Year by the magazine *Funds Europe* for the second year in a row. BNP Paribas Securities Services delivered a 38.6% rise in pre-tax income to EUR 201 million.

CORPORATE AND INVESTMENT BANKING

In millions of euros	2006	2005	2006/2005
Net banking income	**7,859**	**6,422**	**+22.4%**
Operating expenses and dep.	(4,397)	(3,711)	+18.5%
Gross operating income	**3,462**	**2,711**	**+27.7%**
Cost of risk	253	130	nm
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	9.4	9.1	+3.9%
Pre-tax ROE	40%	32%	+8 pts

BNP Paribas continued to consolidate its position in Corporate and Investment Banking (CIB). It ranks among the leading players in Europe in this sector, with recognised global franchises especially in derivatives and commodities, export and project financing.

The Corporate and Investment Banking business enjoys a strong presence in major Asian countries and has 3,300 employees in the region. In addition to its leadership in the two business areas mentioned above, BNP Paribas is also extremely well positioned in Corporate Finance in Asia, where it was named "Best Midcap Equity House of the Year" for the fourth year running *(The Asset)*.

In 2006, CIB's net banking income climbed 22.4% to EUR 7,859 million. This growth was driven primarily by capital markets activities (up 35.6%), which delivered a robust performance without causing a significant increase in the value at risk of the businesses. It was an excellent year for all capital markets business lines, which generated 67% of Corporate and Investment Banking revenues (Equity and Advisory: 30%; Fixed Income: 37%).

Operating expenses and depreciation for the core business rose 18.5% to EUR 4,397 billion, and the cost/income ratio fell to a low 55.9%. This powered a 27.7% rise in gross operating income, which came in at EUR 3,462 million.

Provisioning requirements remained limited throughout 2006 and were once again lower than provision write-backs. Net releases from provisions (EUR 253 million compared to EUR 130 million in 2005) triggered a 30.8% jump in operating income, to EUR 3,715 million.

Pre-tax income came in 30% higher year-on-year at EUR 3,757 million. Pre-tax return on allocated equity soared 8 points to 40%, driven by the combined effect of higher earnings and capital optimisation measures.

ADVISORY AND CAPITAL MARKETS

In millions of euros	2006	2005	2006/2005
Net banking income	**5,274**	**3,890**	**+35.6%**
Operating expenses and dep.	(3,284)	(2,683)	+22.4%
Gross operating income	**1,990**	**1,207**	**+64.9%**
Cost of risk	(16)	(1)	nm
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	3.6	3.2	+9.8%
Pre-tax ROE	57%	39%	+18 pts

In Fixed Income, strong performances were reported by interest rate, foreign exchange and credit derivatives on the back of a surge in customer transaction volumes, particularly in Asia. Revenues from primary bonds and structured issues grew substantially.

Growth in the equity derivatives business and the corresponding revenues primarily reflects greater customer transaction volumes on all product lines and in the three major geographical regions. In particular, the business continues to expand its footprint in the US market, and was awarded the "Innovation of the Year, Americas" prize by *Structured Products Magazine* for its arrangement of HP's share buyback programme.

The Corporate Finance businesses enjoyed robust deal activity and vigorous primary issues in Europe and Asia. BNP Paribas was again ranked n°.1 in France and remained among the top ten financial advisors in Europe for M&A.

FINANCING BUSINESSES

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

Revenues from the **Financing Businesses** edged up only 2.1% in 2006 compared to 2005. This reflects mainly the protection purchasing policy, which gathered pace in the year in an attempt to optimise allocated capital by capitalising on very favourable market conditions. Risk-weighted assets advanced 11% on a reported basis, but fell 3.4% taking into account the protection bought. The minimal rise in revenues, hit by the cost of this protection, does not reflect the powerful momentum of the underlying business, especially in structured finance, project finance and asset finance.

CONTENTS

BNL

The Group took control of BNL at the beginning of April 2006. The contribution of BNL based on its nine-month consolidation in the Group's financial statements was EUR 2,294 million to revenues, EUR 1,476 million to operating expenses and depreciation (excluding restructuring costs), EUR 240 million to cost of risk and EUR 588 million to pre-tax income.

BNL SpA's business held firm throughout the year. Average outstanding loans to private individuals totalled EUR 22.8 billion in 2006 for outstanding deposits of EUR 26.9 billion, a rise of 9.3% and 2.1%, respectively, on 2005. Average outstanding loans to corporate clients totalled EUR 30.2 billion in 2006 for outstanding deposits of EUR 22.8 billion, a rise of 5.4% and 5.2%, respectively, on 2005.

Restructuring costs totalled EUR 151 million in 2006, including EUR 141 million in the fourth quarter. These costs relate primarily to the employee restructuring plan, and are booked as a component of operating expenses and depreciation at Group level.

Estimated synergies for 2007 amount to EUR 119 million, including EUR 100 million in cost synergies and EUR 79 million in gross revenue synergies. The incidental cost of implementing these synergies is EUR 60 million. Responsibilities for leveraging synergies are clearly assigned and the project management and monitoring tools are in place. Already in 2006, the Group unlocked cost synergies of EUR 15 million and EUR 23 million, respectively, in the third and fourth quarters of the year.

4.3 Balance sheet

ASSETS

OVERVIEW

At 31 December 2006, the Group's consolidated assets amounted to EUR 1,440.3 billion, up 14.5% from EUR 1,258.1 billion at end-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 31 December 2006 (95.8% at 31 December 2005). The 14.5% increase in total assets reflects a rise in most of the Group's asset categories, particularly loans and receivables due from credit institutions (up 67%), and due from 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 EUR 744.9 billion at 31 December 2006, an increase of 6.3% compared with 31 December 2005 (EUR 700.5 billion). The increase was driven by a 27.5% rise in repurchase agreements (EUR 255.1 billion at 31 December 2006), a 5.2% advance in bonds (EUR 138.5 billion at 31 December 2006) and a 16.1% jump in equities and other variable-income securities (EUR 137.3 billion at end-2006). These movements were partially offset by a 17.0% fall in negotiable certificates of deposit (EUR 48.8 billion at 31 December 2006) and by a 15.3% decrease in derivatives (EUR 161.5 billion at end-2006).

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 31 December 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 EUR 75.2 billion at end-2006, up 67.0% from EUR 45.0 billion at 31 December 2005. Interbank loans account for the bulk of the increase in loans and receivables due from credit institutions (up 60.2% to EUR 52.4 billion at 31 December 2006). Demand accounts leapt 95.3% to EUR 15.2 billion at end-2006 versus EUR 7.8 billion at 31 December 2005. Repurchase agreements advanced 63.4% year-on-year to EUR 7.6 billion at 31 December 2006. Provisions for impairment remained relatively stable, falling to EUR 0.1 billion at 31 December 2006 from EUR 0.2 billion at end-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 EUR 393.1 billion at end-2006, up 30.5 % from EUR 301.2 billion at 31 December 2005. Loans to customers account for the bulk of the increase in this item (up 30.5% to EUR 356.6 billion at 31 December 2006). Demand accounts climbed 27.9% to EUR 26.3 billion at end-2006 versus EUR 20.5 billion at 31 December 2005. Finance lease transactions totalled EUR 22.8 billion at 31 December 2006, a rise of 33.3% on the year-earlier figure. Provisions for impairment climbed 29.3% to EUR 13.5 billion at 31 December 2006 from EUR 10.5 billion at end-2005.

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 EUR 96.7 billion at 31 December 2006, a rise of 4.4% compared with end-2005. This increase reflects mainly the 21.0% rise in equities and other variable-income securities to EUR 19.7 billion at 31 December 2006, on the back of increased volumes and higher equity prices. Bonds advanced 5.1% to EUR 65.7 billion at 31 December 2006. The 18.1% fall in negotiable certificates of deposit (EUR 12.5 billion at 31 December 2006 versus EUR 15.2 billion at 31 December 2005) was chiefly attributable to a contraction in volumes.

Impairment provisions related to available-for-sale financial assets remained relatively stable, falling by EUR 0.2 billion from EUR 1.4 billion at 31 December 2005 to EUR 1.2 billion at 31 December 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 EUR 7.0 billion at 31 December 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 amortised 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 EUR 15.1 billion at 31 December 2006 from EUR 15.4 billion at 31 December 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 EUR 66.9 billion at 31 December 2006, up 2.4% from EUR 65.3 billion at 31 December 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 31 December 2006, the Group's consolidated liabilities (excluding shareholders' equity) totalled EUR 1,385.5 billion, up 14.3% from EUR 1,212.1 billion at 31 December 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 is 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

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments. Liabilities designated by the Group as at fair through profit or loss mainly comprise structured issues, 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.

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

AMOUNTS 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 20.8% year-on-year to EUR 143.7 billion at 31 December 2006 versus EUR 118.9 billion at end-2005. This increase is mainly attributable to the 21.1% rise in borrowings, which totalled EUR 121.4 billion at 31 December 2006.

AMOUNTS 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 EUR 298.7 billion at 31 December 2006, an increase of 20.7% compared with the year-earlier figure (EUR 247.5 billion). This reflects the combined impact of a 38.4% surge in demand deposits to EUR 142.5 billion at 31 December 2006, a 10.8% rise in term accounts, and a 45.4% rise in repurchase agreements, fuelled by strong organic growth. Also contributing to the increase was a 2.0% rise in regulated savings accounts, to EUR 40.5 billion at 31 December 2006.

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).

Debt securities advanced 43.6% to EUR 121.6 billion at 31 December 2006 from EUR 84.6 billion at end-2005, powered chiefly by the rise in outstanding bonds to EUR 36.2 billion at 31 December 2006 from EUR 16.2 billion at end-2005. Negotiable certificates of deposit also increased by 24.7%, to EUR 85.4 billion at end-2006 from EUR 68.5 billion one year earlier.

SUBORDINATED DEBT

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

TECHNICAL RESERVES OF INSURANCE COMPANIES

Technical reserves of insurance companies rose 13.7% to EUR 87 billion at 31 December 2006 from EUR 76.6 billion at end-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 advanced 10.8%, from EUR 48.4 billion at 31 December 2005 to EUR 53.7 billion at 31 December 2006. This increase reflects the rise in settlement accounts related to securities transactions (up 41.4% to EUR 21.7 billion at end-2006), in guarantee deposits received (up 10.1% to EUR 12.3 billion at 31 December 2006), and in accrued expenses and deferred income (up 17.3% to EUR 3.7 billion at 31 December 2006), partially offset by a fall in other creditors and miscellaneous liabilities, to EUR 15.5 billion at 31 December 2006 from EUR 18.4 billion at 31 December 2005.

MINORITY INTERESTS

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

CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP

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

This increase reflects net attributable income of 7.3 billion in 2006, as well as the increase in capital and reserves of EUR 5.9 billion, offset in part by the negative impact of movements in own equity instruments (-EUR 1.8 billion) and of post-BNL acquisitions (-EUR 2.1 billion).

The EUR 0.6 billion rise in unrealised gains on available-for-sale financial assets was partly offset by the EUR 0.4 billion fall in the fair value of hedging instruments at 31 December 2006.

The overall rise in equity is partly offset by the EUR 2.2 billion dividend payment in respect of 2005, and by the negative impact of movements in exchange rates (EUR 0.7 billion at 31 December 2006).

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 EUR 235.7 billion at 31 December 2006 versus EUR 209.7 billion at 31 December 2005, fuelled by a rise in other commitments given to customers (EUR 60.1 billion at end-2006 versus EUR 42.0 billion at end-2005). Commitments to credit institutions leapt to EUR 36.4 billion at 31 December 2006 from EUR 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 EUR 76.0 billion at 31 December 2006, compared with EUR 55.7 billion at 31 December 2005. This increase reflects the rise in commitments received from credit institutions (EUR 71.4 billion at 31 December 2006) and in financial commitments received on behalf of customers (EUR 4.6 billion at 31 December 2006).

GUARANTEE COMMITMENTS

Financial instruments received as guarantees increased by 58.7% to EUR 25.1 billion at 31 December 2006, while financial instruments given as guarantees edged up 5.3% to EUR 31.6 billion.

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

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

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4.4 Outlook

For 2007, the priorities for **French Retail Banking** are to:

- continue improving the satisfaction of individual customers, by pressing ahead with the branch refurbishment programme and innovation efforts, especially with respect to financial savings services and personal protection insurance products;
- consolidate its no.1 position in the French private banking market, by developing wealth management services, helping client advisors to bolster their skills and expertise, and pursuing product innovation efforts;
- capitalise on the success of the Business Centres among corporate clients in order to (i) expand cross-selling of all the Group's products and services, including BNL's Italian desks; and (ii) to become the main bank for growing businesses;
- enhance productivity gains with respect to both sales agreements and the back offices where processes will continue to be computerised and streamlined.

The goal of the core business is to achieve a 4% rise in net banking income excluding home ownership savings plans and accounts in 2007, while maintaining a differential of at least one point between net banking income growth and growth in operating expenses and depreciation.

In 2007, **International Retail Banking and Financial Services** will implement an ambitious strategy in all of the regions where it does business. Its focus will be on:

- consolidating its leading positions in Retail Financial Services in Europe – especially France and Italy – by stepping up innovation efforts and pursuing productivity gains;
- implementing the organic growth plan at BancWest by expanding its branch network and rolling out its expanded product offering across the entire network;
- achieving an increase of more than 25% in revenues in Emerging Markets and continuing to open branches in far eastern Europe and around the Mediterranean basin (190 branch openings planned), taking full advantage of potential synergies between the networks and the Group's product platforms (consumer lending, leasing, credit protection insurance, etc.);
- leveraging acquisition-related cost savings.

In 2007, the **AMS** core business will continue to deploy its value-creating profitable growth model, by:

- focusing on organic growth, boosted by positive structural trends both in Europe and increasingly in Emerging Countries;
- capitalising on new areas for growth in Italy, where the Bank is to roll out a private banking network with BNL and consolidate its product offering, especially in terms of asset management and insurance.

Asset Management and Services is targeting sustained double-digit organic revenue growth while maintaining a positive scissors effect.

In 2007, the **Corporate and Investment Banking** (CIB) core business will:

- continue to develop its strategic franchises, in particular derivatives, focusing on flow business as well as specialised and structured finance;
- seek to expand its customer base, in particular as regards financial institutions and midcap segments;
- step up growth in Italy to capitalise on cross-selling opportunities with BNL;
- bolster its presence in a number of Emerging Countries, including China, India, Russia and the Middle East.

CIB will endeavour to maintain one of the industry's lowest cost/income ratios and increase the return on capital employed by focusing on high value-added businesses, maintaining a selective loan origination policy and actively managing its loan book.

Details of the plan to integrate **BNL** within BNP Paribas and expand the Group's business and profitability in Italy were unveiled in Rome on 1 December 2006. The plan is now well underway.

The retail, private banking and corporate banking divisions have been grouped together in a new core business known as **"BNL banca commerciale"** (BNL bc) since 1 January 2007. The management structure is now in place and a project is underway to segment the Italian network into five autonomous regions, which will improve efficiency. The product offering for individual customers has begun to be expanded and upgraded, with new life insurance products and the launch of a new demand account termed "*Conto Revolution*". BNL bc has already reported its first success with its cross-selling to corporates: Italian desks already operational in the Group's network have brought in new business and the organisation has won mandates in the areas of international cash management and the structuring and distribution of fixed income products to local authorities.

The Group's other core businesses are also starting to extend their product and service offering to BNL customers:

- an integrated management team is in place to promote the platforms of the Asset Management and Services business throughout the branch network. The Asset Management business line has enhanced its product offering and discretionary management services. A new agreement has also been signed with Unipol for BNL Vita to distribute life-insurance products;
- BNP Paribas-BNL CIB teams are up and running with 225 professionals. They have started to provide training on their products to BNL bc client relationship managers and have already made several joint customer visits;
- in the IRFS core business, the tie-up of the two leasing companies is under way. BNL bc has entered into distribution agreements with Arval and UCB. An Italian desk was opened in Tunisia and another desk is to be inaugurated in Turkey.

BNL SpA's management signed a restructuring plan with union representatives in November 2006. The plan, which is in the process of being implemented, provides for 2,200 departures and 900 new hires in the period 2007-2009.

4.5 Recent events

PRODUCTS AND SERVICES

BNP Paribas regularly offers its customers new products and services. More information is available from press releases on the Group's website at www.invest.bnpparibas.com.

ACQUISITIONS AND PARTNERSHIPS

30 JANUARY 2007 – CARDIF FORMS A STRATEGIC PARTNERSHIP IN VIETNAM WITH VIETCOMBANK AND SEABANK

Cardif announced the signature of a tripartite agreement with Vietcombank – the leading bank in Vietnam – and Seabank, to sell life insurance, personal protection and savings products in Vietnam.

The strategic partnership will lead to the creation of a joint venture, 43%-owned by Cardif, 45% by Vietcombank and 12% by Seabank. The partners will apply to the Vietnamese Ministry of Finance for an operating license. The new insurance company will initially develop savings and personal protection products through the networks of the two partner banks.

Created in 1963, Vietcombank is Vietnam's leading bank. It operates throughout the country and has nearly 2 million individual clients and 6,000 employees. Vietcombank sells financial products to both individuals and businesses.

Seabank, a young, fast-growing bank based in Hanoi, is developing a business focused on small and medium-sized enterprises (SME) and new Vietnamese entrepreneurs.

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

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

Cardif confirms its international development strategy with this agreement, and will continue to leverage its expertise in bancassurance.

6 FEBRUARY 2007 – KAS BANK TRANSFERS PRIVATE BANKING ACTIVITIES TO NACHENIUS TJEENK, A DUTCH SUBSIDIARY OF BNP PARIBAS

KAS BANK and Nachenius Tjeenk have signed an agreement providing for the transfer of KAS BANK's private banking activities to Nachenius Tjeenk. The transaction involves transferring an amount of EUR 750 million currently managed by KAS BANK to Nachenius Tjeenk. As part of the transaction, Nachenius Tjeenk will also acquire Associatie Cassa, the company within KAS BANK providing fiduciary services to private banking customers. The transaction is subject to the approval of the Dutch Central Bank (De Nederlandsche Bank – DNB) and is expected to be completed in the second quarter of 2007.

Over the last few years, KAS BANK's strategy has successfully focused on consolidating its position as a leading European specialist in securities and information services for professional parties, in particular institutional investors and financial institutions. The transfer of KAS BANK's private banking activities to Nachenius Tjeenk is consistent with this strategy of concentrating wholly on its European wholesale activities.

For Nachenius Tjeenk, the acquisition represents an important step in its development strategy, increasing its assets under management to EUR 2.5 billion, compared with managed assets of EUR 1.3 billion at the time of its acquisition by BNP Paribas Private Bank in 2005. Thanks to the acquisition of the private banking activities of KAS BANK, Nachenius Tjeenk strengthens its position as one of the leading platforms in the Netherlands exclusively dedicated to private banking services.

19 FEBRUARY 2007 – ACQUISITION OF DEXIA BANQUE PRIVÉE FRANCE: BNP PARIBAS CEMENTS ITS LEADERSHIP IN THE FRENCH PRIVATE BANKING MARKET

BNP Paribas signed an acquisition agreement with Dexia Banque Privée France (DBPF) following the favourable opinion handed down by DBPF's Works Council. This acquisition, which remains subject to the approval of the competition authorities, will allow BNP Paribas to cement its leadership in the French private banking market and provides the Group with additional muscle in its domestic market, with the addition of close to EUR 3 billion in customer assets and recognised expertise in the not-for-profit sector.

Dexia Banque Privée France offers wealth management services to private individuals and not-for-profit organisations, and currently has some 200 employees. It was created following the merger of BIMP (Banque Industrielle et Mobilière Privée) and Banque Vernes in 2002, and can offer more than 80 years' experience in wealth management. At 31 December 2006, the company's equity totalled EUR 117 million.

4.6 Regulatory ratios

INTERNATIONAL CAPITAL ADEQUACY RATIO

In billions of euros	31 December 2006	31 December 2005
Shareholders' equity before appropriation of income	49.5	40.7
of which preferred and similar shares	*4.4*	*2.4*
Minority interests before appropriation of income	5.3	5.3
of which preferred and similar shares	*3.0*	*3.5*
Regulatory deductions and other items [1]	(20.4)	(17.2)
of which dividends attributable to equity holders of the parent	*(2.9)* [2]	*(2.2)*
TIER 1 CAPITAL	**34.4**	**28.8**
Tier 2 capital	21.3	18.8
Other regulatory deductions [3]	(7.0)	(6.0)
Allocated Tier 3 capital	0.7	0.4
TOTAL CAPITAL	**49.4**	**42.0**
Tier 1 ratio [4]	**7.4%**	**7.6%**
International capital adequacy ratio	**10.5%**	**11.0%**

(1) *Mainly goodwill.*
(2) *Subject to approval by the AGM.*
(3) *Mainly interests in credit institutions that are not consolidated or accounted for by the equity method.*
(4) *Based on risk-weighted assets of EUR 462.5 billion at 31 December 2006 and EUR 377.7 billion at 31 December 2005.*

CAPITAL ADEQUACY RATIO

At 31 December 2006, the BNP Paribas Group's available regulatory capital, determined in accordance with the rules and instructions issued in France for the application of the European Capital Adequacy ("Capital adequacy of investment firms and credit institutions") and Financial Conglomerates Directives, represented:

- 129% of required regulatory capital excluding Tier 3 capital (end-2005: 136%), and
- 135% including Tier 3 capital (end-2005: 141%).

The Financial Conglomerates Directive has come into force and is applied by BNP Paribas.

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 concern:

- concentration of risks;
- liquidity;
- mismatches.

In France, these ratios are defined as follows:

- Risk concentration ratio: total risks arising from loans and other commitments to customers, which individually represent more than 10% of the Bank's net consolidated shareholders' equity, must not – in the aggregate – represent more than eight times shareholders' equity.
  Risk-weighted assets corresponding to loans and other commitments towards a group of customers considered as representing a single customer must not exceed 25% of the Bank's net consolidated shareholders' equity.
  Where ties exist between two or more individuals and/or legal entities, giving rise to the probability that if one of them ran into financial difficulties, they would all experience problems in honouring their commitments, they are collectively considered as representing a single customer.
- Liquidity ratio: this ratio measures the potential one-month liquidity gap. Banking regulations impose a minimum ratio of 100%.
- Ratio of shareholders' equity to long-term funding: this ratio measures the coverage of long-term assets (more than five years) by funding with a remaining life in excess of five years. Banking regulations impose a minimum ratio of 60%.

PLANNED CHANGES TO THE BIS CAPITAL STANDARDS

In November 2005, the Basel Committee issued an updated version of the International Convergence of Capital Measurement and Capital Standards published in June 2004 (commonly referred to as the "Basel II Accord").

The Basel II capital framework consists of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline.

Under the first pillar, minimum capital requirements will consist of capital charges for credit risk, market risk and operational risk.

With respect to credit risk capital charges, the existing risk weighting categories of the current BIS accord will be replaced with three alternative approaches, designed to be more risk sensitive: a "standardised" approach, and two "internal ratings based" (IRB) approaches ("foundation" and "advanced"). The standardised approach is an updated and expanded version of the existing risk weight categories, with risk weights based 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. Under either of the two internal ratings based approaches, banks will input their own internal calculations of certain risk parameters ("probability of default", "loss given default" and "exposure at default") into risk weight formulas developed by the Basel Committee. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modelling systems must have been previously reviewed and approved by its banking supervisory authority.

Capital requirements for market risk will be calculated under essentially the same general approach as in the 1996 Market Risk Amendment to the existing BIS accord, with a number of technical modifications regarding default risk to be made by 2010 in line with the recommendations issued in November 2005. A model similar to the one applied for market risks may be used to calculate capital requirements for equity investments, which, because they fall outside the trading book, are regarded by the regulator as part of lending activities.

The Basel II Accord also introduces a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge would be determined by one of three alternative approaches. The two simpler approaches apply multipliers to net banking income by institution or business line. The more sophisticated third approach, known as the "Advanced Measurement Approach" (AMA), would allow a bank to determine an appropriate capital charge for operational risk using the institution's own internal data and methodologies, subject to prior supervisory review and approval. The operational risk capital charge for any given institution may vary greatly depending on its operating environment and risk profile.

The second pillar of the Basel II capital framework emphasises the importance of the supervisory review and the bank's own internal assessments to ensure that its capital position is consistent with its overall risk profile and strategy. Supervisors will review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasises public disclosures to enhance market discipline. The new framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies.

The Basel Accords have no legal force and must be transposed into national banking regulations, which may lead to differences in application.

On 28 September 2005, the European Parliament approved a new Capital Requirements Directive (the "EU Capital Requirements Directive") based on Basel II, with certain adaptations in order to take into account the European context. The Directive applies to all financial institutions in the European Union, and provides for a two-step implementation process, in line with the timing set out in the Accord, namely 1 January 2007 for banks opting for simplified approaches and that wish to apply the Directive at this date; and 1 January 2008 for all other banks.

This Directive is being transposed into a banking regulation by each Member State. In France, the draft decrees were examined by the CCLRF (Advisory Committee on Financial Legislation and Regulation) in its meeting of 16 October 2006, and will be given final approval once Parliament has adopted certain legislative provisions.

The US banking authorities consider that most US banks, generally small- or medium-sized entities, will be subject to different specific requirements. Only major international banks and those voluntarily opting to do so will implement the Accord. The relevant legislation has been published for consultation, with the process expected to be finalized by the end of March 2007. The US banking authorities are looking into a number of different options and are expecting diverse reactions further to the consultation process. The date on which the legislation is expected to come into force has been tentatively set at 1 January 2009.

BNP Paribas considers that it will be able to determine its regulatory capital requirements based on its internal methods and has been working to obtain authorisation for a number of years. Its in-house project under the auspices of the Chief Executive Officer looks to coordinate purely regulatory issues and economic aspects, and to embed them within the Bank's operating processes and value-driven management strategy.

Against this background, a revamped corporate ratings system was introduced in 2001; scoring models for the Retail Banking business were revised in light of the new requirements; a specific model was developed for measuring the risk of equity investments; an innovative approach was adopted for assessing and managing operational risk; historical databases were developed to provide a sound basis for estimating the various aspects of credit risk (probability of default, loss given default, exposure at default) and databases were compiled for operational risk. The preliminary validation work began in October 2005 in collaboration with the French banking authorities and is set to run until mid-2007. The Bank has also developed its own internal model for assessing its economic capital requirements. This approach is more comprehensive in terms of risks and scope than the regulatory capital procedures defined by the first pillar of the new framework, and also factors in the impact of risk diversification and concentration. It will establish a critical link with the supervisory authorities as required by the second pillar of the new Accord.

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BNP Paribas is working to meet the requisite conditions prescribed by the Banking Commission. The Bank expects it will be granted authorisation to use its advanced approaches for a large part of the Group at the earliest possible date (1 January 2008). Most subsidiaries, fully integrated within the Group's management policies, fall within the scope of these approaches and will be validated centrally with the agreement of their local supervisors. Specific procedures will be carried out in respect of other subsidiaries, mostly operating in the retail banking segment where the local context is particularly important, based on their readiness and autonomy with regard to risk practices. Where appropriate, the Bank will prepare a specific migration and validation plan for their transition to the advanced approaches, which is then submitted to the banking authorities concerned. This concerns BNL and BancWest in particular.

The delayed implementation of the Accord in the United States and the results – which are still pending – of the official approval procedures which could significantly impact the basis for risk assessments, mean that the consequences of the reform are hard to predict. However, based on the quality of its lending portfolio, the variety and scope of its activities – particularly in the retail banking field – and its strong risk management framework, the BNP Paribas group is likely to see a reduction in its capital requirements despite the integration of capital charges for operational risk. Nevertheless, the new capital deduction rules affecting all banks, together with the applicable capital floor, will counter any immediate benefits of applying Basel II on the Group's capital adequacy ratio. Lastly, it should be stressed that the revised framework will have other beneficial impacts equally as important as the purely quantitative aspects of the new regulations, in that it will inevitably lead to better practices in terms of risk control, risk-adjusted performance management, and accurate risk reporting, and should increase investor confidence.

5 CONSOLIDATED FINANCIAL STATEMENTS

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5.1 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

5.2 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**

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5.3 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
Consolidated equity at 1 January 2005 before appropriation of net income	**12,109**	**-**	**(2,661)**	**19,270**
Appropriation of net income for 2004				(1,659)
Consolidated equity at 1 January 2005 after appropriation of net income	**12,109**	**-**	**(2,661)**	**17,611**
Movements arising from relations with shareholders				
Increase in share capital	286			
Reduction in share capital	(2,694)		2,694	
Issue of preferred shares		2,424		
Movements in own equity instruments			(235)	(63)
Share-based payment plans			37	35
Dividends on preferred shares				(19)
Interim dividends paid out of net income for the period				
Transaction carried out with minority interests				(92)
	(2,408)	**2,424**	**2,496**	**(139)**
Other movements				**(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**
Consolidated equity at 31 December 2005 before appropriation of net income	**9,701**	**2,424**	**(165)**	**23,287**
Appropriation of net income for 2005				(2,163)
Consolidated equity at 31 December 2005 after appropriation of net income	**9,701**	**2,424**	**(165)**	**21,124**
Movements arising from relations with shareholders				
Increase in share capital	5,905			
Issue and redemption of preferred shares		2,023		
Movements in own equity instruments			(1,706)	(70)
Share-based payment plans			85	30
Dividends on preferred shares				(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)
Other transactions carried out with minority interests				16
	5,905	**2,023**	**(1,621)**	**(2,194)**
Other movements	**(17)**			**(1)**
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**
Consolidated equity at 31 December 2006	**15,589**	**4,447**	**(1,786)**	**26,237**

(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 capital and retained earnings	Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	Total consolidated equity
28,718	**(172)**	**3,329**	**436**	**3,593**	**32,311**	**4,925**	**(111)**	**4,814**	**37,125**
(1,659)				-	(1,659)	(106)		(106)	(1,765)
27,059	**(172)**	**3,329**	**436**	**3,593**	**30,652**	**4,819**	**(111)**	**4,708**	**35,360**
286				-	286			-	286
-				-	-			-	-
2,424				-	2,424	163		163	2,587
(298)				-	(298)			-	(298)
72				-	72			-	72
(19)				-	(19)	(259)		(259)	(278)
-				-	-			-	-
(92)				-	(92)	22		22	(70)
2,373	**-**	**-**	**-**	**-**	**2,373**	**(74)**	**-**	**(74)**	**2,299**
(37)				**-**	**(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				**-**	**5,852**	**431** (1)		**431**	**6,283**
35,247	**366**	**4,857**	**248**	**5,471**	**40,718**	**5,182**	**93**	**5,275**	**45,993**
(2,163)					(2,163)	(125)		(125)	(2,288)
33,084	**366**	**4,857**	**248**	**5,471**	**38,555**	**5,057**	**93**	**5,150**	**43,705**
5,905				-	5,905			-	5,905
2,023				-	2,023	(369)		(369)	1,654
(1,776)				-	(1,776)			-	(1,776)
115				-	115			-	115
(80)				-	(80)	(225)		(225)	(305)
-				-	-	(13)		(13)	(13)
-				-	-	2,368		2,368	2,368
(2,090)				-	(2,090)	(2,360)		(2,360)	(4,450)
16				-	16	390		390	406
4,113	**-**	**-**	**-**	**-**	**4,113**	**(209)**	**-**	**(209)**	**3,904**
(18)				**-**	**(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					**7,308**	**490** (1)		**490**	**7,798**
44,487	**(298)**	**5,431**	**(108)**	**5,025**	**49,512**	**5,351**	**(39)**	**5,312**	**54,824**

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5.4 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**

5.5 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

1.b.1 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.

1.b.2 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.

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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".

1.b.3 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.

1.b.4 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 [1], representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management and from analyses of long-term trends of the market positioning of the unit's activities. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

1.c.1 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.

1.c.2 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.

[1] *As defined by IAS 36.*

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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.

1.c.3 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".

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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.

1.c.4 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 [1] 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.

1.c.5 Impairment of financial assets

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are taken to the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic

[1] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

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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.

1.c.6 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.

1.c.7 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.

1.c.8 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.

1.c.9 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.

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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.

1.c.10 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.

1.c.11 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.

1.c.12 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.

1.c.13 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.

1.d.1 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.

1.d.2 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.

1.d.3 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.

1.f.1 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".

1.f.2 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.

1.h.1 Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

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1.h.2 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.

1.h.3 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.

1.h.4 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.

1.i.1 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.

1.i.2 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.

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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.

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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.

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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.

3.a INFORMATION BY BUSINESS SEGMENT

➤ INCOME BY BUSINESS SEGMENT

In millions of euros	French Retail Banking		BNL		IRBFS	
	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)]
Net banking income	**5,633**	**5,270**	**2,294**	**-**	**7,296**	**5,968**
Operating expense	(3,711)	(3,605)	(1,476)	-	(4,173)	(3,385)
Cost of risk	(153)	(195)	(240)	-	(708)	(559)
Operating income	**1,769**	**1,470**	**578**	**-**	**2,415**	**2,024**
Share of earnings of associates	1	-	19	-	54	112
Other non-operating items	-	-	(9)	-	45	39
Pre-tax net income	**1,770**	**1,470**	**588**	**-**	**2,514**	**2,175**

(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".*

➤ ASSETS AND LIABILITIES BY BUSINESS SEGMENT

In millions of euros	French Retail Banking		BNL		IRBFS	
	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**
of which goodwill on acquisitions during the period	*-*	*25*	*2,165*	*-*	*341*	*994*
of which investments in associates	*5*	*-*	*229*	*-*	*750*	*534*
TOTAL SEGMENT LIABILITIES	**117,908**	**101,376**	**75,623**	**-**	**141,090**	**132,511**

3.b 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**

	AMS		Corporate & Investment Banking: Advisory & Capital Markets		Corporate & Investment Banking: Financing		Other Activities [2]		Total	
	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 [1]	Year to 31 Dec. 2006 [3]	Year to 31 Dec. 2005 [1]	Year to 31 Dec. 2006	Year to 31 Dec. 2005
	4,350	**3,552**	**5,274**	**3,890**	**2,585**	**2,532**	**511**	**642**	**27,943**	**21,854**
	(2,763)	(2,331)	(3,284)	(2,683)	(1,113)	(1,028)	(545)	(337)	(17,065)	(13,369)
	(2)	(8)	(16)	(1)	269	131	67	22	(783)	(610)
	1,585	**1,213**	**1,974**	**1,206**	**1,741**	**1,635**	**33**	**327**	**10,095**	**7,875**
	15	1	10	3	-	-	194	236	293	352
	(4)	52	44	42	(12)	4	118	60	182	197
	1,596	**1,266**	**2,028**	**1,251**	**1,729**	**1,639**	**345**	**623**	**10,570**	**8,424**

[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.*

	AMS		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	31 December 2006	31 December 2005
	142,520	**134,486**	**900,445**	**827,919**	**36,983**	**43,372**	**1,440,343**	**1,258,079**
	73	*175*	*-*	*7*	*1*	*3*	*2,580*	*1,204*
	249	*46*	*29*	*11*	*1,510*	*1,232*	*2,772*	*1,823*
	136,391	**128,913**	**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**

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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.

4.a.1 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

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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.

4.a.2 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.

4.b.1 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.

4.b.2 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:

In millions of euros	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.

4.c.1 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.

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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

	31 December 2006					
In thousands of euros	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	(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)**

	31 December 2005					
In thousands of euros	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	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)**

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4.c.2 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.

4.c.3 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.

4.d.1 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.

4.d.2 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.

4.d.3 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.

4.d.4 Day-to-day liquidity management is based on a full range of internal standards and warning flags at various maturities

- An overnight target is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to the major currencies in which the Group does business.
- The refinancing capacity needed to 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.
- BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.
- Three internal ratios are used to manage medium/long-term liquidity at Group level:
  - The one-year ratio for outstandings with contractual maturities represents the gap of outstandings with contractual maturities at one year plus, compared with applications of funds of the same type. The gap represents the shortfall in resources relative to applications of funds with the same maturity.
  - The one-year ratio for total outstandings is defined as the gap of total outstandings with a residual maturity of more than one year compared with applications of funds with the same maturity. The gap represents the shortfall in resources relative to applications of funds with the same maturity». The gap is calculated with both balance sheet and off balance sheet items, taking into account outstandings with contractual maturities and non maturing outstandings.
  - 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.

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4.d.5 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.

4.d.6 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*

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 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*

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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**

5.f.1 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.

5.f.2 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						
Issuer	Issue date	Currency	Original amount in issue currency	Rate	31 December 2006	31 December 2005
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

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twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders approves a decision not to pay a dividend.

Payment of interest is obligatory on the TSDIs issued in October 1985 (representing a nominal amount of EUR 305 million) but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders notes that there is no income available for distribution.

Other undated subordinated notes

The other undated subordinated notes issued by the Group between 1996 and 1999 may be redeemed at par prior to maturity on a date specified in the issue particulars, after approval of the banking supervisory authorities, and are entitled to a step up in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if within the twelve months preceding the interest payment date the Ordinary General Meeting of Shareholders Meeting approves a decision not to pay a dividend.

In millions of euros Issuer	Issue date	Currency	Original amount in issue currency	Redemption option/interest step up date	Interest rate	Interest step up (basis points)	31 December 2006	31 December 2005
BNP SA	July 1996	USD	20 million	July 2006	3-month Libor + 0.65%	+150 bp	-	17
BNP SA	December 1996	USD	200 million	December 2006	3-month Libor + 0.65%	+150 bp	-	169
BNP SA	January 1997	USD	50 million	January 2007	3-month Libor + 0.65%	+150 bp	38	42
BNP SA	January 1997	USD	50 million	December 2006	3-month Libor + 0.65%	+150 bp	-	42
BNP SA	May 1997	EUR	191 million	May 2007	6.50%	+200 bp (2)	189	191
BNP SA	July 1997	USD	50 million	July 2007	3-month Libor + 0.56%	+150 bp	38	42
BNP SA	November 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.

5.f.3 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	1,309	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).

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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.

5.k.1 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.

5.k.2 Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

5.k.3 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.l 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**

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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

	Year to 31 Dec. 2006		Year to 31 Dec. 2005	
In millions of euros	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.

6.c.1 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).

6.c.2 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).

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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

7.b.1 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).

7.b.2 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:

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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

	31 December 2006				31 December 2005			
In %	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

	Year to 31 Dec. 2006				Year to 31 Dec. 2005			
In %	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.

7.b.3 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

7.c.1 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.

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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							
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	Number of shares outstanding at end of period
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.*

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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.

7.c.2 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

8.a.1 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	5 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	5 Sept. 00
Capital increase reserved for members of the Company Savings Plan on 20 July 2005	5,000,000	2	14 May 03	2 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	5 Sept. 00
Increase in share capital by exercise of stock subscription options on 27 March 2006	971,037	2	23 May 00	5 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	5 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.

8.a.2 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

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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.

8.a.3 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.

Own equity instruments (shares issued by BNP Paribas and held by the Group)	Proprietary transactions		Trading account transactions		Total	
	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**

8.a.4 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%
IFRS								
Retail Banking – United States of America								
BancWest Corporation					USA	Full	100.00%	100.00%
Bank of the West					USA	Full	100.00%	100.00%
FHL Lease Holding Cy					USA	Full	100.00%	100.00%
First Hawaïan Bank					USA	Full	100.00%	100.00%
Union Safe Deposit Bank	5				USA			
Leasing – Finance Leases								
Albury Asset Rentals Limited					UK	Full	100.00%	100.00%
All In One Allemagne					Germany	Full	100.00%	100.00%
All In One Vermietung GmbH				12	Austria	Equity	100.00%	100.00%
Antin Bail					France	Full	100.00%	100.00%
Aprolis Finance					France	Full	51.00%	51.00%
Avelingen Finance BV	1			4	Netherlands	Equity		
Barloword Heftruck BV	1				Netherlands	Equity	50.00%	50.00%
BNP Paribas Lease Group					France	Full	100.00%	100.00%
BNP Paribas Lease Group BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Holding SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group KFT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group Netherlands BV	1				Netherlands	Full	100.00%	100.00%
BNP Paribas Lease Group Polska SP ZO O				12	Poland	Equity	100.00%	100.00%
BNP Paribas Lease Group RT			2		Hungary	Full	100.00%	100.00%
BNP Paribas Lease Group UK PLC					UK	Full	100.00%	100.00%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100.00%	100.00%
BNP Paribas Lease Group SPA					Italy	Full	100.00%	100.00%
BNP Paribas Lease Group (Rentals) Ltd					UK	Full	100.00%	100.00%
BNP Paribas Leasing Gmbh					Germany	Full	100.00%	100.00%
Centro Leasing SPA					Italy	Equity	43.54%	43.54%
Claas Financial Services					France	Full	60.11%	60.11%
Claas Leasing Gmbh					Germany	Full	100.00%	60.11%
CNH Capital Europe					France	Full	50.10%	50.10%
CNH Capital Europe Limited					UK	Full	50.10%	50.10%
Cofiplan				2	France	Full	99.99%	99.99%

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9. Change of method – Full consolidation to proportionate method.
10. Change of method – Equity method to proportionate method.
11. Reconsolidation.
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.)								
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		
HFGL 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		
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%

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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%
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%

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Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Mortgage Financing (cont'd)								
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%
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%

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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%
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%
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%

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Insurance (cont'd)								
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%
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%

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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					USA	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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7. Change of method – Full consolidation to equity method.
8. Change of method – Equity method to full consolidation.
9. Change of method – Full consolidation to proportionate method.
10. Change of method – Equity method to proportionate method.
11. Reconsolidation.
12. Entities consolidated using a simplified equity method (non-material).

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Asset Management (cont'd)								
BNP Paribas Epargne et Retraite Entreprise				5	France			
BNP Paribas Financière AMS (Fin'AMS)				2	France	Equity	100.00%	100.00%
BNP Paribas Fund Services France (formerly BNPP Asset Servicing SAS)	2				France	Full	100.00%	100.00%
BNP Paribas Private Equity				12	France	Equity	100.00%	100.00%
BNP Paribas SGIIC				12	Spain	Equity	100.00%	100.00%
Cooper Neff Alternative Managers				12	France	Equity	100.00%	100.00%
Fauchier Partners Management Limited (Group)	1				UK	Prop.	42.17%	50.00%
Fischer Francis Trees and Watts					USA	Equity	100.00%	100.00%
Fund Quest Incorporation					USA	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.					USA	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%
Chancery Lane Management Services Limited					UK	Full	100.00%	100.00%

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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%
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%

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Europe (cont'd)								
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					USA	Full	100.00%	100.00%
BNP Paribas Brasil SA					Brazil	Full	100.00%	100.00%
BNP Paribas Brokerage Services Incorporated	5				USA			
BNP Paribas Canada					Canada	Full	100.00%	100.00%
BNP Paribas Capstar Partners Incorporated					USA	Full	100.00%	100.00%
BNP Paribas Commodities Futures Incorporated					USA	Full	100.00%	100.00%
BNP Paribas Leasing Corporation					USA	Full	100.00%	100.00%
BNP Paribas North America Incorporated					USA	Full	100.00%	100.00%
BNP Paribas Principal Incorporated					USA	Full	100.00%	100.00%
BNP Paribas RCC Incorporation					USA	Full	100.00%	100.00%
BNP Paribas Securities Corporation					USA	Full	100.00%	100.00%
Capstar Partners LLC					USA	Full	100.00%	100.00%
Cooper Neff Advisors Incorporated					USA	Full	100.00%	100.00%
Cooper Neff Group Incorporated					USA	Full	100.00%	100.00%
French American Banking Corporation - FABC					USA	Full	100.00%	100.00%
Paribas North America					USA	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%

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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					USA	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		
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		

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12. Entities consolidated using a simplified equity method (non-material).

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Special Purpose Entities (cont'd)								
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		
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			USA			

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Sunny Funding Limited	2				Cayman Islds	Full		
Swalow Flight Limited	2				Ireland	Full		
Thésée Limited		4			Jersey			
Thunderbird Investments PLC	2				Ireland	Full		
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%

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Klépierre (cont'd)								
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%
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%

CONTENTS

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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%
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%

(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.
2. Entity newly incorporated or passing qualifying threshold.
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7. Change of method - Full consolidation to equity method.
8. Change of method - Equity method to full consolidation.
9. Change of method - Full consolidation to proportionate method.
10. Change of method - Equity method to proportionate method.
11. Reconsolidation.
12. Entities consolidated using a simplified equity method (non-material).

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Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
Klépierre (cont'd)								
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%
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 - CIP					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			

Name	(a)	(b)	(c)	(d)	Country	Method	Group voting interest (%)	Group ownership interest (%)
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					USA	Full		
BNP Paribas US Medium Term Notes Program					USA	Full		
BNP Paribas US Structured Medium Term Notes LLC					USA	Full		
BNP US Funding LLC					USA	Full		
Banca Nazionale del Lavoro			1		Italy	Full	98.96%	98.96%
Artigiancassa Spa			1		Italy	Full	73.86%	73.09%
Artigiansoa - Org. Di Attestazione Spa			1		Italy	Full	80.00%	58.48%
BNL Broker Assicurazioni Spa			1		Italy	Full	95.50%	94.51%
BNL Direct Services Spa			1		Italy	Full	100.00%	98.96%
BNL Edizioni Srl			1		Italy	Full	100.00%	98.96%
BNL Finance Spa			1		Italy	Full	100.00%	98.96%
BNL Fondi Immobiliari			1		Italy	Full	95.00%	94.01%
BNL Gestioni Sgr			1		Italy	Full	100.00%	98.96%
BNL International Investment SA			1		Luxembourg	Full	100.00%	98.96%
BNL International Luxembourg			1		Luxembourg	Full	100.00%	98.96%
BNL Multiservizi Spa			1		Italy	Full	100.00%	98.96%
BNL Participazioni Spa			1		Italy	Full	100.00%	98.96%
BNL Positivity Srl			1		Italy	Full	51.00%	50.47%
BNL Vita Spa			1		Italy	Equity	50.00%	49.48%
Cooperleasing Spa			1		Italy	Equity	50.00%	49.63%
Creaimpresa Spa			1		Italy	Full	76.90%	56.21%
Elep Spa			1		Italy	Equity	49.03%	27.65%
International Factors Italia spa - Ifitalia			1		Italy	Full	99.17%	98.14%
Lavoro Bank Ag Zurigo			1		Switzerland	Full	100.00%	98.96%
Locafit Spa			1		Italy	Full	100.00%	98.96%
Locatrice Italiana Spa			1		Italy	Full	100.00%	98.96%
Locatrice Strumentale Srl			1		Italy	Equity	100.00%	98.96%
Serfactoring Spa			1		Italy	Equity	27.00%	26.57%
Servizio Italia Spa			1		Italy	Full	100.00%	98.96%
Special Purpose Entities								
Vela ABS			1		Italy	Full		
Vela Home Srl			1		Italy	Full		
Vela Lease Srl			1		Italy	Full		
Vela Public Sector Srl			1		Italy	Full		

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9. Change of method – Full consolidation to proportionate method.
10. Change of method – Equity method to proportionate method.
11. Reconsolidation.
12. Entities consolidated using a simplified equity method (non-material).

8.c BUSINESS COMBINATIONS

8.c.1 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 accounting 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 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 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.

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8.c.2 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 [(1)], 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.

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 [(2)], 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.

8.f.1 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).

(1) 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.

(2) Except for multi-employer and multi-industry schemes.

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.

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**

8.f.2 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).

8.f.3 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	Remuneration		Directors' fees	Benefits in kind	Total remuneration
In euros	Fixed [1]	Variable [2]	[3]	[4]	
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	Remuneration					
In euros	Fixed	Variable	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

Benfits 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	*M€30.9*	*M€30*
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*

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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**

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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.

5.6 Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2006

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	61, rue Henri Regnault 92400 Courbevoie

BNP Paribas
16, boulevard des Italiens
75009 Paris

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.

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 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.

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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
Pascal Colin	Etienne Boris	Hervé Hélias

6 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

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6.1 BNP Paribas SA results and balance sheet

The financial statements of BNP Paribas SA have been prepared in accordance with French generally accepted accounting principles, as set out in the standards issued by the *Comité de la réglementation comptable* (CRC).

In this respect, in 2005 BNP Paribas SA applied new standards relating to the depreciation, amortisation and impairment of assets (CRC 2002-10), and to the methods for calculating impairment in value of doubtful and irrecoverable loans (CRC 2003-03) and discounts related to restructured loans (CRC 2005-03). With effect from 2005, the Bank has also applied the methods relating to the recognition of home savings accounts and plans applicable to institutions authorised to receive deposits for home savings and grant home savings loans in accordance with the statement issued by the *Conseil National de la Comptabilité* (CNC) on 20 December 2005.

In 2005, BNP Paribas SA also took advantage of the application of IFRS to the consolidated financial statements to harmonise the accounting methods used for preparing the parent company financial statements with the methods set out in the international standards, whenever such a change is compatible with the French regulations governing statutory financial statements. In particular, the methods used to recognise and measure pensions and other post-employment benefit obligations have been harmonised, as well as the rules relating to the recognition of syndication commission and commitment fees and to the measurement of certain particularly complex financial instruments, whose valuation at fair value or using another model is partly based on parameters that cannot be observed on active markets. To improve the comparability of the financial statements over the periods presented, the impact before tax at 1 January 2005 of the change in method of retrospective application, which was taken to the profit and loss account in compliance with CNC opinion no.97-06, was included under net non-recurring expense. Only changes in the methods of application of rules relating to the recognition of certain fees and commissions and the measurement of certain financial instruments at fair value or based on another model have been applied prospectively.

SIMPLIFIED PROFIT AND LOSS ACCOUNT

In millions of euros	2006	2005	2006/2005 change
Net banking income	**10,778**	**9,817**	**+9.8%**
Operating expenses and depreciation	(7,285)	(6,531)	+11.5%
Gross operating income	**3,493**	**3,286**	**+6.3%**
Net additions to provisions for credit and country risks	55	94	-41.5%
Operating income	**3,548**	**3,380**	**+5.0%**
Gains or losses on disposals of long-term investments	1,885	464	nm
Net non-recurring expense	-	(1,459)	nm
Corporate income tax	(45)	299	nm
Movements in the reserve for general banking risks and regulated provisions	(13)	739	nm
NET INCOME	**5,375**	**3,423**	**+57.0%**

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BNP PARIBAS SA BALANCE SHEET

ASSETS

In millions of euros, at 31 December	2006	2005
Interbank and money-market items:		
Cash and amounts due from central banks and post office banks	5,355	3,397
Treasury bills and money-market instruments	120,207	133,429
Due from credit institutions	309,001	246,252
Total interbank and money-market items	**434,563**	**383,078**
Customer items:		
Due from customers	279,489	261,834
Leasing receivables	48	74
Total customer items	**279,537**	**261,908**
Bonds and other fixed-income instruments	**84,772**	**69,275**
Equities and other variable-income securities	**10,537**	**8,399**
Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment:		
Investments in non-consolidated undertakings and other participating interests	45,414	34,987
Equity securities held for long-term investment	1,570	1,206
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**46,984**	**36,193**
Tangible and intangible assets	**3,139**	**3,127**
Treasury shares	**1,178**	**171**
Accrued income and other assets	**163,371**	**172,291**
TOTAL ASSETS	**1,024,081**	**934,442**

Commitments given	2006	2005
Financing commitments given	176,891	152,626
Guarantees and endorsements given	117,711	101,852
Commitments related to securities	1,909	187

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LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2006	2005
Interbank and money-market items:		
Due to central banks and post office banks	837	336
Due to credit institutions	359,506	293,512
Total interbank and money-market items	**360,343**	**293,848**
Customer items	**206,008**	**196,831**
Debt securities:		
Retail certificates of deposit	34	53
Interbank market securities	118,715	99,314
Bonds	7,712	7,445
Other debt instruments	1,879	1,498
Total debt securities	**128,340**	**108,310**
Accrued expenses and other liabilities	**267,484**	**284,065**
Provision for contingencies and charges	**2,957**	**3,915**
Subordinated debt	**22,529**	**21,085**
Shareholders' equity:		
Share capital	1,861	1,676
Additional paid-in capital in excess of par and premium on acquisition	10,238	4,119
Retained earnings	18,946	17,170
Total shareholders' equity	**31,045**	**22,965**
Net income	**5,375**	**3,423**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,024,081**	**934,442**

Commitments received	2006	2005
Financing commitments received	56,420	35,389
Guarantees and endorsements received	106,231	99,439
Commitments related to securities	432	326

6.2 Appropriation of 2006 income

Total income to be appropriated at the Annual General Meeting of 15 May 2007 amounts to EUR 15,270,972,330.58 including net income for the year of EUR 5,375,377,317.47 and unappropriated retained earnings of EUR 9,895,595,013.11.

The Board of Directors recommends that this amount be appropriated as follows:

- EUR 30,204,000.00 to the special investment reserve;
- EUR 2,891,923,319.00 to dividends, representing a payment of EUR 3.10 per share [(1)];
- EUR 12,348,845,011.58 to unappropriated retained earnings [(1)].

	Debit		Credit
Appropriations:			
Other reserves	30,204,000.00	Unappropriated retained earnings	9,895,595,013.11
Dividends [(1)]	2,891,923,319.00	Net revenues for the year less general operating expenses, depreciation and amortisation, provisions and other charges	5,375,377,317.47
Unappropriated retained earnings [(1)]	12,348,845,011.58		
TOTAL	**15,270,972,330.58**	**TOTAL**	**15,270,972,330.58**

(1) *Based on the number of existing shares at 22 January 2007.*

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6.3 Changes in share capital

	Number of shares	Share capital
At 31 December 2003	**903,171,615**	**1,806,343,230**
Issuance of shares on exercise of stock options [(1)]	443,989	887,978
At 28 January 2004	**903,615,604**	**1,807,231,208**
Cancellation of shares	(25,000,000)	(50,000,000)
At 17 May 2004	**878,615,604**	**1,757,231,208**
Issuance of shares on exercise of stock options [(2)]	606,978	1,213,956
Employee share issue [(3)]	5,477,862	10,955,724
At 6 July 2004	**884,700,444**	**1,769,400,888**
At 31 December 2004	**884,700,444**	**1,769,400,888**
Issuance of shares on exercise of stock options [(4)]	518,758	1,037,516
At 25 January 2005	**885,219,202**	**1,770,438,404**
Cancellation of shares	(13,994,568)	(27,989,136)
At 10 May 2005	**871,224,634**	**1,742,449,268**
Issuance of shares on exercise of stock options [(5)]	1,397,501	2,795,002
Employee share issue [(6)]	5,000,000	10,000,000
At 20 July 2005	**877,622,135**	**1,755,244,270**
Cancellation of shares	(39,374,263)	(78,748,526)
At 29 November 2005	**838,247,872**	**1,676,495,744**
At 31 December 2005	**838,247,872**	**1,676,495,744**
Issuance of shares on exercise of stock options [(7)]	1,369,623	2,739,246
At 23 January 2006	**839,617,495**	**1,679,234,990**
Issuance of shares on exercise of stock options [(8)]	971,037	1,942,074
At 27 March 2006	**840,588,532**	**1,681,177,064**
Issuance of shares (capital increase) [(9)]	84,058,853	168,117,706
At 31 March 2006	**924,647,385**	**1,849,294,770**
Issuance of shares (capital increase) [(10)]	945	1,890
At 6 June 2006	**924,648,330**	**1,849,296,660**
Issuance of shares on exercise of stock options [(11)]	1,148,759	2,297,518
Employee share issue [(12)]	4,670,388	9,340,776
At 26 July 2006	**930,467,477**	**1,860,934,954**
Issuance of shares on exercise of stock options [(13)]	2,411,013	4,822,026
At 22 January 2007	**932,878,490**	**1,865,756,980**

(1) *The 443,989 shares issued in January 2004 carried rights to the 2003 dividend.*
(2) *552,435 shares carrying rights to the 2003 dividend and 54,543 shares carrying rights to the 2004 dividend.*
(3) *The 5,477,862 shares issued in July 2004 carried rights to the 2004 dividend.*
(4) *518,758 shares carrying rights to the 2004 dividend.*
(5) *1,002,504 shares carrying rights to the 2004 dividend and 394,997 shares carrying rights to the 2005 dividend.*
(6) *The 5,000,000 shares issued in July 2005 carried rights to the 2005 dividend.*
(7) *1,369,623 shares carrying rights to the 2005 dividend.*
(8) *971,037 shares carrying rights to the 2005 dividend.*
(9) *84,058,853 shares carrying rights to the 2006 dividend.*
(10) *945 shares carrying rights to the 2006 dividend.*
(11) *743,933 shares carrying rights to the 2005 dividend and 404,826 shares carrying rights to the 2006 dividend.*
(12) *4,670,388 shares carrying rights to the 2006 dividend.*
(13) *2,411,013 shares carrying rights to the 2006 dividend.*

Shareholder authorisations to issue shares:

Shareholders' Meeting at which the authorisation was given		Utilisation during 2006
AGM of 14 May 2003 (16th resolution)	*Authorisation to issue shares for subscription by participants in the BNP Paribas Corporate Savings Plan, without pre-emptive subscription rights for existing shareholders.*	Issuance of 4,670,388 new shares on 26 July 2006 with a par value of EUR 2 each (aggregate par value: EUR 9,340,776)
AGM of 28 May 2004 (15th resolution)*	*Amendment of the ceiling and expiry date set out in the authorisation given to the Board of Directors at the Extraordinary General Meeting of 14 May 2003 to issue shares for subscription by participants in the BNP Paribas Corporate Savings Plan, without pre-emptive subscription rights for existing shareholders.*	
AGM of 28 May 2004 (11th resolution)*	*Authorisation to issue shares and share equivalents with pre-emptive rights for existing shareholders.*	Issuance of 84,058,853 new shares on 31 March 2006 with a par value of EUR 2 each (aggregate par value: EUR 168,117,706)
AGM of 28 May 2004 (12th resolution)*	*Authorisation to issue shares and share equivalents without pre-emptive rights for existing shareholders.*	Not used
AGM of 28 May 2004 (13th resolution)*	*Issuance of shares to be paid up by capitalising income, retained earnings or additional paid-in capital.*	Not used
AGM of 18 May 2005 (14th resolution)	*Authorisation to grant stock options to corporate officers and certain employees.*	3,894,770 stock subscription options granted at the Board Meeting of 27 March 2006
AGM of 18 May 2005 (15th resolution)	*Authorisation to grant share awards to employees and corporate officers of BNP Paribas and related companies.*	608,651 shares granted free of consideration at the Board Meeting of 27 March 2006
AGM of 23 May 2006 (16th resolution)	*Authorisation to issue shares and share equivalents with pre-emptive rights for existing shareholders.*	Not used
AGM of 23 May 2006 (17th resolution)	*Limitation of the issue of shares and share equivalents without pre-emptive subscription rights for existing shareholders.*	Not used
AGM of 23 May 2006 (18th resolution)	*Charging against the authorised amount to be issued without pre-emptive subscription rights for which authorisation was granted under the seventeenth resolution of this Meeting, of any share issue carried out by way of consideration for unlisted shares tendered to BNP Paribas within the limit of 10% of the share capital.*	Not used
AGM of 23 May 2006 (19th resolution)	*Issuance of shares to be paid up by capitalising income, retained earnings or additional paid-in capital.*	Not used
AGM of 23 May 2006 (20th resolution)	*Overall limitation on authorisations.*	Not used
AGM of 23 May 2006 (21st resolution)	*Amendment of the fourteenth resolution adopted by the Combined General Meeting of 18 May 2005: global limitation on authorisations regarding the allocation of stock options and share awards.*	Not used
AGM of 23 May 2006 (22nd resolution)	*Authorisation to increase the capital via the issue of shares reserved for members of the BNP Paribas Corporate Savings Plan.*	Not used
AGM of 23 May 2006 (24th resolution)	*Approval of the merger of Société Centrale d'Investissements into BNP Paribas.*	Issuance of 945 new shares on 6 June 2006 with a par value of EUR 2 each (aggregate par value: EUR 1,890)

* *Expired on 28 July 2006.*

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In connection with share buyback programmes, in 2006 the BNP Paribas Group bought back on the market 12,774,438 shares at an average price of EUR 76.01 per EUR 2 par value share.

At 31 December 2006, the BNP Paribas Group held 25,211,909 shares with a par value of EUR 2 (including shares held for trading purposes), which were acquired at a total cost of EUR 1,786 million and deducted from shareholders' equity (see note 8.a. to the consolidated financial statements).

At 31 December 2006, 24,474,326 stock subscription options and 13,508 stock purchase options were outstanding under the BNP Paribas Group's stock option plans (see note 7.c. to the consolidated financial statements).

At 31 December 2006, 595,669 shares granted free of consideration were outstanding (see note 7.c. to the consolidated financial statements).

6.4 BNP Paribas SA five-year financial summary

In euros	2002	2003	2004	2005	2006
Capital at year-end					
■ Share capital	1,790,347,678 (1)	1,806,343,230 (2)	1,769,400,888 (3)	1,676,495,744 (4)	1,860,934,954 (5)
■ Number of common shares issued and outstanding	895,173,839 (1)	903,171,615 (2)	884,700,444 (3)	838,247,872 (4)	930,467,477 (5)
■ Number of shares to be issued through the exercise of rights	18,372,079	23,734,549	24,359,164	25,388,170	24,474,326
Results of operations for the year					
Total revenues, excluding VAT	28,973,762,964	24,361,520,679	25,095,074,515	29,994,235,964	37,957,100,940
Income before tax, non-recurring items, profit-sharing, depreciation and provisions	3,697,344,223	4,042,278,418	4,037,415,805	3,679,619,779	5,172,323,530
Income taxes	66,294,745	(11,461,665)	(714,643,630)	298,950,458	(44,806,968)
Profit-sharing	46,156,022	73,664,330	102,947,868	129,668,926	152,378,000 (6)
Net income	2,830,067,503	2,358,756,302	3,281,771,449	3,423,168,749	5,375,377,317
Total dividends	1,075,055,789	1,310,242,626	1,770,438,404	2,183,005,487	2,891,923,319
Earnings per share					
Earnings after tax and profit-sharing but before non-recurring items, depreciation and provisions	4.12	4.41	3.67	4.62	5.36
Earnings per share	3.16	2.61	3.71	4.08	5.76
Dividend per share	1.20 (7)	1.45 (8)	2.00 (9)	2.60 (10)	3.10 (11)
Employee data					
Number of employees at year-end (12)	44,908	44,060	44,534	45,356	46,152
Total payroll	2,484,565,532	2,487,721,635	2,728,535,537	3,074,275,447	3,375,546,138
Total benefits	895,525,367	982,590,077	991,640,524	1,222,427,038	1,473,519,640

(1) The share capital was increased to EUR 1,773,245,988 from EUR 1,771,942,784 on exercise of employee stock options for EUR 1,303,204. Following these share issues, the Board of Directors used the authorisation given by the 15 May 2001, Annual General Meeting (12th resolution), to carry out a two-for-one share split and reduce the par value of shares to EUR 2. The split shares have been traded on the market since 20 February 2002.
The capital was then increased to EUR 1,790,347,678 from EUR 1,773,245,988 through the EUR 15,247,588 private placement reserved for BNP staff members and on exercise of employee stock options for EUR 1,854,092.

(2) The share capital was increased to EUR 1,791,759,648 from EUR 1,790,347,678 on exercise of employee stock options for EUR 1,411,970. The share capital was increased to EUR 1,806,343,230 from EUR 1,791,759,648 through the EUR 13,346,720 private placement reserved for BNP staff members and on exercise of stock options for EUR 1,236,862.

(3) The share capital was increased to EUR 1,807,231,208 from EUR 1,806,343,230 on exercise of employee stock options for EUR 887,978. Following these share issues, the Board of Directors used the authorisation given by the Annual General Meeting of 14 May 2003 (18th resolution), to cancel 25,000,000 shares for EUR 50,000,000 thereby reducing the capital from EUR 1,807,231,208 to EUR 1,757,231,208.
The capital was then increased from EUR 1,757,231,208 to EUR 1,769,400,888 through the EUR 10,955,724 private placement reserved for BNP Paribas staff members and on the exercise of employee stock options for EUR 1,213,956.

(4) The share capital was increased to EUR 1,770,438,404 from EUR 1,769,400,888 on exercise of employee stock options for EUR 1,037,516. Following these share issues, the Board of Directors used the authorisation given by the Annual General Meeting of 28 May 2004 (16th resolution), to cancel the 13,994,568 shares for EUR 27,989,136 thereby reducing the capital from EUR 1,770,438,404 to EUR 1,742,449,268.
The share capital was then increased to EUR 1,755,244,270 from EUR 1,742,449,268 through the EUR 10,000,000 private placement reserved for BNP Paribas staff members and on the exercise of employee stock options for EUR 2,795,002.
Following these share issues, the Board of Directors used the authorisation given by the Annual General Meeting of 18 May 2005 (16th resolution), to cancel the 39,374,263 shares for EUR 78,748,526 reducing the capital from EUR 1,755,244,270 to EUR 1,676,495,744.

(5) The share capital was increased to EUR 1,679,234,990 from EUR 1,676,495,744 on exercise of employee stock options for EUR 2,739,246.
The share capital was increased to EUR 1,681,177,064 from EUR 1,679,234,990 on exercise of employee stock options for EUR 1,942,074.
Following these share issues, the Board of Directors used the authorisation given by the Annual General Meeting of 28 May 2004 (11th resolution), to perform a capital increase with preferential subscription rights by issuing 84,058,853 new shares with rights from 1 January 2006 for EUR 168,117,706 raising the capital to EUR 1,849,294,770 from EUR 1,681,177,064.
Following the merger of Société Centale d'Investissement by BNP Paribas, the share capital increased to EUR 1,849,296,660 from EUR 1,849,294,770.
The share capital was increased to EUR 1,860,934,954 from EUR 1,849,296,660 through the EUR 9,340,776 private placement for BNP staff members and on exercise of employee stock options for EUR 2,297,518.

(6) Provision raised during the year.

(7) Paid to 895,879,824 shares, taking into account 705,985 new shares, with rights from 1 January 2002, recorded on 23 January 2003, including 280,150 shares issued in connection with former BNP stock option plans, and 425,835 shares issued in connection with former Paribas plans (Banque Paribas, Cardif, Cie Financière Paribas and Cie Bancaire).

(8) Paid to 903,615,604 shares, taking into account the 443,989 new shares, with rights from 1 January 2003, recorded on 28 January 2004, including 169,545 shares issued in connection with former BNP stock option plans, and 274,444 shares issued in connection with former Paribas plans (Cardif and Cie Bancaire).

(9) Paid to 885,219,202 shares, taking into account the 518,758 new shares, with rights from 1 January 2004, recorded on 25 January 2005, including 350,171 shares issued in connection with former BNP stock option plans, and 125,867 shares issued in connection with former Paribas plans (Cardif and Cie Bancaire).

(10) Subject to the approval of the Annual General Meeting and paid to 839,617,495 shares, taking into account the 1,369,623 new shares, with rights from 1 January 2005, recorded on 23 January 2006, including 1,328,544 shares issued in connection wtih former BNP stock options plans, and 41,079 shares issued in connection with BNP Paribas plans.

(11) Paid to 932,878,490 shares, taking into account the 2,411,013 new shares, with rights from 1 January 2006, recorded on 22 January 2007 including 932,743 shares issued in connection with former BNP stock option plans, and 1,478,270 shares issued in connection with BNP Paribas plans.

(12) For France, part-time employment is prorated according to the length of time worked.

6.5 Subsidiaries and associated companies

Subsidiaries and associated companies	Currency	Exchange rate	Share capital (1)	Reserves and retained earnings before income appropriation (1)	Last published revenues (1)
I - Detailed information about subsidiaries and associated companies whose book value exceeds 1% of BNP Paribas share capital					
1. Subsidiaries (more than 50%-owned)					
ANTIN BAIL	EUR	1.00000	18,000	1,380	1,436
ANTIN PARTICIPATION 15	EUR	1.00000	40,700	-19	795
ANTIN PARTICIPATION 4	EUR	1.00000	129,523	81,863	123
ANTIN PARTICIPATION 5	EUR	1.00000	159,042	-43,486	6,141
ANTIN PARTICIPATION 7	EUR	1.00000	181,431	17,441	855
AUSTIN FINANCE	EUR	1.00000	798,976	-4	35,019
BANCWEST CORP	USD	1.31980	1,109	7,551,019	2,572,573
BANQUE DE BRETAGNE	EUR	1.00000	52,921	35,578	83,918
BNL - BANCA NAZIONALE DEL LAVORO	EUR	1.00000	2,229	2,584	2,309
BNP PARIBAS COVERED BONDS	EUR	1.00000	35,000	-8	1,588
BNPP ANDES SA	USD	1.31980	50,000	-2,464	1,878
BNP INTERCONTINENTALE	EUR	1.00000	30,523	1,265	2,344
BNPP IRELAND	EUR	1.00000	751,813	168,747	47,353
BNPP MEXICO HOLDING*	USD	1.31980	30,000	-3,057	
BNP PARIBAS ASSET MANAG GROUP	EUR	1.00000	15,361	265,196	204,664
BNP PARIBAS ASSURANCE (formerly CASANO 2)	EUR	1.00000	630,073	116,824	1,905,128
BNP PARIBAS BK POLSKA A/B/C	PLN	3.83494	193,400	31,535	13,305
BNP PARIBAS BRASIL	BRL	2.81949	190,311	399,144	226,527
BNP PARIBAS CANADA	CAD	1.53744	345,637	124,121	105,371
BNP PARIBAS CHINA LIMITED	USD	1.31980	72,624	4,495	10,883
BNP PARIBAS EL DJAZAIR	DZD	93.85108	3,500,000	363,589	3,238,123
BNP PARIBAS EQUITIES FRANCE	EUR	1.00000	5,545	32,398	12,558
BNP PARIBAS HUNGARIA BK RT	HUF	251.45490	3,500,000	8,382,868	2,949,357
BNP PARIBAS IMMOBILIER	EUR	1.00000	25,206	279,462	486,903
BNP PARIBAS INTERNATIONAL BV	EUR	1.00000	13,620	1,214,590	115
BNP PARIBAS INVEST. SERVICES LLC	USD	1.31980	47,300	-6,239	13,680
BNP PARIBAS LE CAIRE	EGP	7.53771	500,000	-47,068	197,183
BNP PARIBAS NORTH AMERICA	USD	1.31980	2,438,534	294,123	869,740
BNP PARIBAS PACIFIC AUSTRALIA LTD	AUD	1.67116	5,000	15,789	1,585
BNP PARIBAS PEREGRINE GROUP	EUR	1.00000	45,040	-3,574	-3,623
BNP PARIBAS PRIVATE BANK	EUR	1.00000	75,000	78,273	6,585
BNP PARIBAS RÉUNION	EUR	1.00000	19,935	24,112	49,835
BNP PARIBAS SECURITIES LTD (JAPAN)	JPY	157.13539	80,800,000	16,911,000	57,530
BNP PARIBAS SECURITIES SERVICES	EUR	1.00000	165,280	457,102	333,625
BNP PARIBAS UK HOLDINGS LTD	GBP	0.67381	1,242,000	10,181	71,135
BNP PARIBAS ZAO	USD	1.31980	59,444	26,611	40,724
BNP PUK HOLDING LTD (Paribas)	GBP	0.67381	257,053	287	49,732
BNPP BDDI PARTICIPATIONS	EUR	1.00000	45,961	60,335	29,283
BNPP VOSTOK HOLD formerly SHIPINVEST	EUR	1.00000	120,000	-10	1,416
BPLG-BNP PARIBAS LEASE GROUP	EUR	1.00000	285,079	663,018	302,937
CA INDOSUEZ SECURIT JAPAN LTD****	JPY	157.13539	8,820,000	-4,769,000	0
CAPSTAR PARTNERS	EUR	1.00000	2,247	57,656	8,213
CETELEM	EUR	1.00000	340,341	1,265,892	997,801

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Last published net income (loss) (1)	Per cent interest held by BNP Paribas SA (%)	Book value of shares: Gross (2)	Book value of shares: Net (2)	Including revaluation difference (2)	Dividends received during the year (2)	Outstanding loans and advances granted by BNP Paribas SA (2)	Guarantees and endorsements given by BNP Paribas SA (2)
2,105	100.00%	27,380	19,908	0	7,188	0	0
863	100.00%	40,700	36,946	0	0	0	0
-167	100.00%	79,143	79,143	0	0	0	0
5,694	100.00%	159,062	112,812	0	0	0	0
6,111	100.00%	181,385	181,385	0	660	0	0
	92.00%	798,976	798,976	0	0	0	0
809,200	98.74%	4,923,478	4,923,478	0	10,279	53,039	0
18,263	100.00%	71,021	71,021	0	15,306	1,030,610	0
295	99.14%	8,966	8,966		664	1,065,000	10,802
473	100.00%	35,000	35,000	0	0	0	0
1,096	100.00%	38,566	37,141	0	0	0	0
-757	100.00%	63,211	63,211	21,742	16,406	15,500	0
52,868	100.00%	775,161	775,161	0	0	0	0
-1,129	100.00%	22,731	19,558	0	0		
179,956	100.00%	247,268	247,268	13	207,566	0	0
1,904,011	65.56%	1,237,638	1,237,638	0	784,810	0	0
10,693	100.00%	78,929	77,558	0	40,708		0
67,061	83.73%	91,290	91,290	0	14,708	358,020	0
32,101	100.00%	248,940	248,940	165	0	102,769	4,616,676
6,412	100.00%	61,386	61,195	0	1,829	74,254	0
1,249,312	84.16%	29,584	29,584	0	7,865	0	3,621
2,514	99.87%	46,991	39,513	0	43,657	0	0
653,301	100.00%	42,252	42,252	0	3,547	0	504
51,247	77.16%	831,989	831,989	0	0	0	0
147	72.70%	679,142	679,142	0	0	0	0
1,978	98.00%	35,122	31,912	0	0	0	0
47,593	95.19%	79,695	71,127	0	0	12,881	31,466
229,589	83.31%	1,673,749	1,673,749	0	78,046	509,926	746
1,112	100.00%	366,217	366,217	0	0	366,217	0
-6,644	100.00%	45,040	35,401	0	0	0	0
945	100.00%	148,962	148,962	279	0	1,716,318	0
11,021	100.00%	25,247	25,247	0	0	154,500	0
21,779,000	100.00%	518,720	518,720	0	1,613	22,274	826,080
53,016	90.44%	1,287,632	1,287,632	2,171	96,099	6,515,099	0
51,248	100.00%	1,810,740	1,810,740	18,635	33,622	0	0
21,783	100.00%	60,000	60,000	0	0	298,090	0
139,429	100.00%	424,649	424,649	0	316,636	0	0
27,347	100.00%	117,608	117,608	2,943	27,576	0	0
936	70.00%	84,000	83,990	0	0	0	0
114,615	75.26%	689,164	689,164	0	110,072	6,061,451	11,951
1,797,000	100.00%	33,057	33,057	0	0	40,862	
2,503	100.00%	57,648	57,648	0	4,884	0	0
297,026	98.28%	2,401,821	2,401,821	0	0	11,535,430	0

Subsidiaries and associated companies	Currency	Exchange rate	Share capital (1)	Reserves and retained earnings before income appropriation (1)	Last published revenues (1)
CIE BANCAIRE UK FONDS B	GBP	0.67381	1	17,146	
CIP -CIE D'INVESTISSEMENTS DE PARIS	EUR	1.00000	394,504	593,021	14,541
CIPANGO****	JPY	157.13539	9,400,000	-402,374	0
CLAIREVILLE	EUR	1.00000	123,119	106,316	6,548
COBEMA SA	EUR	1.00000	136,303	571,294	15,589
COBEPA TECHNOLOGY	EUR	1.00000	168,171	173,150	9,692
CORTAL CONSORS FRANCE	EUR	1.00000	57,536	307,341	113,012
FIDEX HOLDINGS LTD	EUR	1.00000	300,015	24,108	11,106
FINANCIÈRE BNP PARIBAS	EUR	1.00000	226,918	471,368	49,415
FINANCIÈRE DU MARCHE ST HONORE	EUR	1.00000	22,500	-378	669
GESTION ET LOCATION HOLDING	EUR	1.00000	265,651	917,286	38,972
LAFFITTE PARTICIP. 10	EUR	1.00000	150,643	16,595	2,407
OGDI-OMNIUM GESTION DEV. IMMOB.	EUR	1.00000	458,689	43,534	51,053
OPTICHAMPS	EUR	1.00000	410,040	120	6,989
OTTOMANE CIE FINANCIÈRE	EUR	1.00000	8,500	173,591	38,476
PARIBAS DERIVES GARANTIS PDG	EUR	1.00000	121,959		5,050
PARIBAS DO BRASIL EMPRES PART*****	BRL	2.81949	39,000	34,143	9,678
PARIBAS PARTICIPATIONS LIMITEE	CAD	1.53744	125	136,357	41,240
PARILEASE SNC	EUR	1.00000	20,498	92,008	5,070
PARTICIPATIONS OPERA (formerly LAFF. 19)	EUR	1.00000	410,040	-5	3,104
SAGIP	EUR	1.00000	217,996	44,021	-822
SFA (STE FRANCAISE AUXILIAIRE)	EUR	1.00000	5,926	1,310,038	702,208
SFOM****	CHF	1.60857	39,892	3,865	671
UCB (UNION CRÉDIT POUR LE BÂTIMENT)	EUR	1.00000	40,082	413,787	195,488
UCB ENTREPRISES	EUR	1.00000	97,450	107,576	25,787
JSIB UKRSIBBANK	UAH	6.66697	2,693,684	-729,417	1,000,202
HAREWOOD HOLDINGS LTD	GBP	0.67381	70,000	-62,670	188,087
BNPP COMMODITY FUTURES LTD	USD	1.31980	60,000	19,208	44,671
TOTAL					
2. Associated companies (10% to 50%-owned)					
ABN AMRO ADVISORY INC	USD	1.31980	1,550,001	125,772	86,022
BANCA UCB	EUR	1.00000	72,240	21,463	51,012
BNP PARIBAS DÉVELOPPEMENT	EUR	1.00000	68,000	139,207	32,610
BNP PARIBAS LUXEMBOURG	EUR	1.00000	105,000	1,261,087	209,886
BNP PARIBAS SUISSE 100 CHF	CHF	1.60857	320,271	1,862,302	935,019
CHANGJIANG BNPP PEREGRINE SECURITIE***	CNY	10.30645	600,000	1,346	53,773
CRÉDIT LOGEMENT (action A&B)****	EUR	1.00000	1,253,975	43,798	127,659
ERBE	EUR	1.00000	120,430	2,018,993	0
MOTIER «B»**	EUR	1.00000	168	53,906	911
NANJING CITY COMMERCIAL BANK	CNY	10.30645	1,206,751	817,380	0
PARGESA HOLDING****	CHF	1.60857	1,698,700	476,100	
PT BK BNP PARIBAS INDONESIA	USD	1.31980	38,223	-12,590	7,963
TEB MALI YATIRIMLAR	TRY	1.87148	221,578	300,307	525,083
TOTAL					

** Data at 30 September 2006.*
*** Data at 30 June 2006.*
**** Data at 31 August 2006.*
***** Data at 31 December 2005.*
****** Data at 30 November 2006.*
******* Data at 31 July 2006.*
(1) In thousands of currency units.
(2) In thousands of euros.

Last published net income (loss)	Per cent interest held by BNP Paribas SA (%)	Book value of shares			Dividends received during the year	Outstanding loans and advances granted by BNP Paribas SA	Guarantees and endorsements given by BNP Paribas SA
		Gross	Net	Including revaluation difference			
(1)		(2)	(2)	(2)	(2)	(2)	(2)
0	100.00%	23,500	23,500	0	0	0	0
19,272	100.00%	597,982	597,982	0	240,401	0	0
0	100.00%	60,708	57,260	0	0		
6,536	100.00%	223,961	223,961	0	0	0	0
6,728	100.00%	692,597	692,597	0	0	0	0
9,657	100.00%	333,266	333,266	0	0	0	0
71,830	94.21%	749,784	749,784	0	26,538	72,000	0
24,251	100.00%	300,001	300,001	0	0	0	0
48,653	100.00%	706,903	706,903	0	37,491	0	0
-11,425	100.00%	25,492	22,425	0	8,220	0	0
38,819	94.39%	909,224	909,224	0	0	0	0
12,474	99.40%	164,715	162,161	0	0	0	0
36,945	100.00%	635,094	635,094	0	0	0	0
15,223	100.00%	410,030	410,030	0	0	0	0
123,232	93.35%	123,577	123,577	0	4,017	0	0
	100.00%	121,959	121,920	0	0	123,675	0
6,406	100.00%	20,643	20,643	0	0		
33,935	100.00%	81,640	81,640	0	3,993	0	0
3,113	100.00%	100,726	100,726	0	0	142,529	0
11,870	100.00%	410,040	410,040	0	0	0	0
-823	100.00%	331,647	331,647	0	0	0	0
693,836	100.00%	442,123	442,123	0	0	0	0
575	99.99%	45,526	23,500	8,512	0		
44,836	100.00%	890,881	890,881	0	42,754	13,283,534	102,112
25,785	100.00%	196,737	196,737	0	17,411	24,118	0
78,956	51.00%	359,604	359,604	0	0	832,724	3,100
80,004	100.00%	103,886	103,886	0	0	0	0
20,881	75.00%	52,683	52,683	0	0	0	4,000
		29,785,225	**29,661,550**	**54,460**	**2,203,902**	**43,345,820**	**4,774,176**
57,514	19.35%	227,307	227,307	0	10,041		
11,380	49.00%	42,981	42,981	0	4,116	0	0
28,994	45.24%	29,586	29,586	0	0	0	0
244,505	13.69%	262,886	220,368	0	0	271,545	5,604
447,705	43.15%	471,028	471,028	13,191	0	5,411,958	77,814
12,118	33.00%	20,690	20,690	0	0		
60,819	34.94%	207,161	207,161	0	8,921		95,269,166
324,082	47.01%	296,725	296,725	0	14,153	0	0
3,261	37.16%	584,998	584,998	0	1,767		
562,478	19.20%	72,986	72,986	0	1,626	0	0
188,600	14.58%	542,891	542,891	0	17,048		
4,978	99.00%	58,651	45,015	0	0	22,731	0
139,494	50.00%	198,168	198,168	0	0	69,820	12,114
		3,181,861	**3,125,708**	**13,191**	**61,972**	**5,776,054**	**95,364,698**

Subsidiaries and associated companies	Book value of shares		Including revaluation difference
In thousand of euros	Gross	Net	
II - General information about other subsidiaries and associated companies			
French subsidiaries	774,634	461,933	1,107
Foreign subisidiaries	279,474	118,168	1
French associated companies	2,212,367	2,162,203	
Foreign associated companies	1,007,031	999,466	

6.6 Principal acquisitions and disposals in France and abroad in 2006

Threshold: EUR 20 million for listed equities and EUR 1 million for unlisted equities.

Acquisitions in France		Acquisitions outside France		
New investments		**New investments**		
	Carrefour		BNL – Actions d'épargne	Italy
	Eiffage		BNL – Banca Nazionale del Lavoro	Italy
	Groupe Nocibé		Shinhan Financial Group	South Korea
	Partecis		BNPP Tzar Osvoboditel Ead	Bulgaria
	SAS Noria		JSIB UkrSibbank	Ukraine
Intra-group	Schneider Electric SA		Materios Investors	Luxembourg
Intra-group	Aquarelle.com	*Intra-group*	BNP Paribas Commodity Futures Ltd	United Kingdom
Intra-group	Banexi Participation	*Intra-group*	Harewood Holdinfs Ltd	United Kingdom
Intra-group	BNP Paribas Private Equity		TFS Trust and Fiduciary Services SA	Switzerland
Intra-group	CITA	*Intra-group*	Banca Monte dei Paschi	Italy
Intra-group	Citrus Holdings ANC	*Intra-group*	Banexi Deutschland B	Germany
Intra-group	Descours et Cabaud	*Intra-group*	Banexi Holdings Corporation	United States
Intra-group	Dewarvrin Fils	*Intra-group*	BICI Côte d'Ivoire	Ivory Coast
Intra-group	Dolphin Telecom	*Intra-group*	BNP Paribas International BV	Netherlands
Intra-group	Doux SA	*Intra-group*	Dolphin	Belgium
Intra-group	Edrasco	*Intra-group*	Leeann Chin Inc	United States
Intra-group	FPM	*Intra-group*	Netprospect	United States
Intra-group	Glon Sandres	*Intra-group*	Netwell wrt	Canada
Intra-group	In Fusio	*Intra-group*	Parconexi BV	Netherlands
Intra-group	Jean Routhiau	*Intra-group*	Paribas Group Australia Ltd	Australia
Intra-group	Loop	*Intra-group*	Paribas North America	United States
Intra-group	Mixad	*Intra-group*	Texet Corporation & Epcor	United States
Intra-group	Neurothech "B" SA	*Intra-group*	Val Telecomunicationes SL	Spain

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Acquisitions in France		Acquisitions outside France		
Intra-group	OGDI - Omnium de Gestion et de Développement Immobilier			
Intra-group	Pargest			
Intra-group	Porcher Industries			
Intra-group	SDF Développement Financier (STE)			
Intra-group	SODEVA			
Intra-group	SOGIMO			
Intra-group	SOMDIAA			
Intra-group	Viveo (formerly LEMIC)			
Bolt-on investments		**Bolt-on investments**		
	Axa		Sifida	Luxembourg
Intra-group	Antin Participation 7	*Intra-group*	Claireville	Belgium
	Capstar Partners	*Intra-group*	Cobema SA	Belgium
	Sofinergie 5	*Intra-group*	Cobepa Technology	Belgium
	Verner Investissements	*Intra-group*	Sagip	Belgium
Intra-group	Bouygues Telecom	*Intra-group*	Sagip AFV	Belgium
Intra-group	BPI	*Intra-group*	AEA International Holding	Belgium
Intra-group	BNP Paribas Lease Group	*Intra-group*	Ottomane Cie Financière	Luxembourg
Intra-group	Cetelem			
Intra-group	Gestion et Location Holding			
Intra-group	SACI			
Intra-group	Novalliance			
Subscriptions to share issues and related transactions		**Subscriptions to share issues and related transactions**		
Intra-group	Antin Participation 14	*Intra-group*	BNP Paribas El Djazair	Algeria
Intra-group	Antin Participation 15	*Intra-group*	BNP Paribas Invest Immo Services LLC	United States
Intra-group	Antin Participation 5	*Intra-group*	BNP Paribas UK Holdings Ltd	United Kingdom
Intra-group	Austin Finance	*Intra-group*	BNP Paribas Ireland	Ireland
Intra-group	BNP Paribas Assurance (formerly Casano2)	*Intra-group*	UCI	Spain
Intra-group	BNP Paribas Covered Bonds		SWIFT	Belgium
Intra-group	BNP Paribas Fund Services			
Intra-group	BNP Paribas Vostok Holdings (formerly Shipinvest)			
Intra-group	Caisse de Refinancement de l'Habitat			
Intra-group	China Jenna Finance 1			
Intra-group	China Jenna Finance 2			
Intra-group	China Jenna Finance 3			
	COFILOISIRS			
Intra-group	Harewood Asset Management			
	Participations Opera			

Disposals in France		Disposals outside France		
Total (disposals, capital contributions and related transactions)		**Total (disposals, capital contributions and related transactions)**		
	Elior		Power Corp. of Canada Ltd	Canada
	IPSEN 'C'		Tractebel AMPS	United States
	LDC		Tyler Tradin Inc	United States
	Mayroy		Paribas Merchant Bank Asia Ltd	Singapore
	Cegelec Holding	*Intra-group*	BNP Paribas Peregrine Sec Thailand Ltd	Thailand
Intra-group	First Bretagne (formerly Between)			
	Gerfin			
	Mauboussin SA			
	Régie Immobilière de la Ville de Paris			
	Mosatys SCI			
Partial				
	SR Teleperformance			
	BNP Paribas Vostok Holdings (formerly Shipinvest)			
	Schneider Electric SA			
	Sofinergie 5			

6.7 Details of equity interests acquired by BNP Paribas SA in 2006

Change in interest to more than 5% of capital					
	Shinhan Financial Group		Not listed	Arm Conseil (in liquidation)	*Intra-group*
Not listed	BICI Côte d'Ivoire	*Intra-group*	Not listed	Auger	*Intra-group*
	MGI-Coutier	*Intra-group*	Not listed	Chimicolor	*Intra-group*
Not listed	Novalliance	*Intra-group*	Not listed	In Fusio	*Intra-group*
Not listed	Sodep	*Intra-group*	Not listed	Gagmi	*Intra-group*
Not listed	Sodeva	*Intra-group*	Not listed	FPM	*Intra-group*
Not listed	Canal Réunion	*Intra-group*	Not listed	Jean Routhiau	*Intra-group*
Not listed	CPC	*Intra-group*	Not listed	Neurothech « B » SA	*Intra-group*
Not listed	Edrasco	*Intra-group*		Axa	
Not listed	SOMDIAA	*Intra-group*			
Change in interest to more than 10% of capital					
Not listed	Paribas North America ord.	*Intra-group*	Not listed	Viroflay SCI	*Intra-group*
Not listed	Francefi	*Intra-group*	Not listed	Comptec	*Intra-group*
Not listed	Bouqueval Hold BV	*Intra-group*	Not listed	Eropol Finance Développement	*Intra-group*
Not listed	Parconexi BV actions A	*Intra-group*	Not listed	Grupo Futuro Financiero SA	*Intra-group*
Not listed	Entreprises Daniel Chapuzet	*Intra-group*	Not listed	Alucongo	*Intra-group*
Not listed	Val Telecomunicaciones sl (DES)	*Intra-group*	Not listed	Colalu	*Intra-group*
Not listed.	Viveo (formerly Lecmic)	*Intra-group*	Not listed	Paceworks Inc.	*Intra-group*
			Not listed	Banexi UK Ltd	*Intra-group*

Change in interest to more than 33.33% of capital					
Not listed	Partecis		Not listed	Sodafe – Dev. Afrique Centrale Ouest	*Intra-group*
Not listed	Loop	*Intra-group*	Not listed	ALT S 2	*Intra-group*
Not listed	Euromezzanine Gestion	*Intra-group*	Not listed	Opera Express	*Intra-group*
Not listed	Parconexi BV	*Intra-group*	Not listed	Kenitra Ste Electr (in liquidation)	*Intra-group*
Change in interest to more than 50% of capital					
Not listed	JSIB UkrSibbank				
Not listed	Opera Rendement	*Intra-group*			
Not listed	Animation Science	*Intra-group*			
Change in interest to more than 66% of capital					
Not listed	AXA LBO Fund III A		Not listed	Comec – Maghreb Entrep Indus	*Intra-group*
Not listed	BNP Paribas Investments Philips Inc		Not listed	OGDI – Ommnium de Gestion et de Dévelopement Immobilier	*Intra-group*
Not listed	BNP Paribas Islamic Issuance BV		Not listed	Ottomane Cie Financière	*Intra-group*
Not listed	Paribas North America	*Intra-group*	Not listed	Paribas Group Australia Ltd	*Intra-group*
Not listed	Participation Opera	*Intra-group*	Not listed	Sagip	*Intra-group*
Not listed	TFS Trust and Fiduciary Services SA		Not listed	Sofigie 2	*Intra-group*
Not listed	Lafitte Participation 27		Not listed	SPM Sté Participations Mobilières	*Intra-group*
Not listed	Casanova Pariticipation 6		Not listed	Aptoise de Participations	*Intra-group*
Not listed	Antin Participation 26		Not listed	Banexi Participations	*Intra-group*
Not listed	Antin Participation 27		Not listed	BNP Paribas Private Equity	*Intra-group*
Not listed	Laffitte Participation 26		Not listed	Finovectron	*Intra-group*
Not listed	Harewood Holdings Ltd	*Intra-group*	Not listed	Taitbout Participation 3	*Intra-group*
Not listed	BNP Paribas Commodity Futures Ltd	*Intra-group*	Not listed	Taitbout Participation 4	*Intra-group*
	BNL – Actions d'épargne		Not listed	Hameau des sports (le)	*Intra-group*
	Banca Nazionale del Lavoro		Not listed	Kle 70	*Intra-group*
Not listed	BNP Paribas Immobilier		Not listed	Kle 71	*Intra-group*
Not listed	SAS Noria		Not listed	Optilouis 2	*Intra-group*
Not listed	BNP Paribas Tzar Osvobodite Ead		Not listed	Taitbout Participation 5	*Intra-group*
Not listed	Bergère Participation 2	*Intra-group*	Not listed	Taitbout Participation 6	*Intra-group*
Not listed	Bergère Participation 4	*Intra-group*	Not listed	BNP Paribas Corporate Finance CZ	*Intra-group*
Not listed	BNP Paribas International BV	*Intra-group*	Not listed	Lansford Corp	*Intra-group*
Not listed	BPI	*Intra-group*	Not listed	OCEFI – Omnium Construct. Finan.	*Intra-group*
Not listed	Casanova Participation 5	*Intra-group*	Not listed	Sogimo	*Intra-group*
Not listed	Citrus Holdings Inc	*Intra-group*	Not listed	Exonhit	*Intra-group*
Not listed	Claireville	*Intra-group*	Not listed	Tel Presse	*Intra-group*
Not listed	Cobema SA	*Intra-group*			
Not listed	Cobepa Technology	*Intra-group*			

7 SOCIAL AND ENVIRONMENTAL INFORMATION

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7.1 The people of BNP Paribas

WORKFORCE EXPANSION IN LINE WITH THE GROUP'S DEVELOPMENT [1]

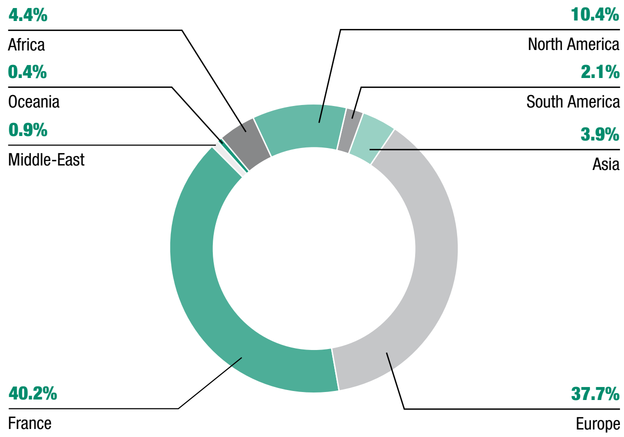
Group staff expanded to 141,911 fulltime equivalent employees (FTEs) at 31 December 2006, up 32,131 on 2005. The increase was a reflection of development across all businesses, but was primarily due to external growth, particularly in the Retail Banking business outside France.

The purchase of BNL in Italy and UkrSibbank in Ukraine accounted for respectively 16,820 and 8,851 extra employees. At constant scope, organic growth gave rise to 5,934 FTEs, primarily in International Retail Banking and Financial Services, Asset Management and Services, and Corporate and Investment Banking.

With the exception of entities undergoing restructuring, such as Bank of the West and BNL, the majority of territories worldwide created net new jobs in 2006. The Mediterranean zone was particularly buoyant, especially Turkey, Egypt, Tunisia, Algeria, Morocco and Spain. Net increases also occurred in France, Germany, the United Kingdom, India and Brazil.

The Group's workforce breaks down as follows:

➤ BY GEOGRAPHICAL AREA



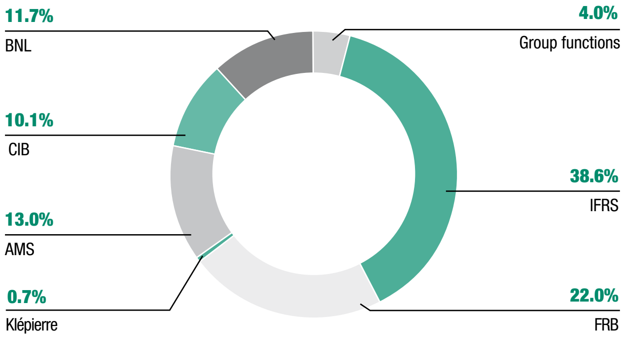
	2004	2005	2006
France	54,363	55,499	57,123
Europe (excl. France)	20,083	25,205	53,461 [1]
North America	11,874	14,979	14,810
Africa	5,526	5,661	6,201
Asia	4,534	4,785	5,571
South America	1,923	2,363	2,924
Middle East	742	868	1,308
Oceania	388	420	513
TOTAL	**99,433**	**109,780**	**141,911**

[1] *Of which Italy accounts for 20,307.*

[1] *For human resources growth data, this analysis takes into account all FTE staff managed by BNP Paribas as opposed to the consolidated workforce, which is limited to staff working for fully or proportionally consolidated entities calculated pro rata to the percentage consolidation of the subsidiaries concerned:*

Full-time equivalents (FTE)	2002	2003	2004	2005	2006
Consolidated workforce	87,685	89,071	94,892	101,917	132,507
Staff managed by BNP Paribas	92,488	93,508	99,433	109,780	141,911

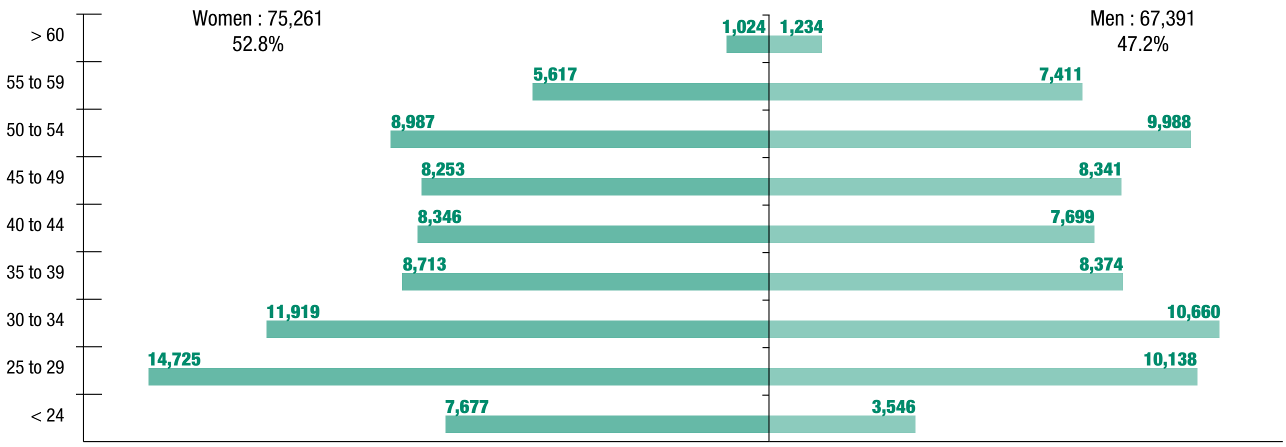
BY BUSINESS



The overall increase in the portion of the workforce managed outside France picked up pace in 2006, especially in Europe. For the first time, more than half of the Group's headcount is outside France.

AGE PYRAMID

The Group's age pyramid remains balanced overall. Lower age groups predominate in the IRFS, AMS and CIB divisions, while the opposite is true of French Retail Banking and BNL, which remains closer to standard employment demographics in France [(1)].



[(1)] *This pyramid has been based on total headcount without weighting for part-time work, unlike in 2005; therefore it cannot be compared to 2005 data.*

7.2 Clearly identified operational challenges

QUANTITATIVE AND QUALITATIVE WORKFORCE ADAPTATION

Skills management is fully integrated within personalised management of careers, recruitment, mobility and succession.

The issue of employment management is specific to France and Italy, due to both countries' demographics and the inflexibility of their labour markets. It is also specific to certain businesses, such as retail banking and specialist financial services, where higher age groups predominate.

In this context, it is important to (i) regularly manage the decline in the number of posts due to IT developments and organisational changes; (ii) offer opportunities to employees whose positions have been eliminated; and (iii) provide the flexibility required to maintain high recruiting momentum and ensure effective succession management.

The Group has been systematically implementing these employment adaptation plans in consultation with employee representatives, based on forward-looking studies carried out at BNP Paribas since the start of the 1990s.

In 2006 Cetelem signed a framework agreement on implementing an Employment Adaptation Plan in its French network for 2006-2008. The acquisition of BNL in Italy led to the negotiation of a local staff reduction plan.

BNP Paribas and BNL's culture of management-employee dialogue

When BNP Paribas acquired BNL in 2006 it made sure to respect BNL's deeply ingrained culture of dialogue and consultation between management and employee representatives. From June 2006, the trade unions were involved in discussions regarding the initial restructuring phase. The plan presented at the end of July was followed by negotiations that led, on 23 November, to the signature of agreements on retirement, recruitment, mobility and professional development. These agreements were well received by the parties involved. A retraining programme drawn up in conjunction with the unions offers support to employees affected by the link-up. Over three years, 2,500 employees will receive 26,000 days of training as a result of this programme. BNL's networks in five regions will be reorganised, also in conjunction with the unions, with a focus on local dialogue, integration, change, innovation and the assertion of a strong and dynamic new identity.

A new Employment Adaptation Plan was also launched by BNP Paribas SA in France in 2005, for the 2006-2008 period. It includes several types of measures:

- **Mobility and internal redeployment:** the Bank systematically favours the internal redeployment of employees whose positions have been eliminated. Employees involved in redeployment programmes are provided with specific assistance in terms of mobility and retraining. The Group offers help in drawing up a personal development profile, provides information on available posts, and gives financial assistance in the case of relocations.
- **Support for voluntary departures:** measures aimed at encouraging voluntary departures may be applied to eligible employees, subject to approval by the relevant Human Resources managers. Voluntary departures can be authorized for professional projects or business creation schemes. There were 136 voluntary departures in this context in 2006.
- **Very attractive conditions for shifting to part-time work** offered to back-office staff, with a guarantee that new employees will be hired to cover the outstanding workload.

By keeping recruitment at a high level and ensuring efficient long-term succession management, BNP Paribas should be able to forestall the effects of the demographic changes expected in the future.

At the same time, the growth in the Group's other business lines enabled BNP Paribas to create over 1,000 net new jobs in France in 2006.

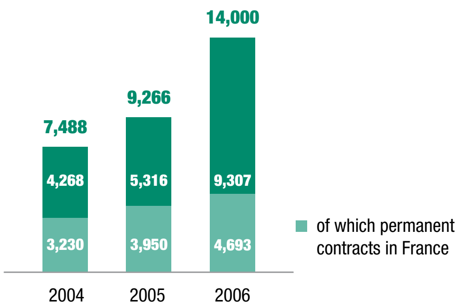
CONTENTS

RECRUITMENT PROCESSES THAT MEET THE SPECIFIC NEEDS OF EACH BUSINESS

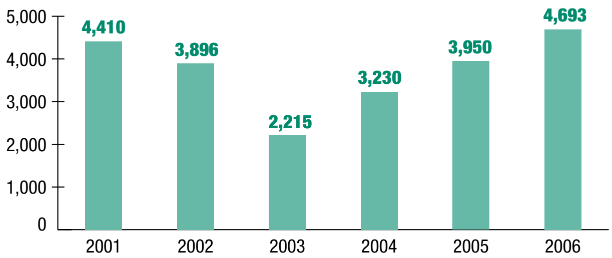
INTENSIVE AND VARIED RECRUITMENT PROCESSES

Since 2004, the Group's recruitment activity in France and abroad has remained consistently high, in line with the expansion of its business lines. The number of new employees increased considerably compared with 2005, to 14,000 new hires [(1)] worldwide, as a result of exceptionally strong expansion in all Group businesses.

RECRUITMENT OF PERMANENT EMPLOYEES



RECRUITMENT OF PERMANENT EMPLOYEES IN FRANCE



RECRUITMENT IN FRANCE

A wide range of profiles

In 2006, new hires were split evenly between young university graduates and employees with some previous experience.

Work/study contracts were offered to 860 young people in 2006 (570 in vocational training programmes and 290 in apprenticeships), representing an overall increase of 9% on 2005. At 31 December 2006 there were 1,366 young employees involved in work/study programmes within BNP Paribas. This represents an increase of 18% on the 2005 figure and makes BNP Paribas one of the foremost recruiters of trainees in France.

BNP Paribas significantly increased the number of trainees it took on as part of a VIE *(Volontariat International en Entreprise)* programme in 2006 (240 compared with 189 in 2005), thus maintaining its position as leading VIE recruiter in France. The number of work placements for Masters students also increased, to over 1,400.

Close links with schools and universities

Recruitment teams have stepped up their drive to promote and raise awareness of BNP Paribas, in particular through links with schools and universities. The Group took part in 108 recruitment forums, presentations and workshops, compared with 45 in 2005. Such initiatives are essential in today's ever-more-competitive market. Its heightened visibility among young graduates has enabled the Group to remain very attractive to certain key target groups, as a result of which it continues to receive a considerable number of applications.

In what proved to be a close contest, a TNS Sofres survey showed that final-year students in leading French business schools continued to rate BNP Paribas as the most attractive employer in France, based on their prior knowledge. The Group also ranked in sixth position among engineering school students, making it the leading bank and the number one service-sector company among this group.

Two in-branch recruitment campaigns

Following the success of similar operations in 2005, the Group organised two new in-branch recruitment campaigns in Paris and the Paris region. The first of these, in April 2006, attracted 3,600 candidates, leading to 1,400 interviews in May and June, and approximately 100 new hires. The process was speeded up during the second campaign, held in October, and the direct involvement of HR managers meant that the most promising applications could be validated on the spot.

(1) *Some subsidiaries, such as the BancWest group and UkrSibbank, have not been taken into account in calculating the total numbers of permanent employees recruited.*

1 2 3 4 5 6 7 8 9 10

DEVELOPING THE SKILLS OF EMPLOYEES AND TEAMS

INNOVATIVE TRAINING PROGRAMMES THAT BUILD TEAM LOYALTY

Training programmes offer BNP Paribas a means of attracting new talent and building loyalty among its teams. The training policy and offering seek to bring benefits at both collective and individual levels, by building the skill-sets the Group needs to face new challenges, providing managers with tools and behavioural know-how tailored to their specific environment, and enabling employees to develop their competencies throughout their professional lives. All staff members are encouraged to pursue training that is relevant both to their current position and to their future development.

The process kicks off with the integration seminars for new employees. Business-specific training is then offered for skills development and advancement. Cross-functional training, aimed at a wider audience, has the goal of fostering team spirit and a sense of identity. It mainly takes the form of induction sessions and managerial skills.

INTRODUCTION TO THE GROUP AND INTEGRATION

Integration sessions give new employees the opportunity to find out about BNP Paribas and see their role within the context of the Group's many businesses, as well as to start making contacts within the company. They help create a sense of group identity, offering shared terms of reference as regards values, business principles and working methods. This training occurs in tandem with the other introductory procedures such as the employee's first contact with his or her manager and team and familiarisation with the workstation and working environment.

In 2006, 150 young university graduates recruited in France attended Group seminars. The Corporate Banking and French Retail Banking Divisions held integration sessions for several hundred new recruits.

A growing number of integration sessions for experienced executives were offered in 2006, to cater to the needs of managers taken on as a result of the Group's external and organic growth. In 2006, employees from over 35 territories attended these sessions, with a significant number coming from recent Group acquisitions TEB in Turkey and UkrSibbank in Ukraine.

The Group training centre, in the magnificent setting of Louveciennes near Paris, is a veritable company university. Its mission is not only to build competencies but also to provide a forum for sharing ideas and building company spirit. Employees from all businesses, countries and cultures come here to participate in training sessions. In 2006, over 22,000 employees attended integration seminars, business-specific courses or cross-functional training programmes, up 10% on 2005.

CROSS-FUNCTIONAL TRAINING

While the various businesses define their own specific training needs, cross-functional training on project ownership and management, personal effectiveness and operations management are provided by the Group training centre. Over 3,370 employees received training in 2006, compared with 3,270 in 2005.

Number of employees trained

	2004	2005	2006	Change 2006/2005
Operations management	1,180	1,496	1,406	-6.0%
Personal effectiveness	1,318	1,261	1,583	+25.5%
Project ownership	439	517	384	-25.8%
TOTAL	**2,937**	**3,274**	**3,373**	**+3%**

The training sessions with the largest increases in attendance were:

- e-learning: 1,200 CDs were ordered in 2006 compared with 1,000 in 2005;
- Personal Effectiveness offerings saw participation increase by 25%;
- Since June 2006 employees have been offered a compliance awareness training module in French and English. Over 900 employees followed this training, in 60 seminars of 15 participants each;
- A course on the Business Continuity Plan for staff from BP2S and Corporate and Investment Banking also generated considerable interest.

TRAINING FOR SENIOR EXECUTIVES

The Leadership for Development programme was set up in 2005 in conjunction with France's prestigious École Polytechnique. It is aimed at helping senior executives enhance their personal abilities and develop their careers through optimization of their leadership skills.

In 2006, the management training offering was enhanced with the creation of two new programmes for senior executives, PRISM and NEXTEP. The objectives of these programmes are closely linked to those set out by the Group's career management policy, namely creating and nurturing a community of senior executives in key positions (PRISM) and helping ensure the success of high-stakes career moves (NEXTEP). The aim is to guarantee that training and career management policies are complementary and that the proper conditions are in place to provide senior executives with the skills they need to drive the Group's development.

CREATING LOYALTY THROUGH A COMPETITIVE REMUNERATION PACKAGE

A BROAD AND COMPETITIVE REMUNERATION PACKAGE

Remuneration

Skills and levels of responsibility are remunerated by a fixed remuneration commensurate with each employee's experience and the market norm for each business. Individual performance is rewarded by a variable remuneration based on the achievement of set objectives. Variable remuneration takes different forms from one business to another: the financing businesses use bonuses, while sales businesses pay commissions.

The Group endeavours to apply a fair, competitive and selective remuneration policy.

- Annual performance reviews are driven by a search for fairness in accordance with a global procedure monitored by the Group HR function.
- The Compensation and Benefits division of the Group HR function updates annual benchmarks by business, type of post and country. This process illustrates the attention paid to the competitiveness of fixed and variable remuneration.
- Remuneration is revised in accordance with selective criteria that are closely linked to the development of employees' skills, responsibilities and performances as reflected in the annual performance evaluations.

Profit-sharing and value creation

The Group seeks to optimise its profit-sharing mechanisms in accordance with local tax and labour regulations. It offers different types of incentive bonuses and profit-sharing plans in various territories.

Incentive and profit-sharing plans — BNP Paribas SA				
Year (in euros)	2003	2004	2005	2006
Gross amount	116,769,620	148,701,874	186 076,788	227,719,000
Minimum amount per employee	2,328	2,945	3,772	4,696
Maximum amount per employee	7,831	10,020	10,689	12,732

Employee share ownership

The Group encourages employee share ownership through an annual share issue reserved for employees. Since the creation of the BNP Paribas Group in 2000, the worldwide employee share ownership plan has been offering employees the opportunity to become shareholders within their own company. They are entitled to a discount on the shares they purchase and top-up payments from the company. Seven share issues have been offered in this context. An amount in excess of EUR 200 million is subscribed to each year.

Employee rights issues	2006			Average over 3 years
	France	International	Total	
Number of eligible employees	68,998	36,996	105,994	101,362
Number of employees subscribing	44,287	11,565	55,852	53,174
Subscription rate	64%	31%	53%	53%
Amount (EUR millions)	219.4	63.2	282.6	239

BNP awarded the 2006 "Prix de l'Actionnariat Salarié"

BNP Paribas was one of three CAC40 companies to win a *"Prix de l'Actionnariat Salarié"*, an employee share-ownership prize, at the Actionaria shareholding fair organised under the auspices of the French federation of employee and former employee shareholders (FAS).

An extensive range of benefits

The benefit plans developed by the Group involve setting up long-term savings accounts for employees and helping them deal with unforeseen accidents and other vagaries through access to personal risk plans.

- Employee savings plans

  These plans enable employees to build up their savings, in particular with respect to their retirement, by optimising local tax and labour schemes. Outside France, supplementary pension schemes are the preferred means, whereas in France employee savings plans allow staff to set up savings accounts with preferential tax and benefits treatment in return for a medium-term holding period. These plans can be topped up by payments from incentive and profit-sharing plans, by voluntary payments by the employees themselves, or by possible top-up payments from the company. Perco (the Group retirement savings plan) was launched in 2005 and by the end of 2006 had been subscribed to by 8,201 employees. The savings become available on retirement, in the form of either an annuity or a once-off payment;

- Employee welfare

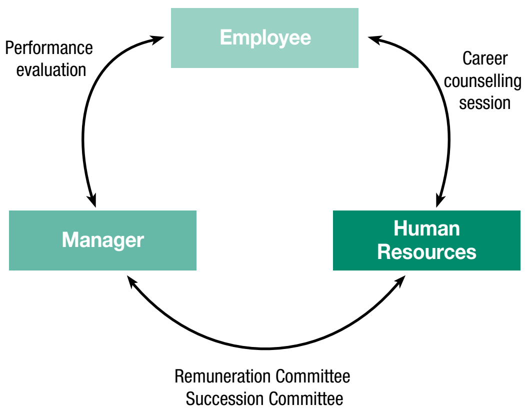
  The Group has a longstanding benefits policy aimed at providing a high level of protection to its employees. In 2006, BNP Paribas worked on harmonising its overall employee benefits procedures, particularly outside France, with the aim of ensuring greater consistency between the sometimes very disparate local systems;

- A tailor-made, flexible personal risk plan in France

  BNP Paribas' personal risk plan was set up under a companywide agreement and has few equivalents in French companies. The flexible plan offers staff a high level of cover for stoppages due to illness, disability or death. Each employee has a basic plan, which can be customised in accordance with his or her personal or family situation. This is done by choosing the level of additional cover, for example a once-off payment in the event of accidental death or the death of a spouse, an education annuity, or a spouse's annuity. Employees can modify their choices at regular intervals. By 31 December 2006, 56,000 employees in 37 French entities were covered by such a personal risk plan.

DYNAMIC CAREER AND MOBILITY MANAGEMENT

CAREER MANAGEMENT THAT SUPPORTS EMPLOYEES' PROGRESSION



BNP Paribas' career management policy is designed to allow each employee to progress continuously within a well-constructed and coherent framework. By investing in various ongoing training programmes adapted to individual profiles and aspirations, the Group aims to find motivating ways to promote skills development and internal mobility over the long term. Career management within the Group is based first and foremost on the relationship between the employee and his or her manager. HR managers are tasked with monitoring this relationship and following up on each individual's progression.

A WELL-THOUGHT-OUT SUCCESSION MANAGEMENT PLAN

One of the Group's most important career management projects is preparing for the future by ensuring the long-term succession of its executive management. Committees made up of managers from the various divisions and functions, as well as HR managers, meet once a year to identify high-potential executives that could in future take over key posts within the company. The Leadership for Development programme was set up in 2005 to help these executives draw up individual career development plans in conjunction with their managers. Approximately 1,500 employees are involved in this programme worldwide.

A specially-tailored career-tracking mechanism has been put in place for junior executives, which includes frequent career counselling sessions, customised seminars and meetings with Group leaders. Several procedures have been implemented to coach these employees in the early stages of their career:

- High-performing young executives whose development potential is spotted by HR managers at the time of their first promotion take part in seminars, working breakfasts and other similar workgroups. Their progression is specifically monitored by HR at both core business and Group level;
- A special six-year career-monitoring process is in place for young graduates hired in France who have a Master's degree and less than two years' professional experience. These graduates are coached through various stages of their professional life (change of function, remuneration, promotion), which involves integration

seminars, on-the-job training or training leading to a professional qualification that benefits their career development. This process is specific to France due to the considerable number of new hires there.

Group training sessions and specific career assistance are also available within the various core businesses, business lines, functions or territories for junior or experienced employees joining the Group.

A DYNAMIC MOBILITY POLICY

Career mobility is not only an attractiveness driver, but also a preferred means for the Group to adapt its human resources to the development of its business operations. It also allows employees to enhance their professional experience and move ahead in their careers. Different forms of career mobility can help promote employees' potential in a new area and enable them to acquire new skills:

- Functional mobility: can mean a change of position, but also professional development or the enhancement of the employee's skills, abilities and knowledge;
- Geographic mobility: the employee moves to another town or, in the case of international mobility, another country;
- Inter-company mobility: the employee changes from one Group entity to another.

Although the diversity of the Group's businesses allows huge scope for career mobility, choices must take account of individual aspirations while at the same time ensuring that optimum use is made of the skills already gained by the employee. For this reason the Group's performance evaluation system encourages discussion between employees and managers as the basis for career management.

PROMOTING DIVERSITY IN ALL ITS FORMS AND FIGHTING DISCRIMINATION

The priorities of the Group's current diversity policy are (i) guaranteeing equal opportunity and the principle of non-discrimination, in particular as regards the recruitment of visible minorities; (ii) stepping up recruitment of disabled persons and improving the endeavours already in place to help them remain employed; and (iii) increasing the number of female senior executives. The principle of non-discrimination has been clearly outlined in BNP Paribas SA's internal rules since 2003 and can be accessed by all employees on the Group's intranet site.

NON-DISCRIMINATION AND THE PROMOTION OF EQUAL OPPORTUNITY: A FIRM COMMITMENT AND PLANS OF ACTION

BNP Paribas and the Diversity Charter

BNP Paribas is one of forty French companies to have signed the Diversity Charter. In a January 2006 review by HALDE *(Haute Autorité de lutte contre les discriminations et pour l'égalité),* the French high authority fighting against discrimination and for equality, BNP Paribas was not found to discriminate in recruitment.

On 13 December 2006, the Group also signed the charter proposed by the French Minister of Education by which French companies commit to promoting equal opportunity in education. The purpose of this charter is to strengthen links and develop initiatives between businesses and schools. It is the most recent in a long line of initiatives taken by BNP Paribas is this regard and boosts its already strong commitment to the world of education.

Rigorous anti-discrimination controls

Discrimination, either at the recruitment stage or at any other time in an employee's career, has been identified as one of thirty major risks faced by the Group worldwide. In 2005 and 2006 a risk analysis was carried out to assess the potential causes of discrimination, define prevention controls, weigh up possible consequences and prepare an action plan.

A quarterly report is presented to the Executive Committee regarding this action plan.

An ethics alert mechanism enables all employees to report any non-compliance risks they may come up against and, in particular, any practices they may find discriminatory.

In September 2005, a Head of Diversity was appointed within BNP Paribas' Human Resources function. He is responsible for defining overall policy and coordinating non-discrimination action plans, promoting equal opportunity and increasing the number of women and foreign nationals among senior executives. The Head of Diversity's duties also include overseeing the Group's policy in favour of disabled employees.

DIAGNOSTIC REVIEWS, AUDITS, TESTS

An internal review on diversity

An internal review on diversity was carried out during the first half of 2006, involving interviews with more than 30 HR managers in France and abroad. The aim of this review was to (i) discover how the different BNP Paribas territories and entities view diversity; (ii) gain an insight into the various challenges and priorities of each of these territories and entities; (iii) assess the current state of affairs; and (iv) identify best practices that can be shared across the Group. In recent years many BNP Paribas entities have been developing a range of endeavours in favour of diversity with particular attention to raising awareness through internal communication and training.

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Auditing the situation of handicapped employees

The working conditions of the Group's handicapped employees were audited between October 2005 and March 2006 by TH Conseil, a human resources consultancy specialised in the recruitment of disabled persons. Thanks to this audit the Group has been able to further deepen its approach to the issue, with the aim of moving beyond concern for individual employee welfare to reach for true corporate social responsibility. Following the audit, a project was put in place with a view to improving working conditions for handicapped employees (see section entitled "Project Handicap").

Gender equality surveys

At the end of 2004, the Group HR function launched the "Mix City" initiative (a pun on the French *mixité*, meaning gender balance), which brings together about 10 female senior executives from across the spectrum of the Group's businesses. In 2005, this group presented a series of suggestions to the HR function on how best to facilitate the inclusion of women in senior management positions. The group is active in five main areas: services to facilitate day-to-day life, management of maternity leave, working hours, mentoring and coaching, and creating a women's network.

A CONCERTED APPROACH

Reducing maternity-related inequalities

In 2004 BNP Paribas and the trade unions signed an agreement on male/female professional equality, which ensures equal treatment of men and women in terms of recruitment, salary and promotion, and includes measures on maternity leave. Employees going on maternity leave have an interview with their direct manager prior to their leave and again at least two months before their return to define the conditions under which they will resume their post. The age limit that had been set for detecting high-potential executives was replaced by a criterion of work experience to avoid penalising women who have gaps in their career due to maternity leave.

Group subsidiaries BPLG, Cetelem, BNP PAM and BNP Paribas Assurance have signed similar agreements. In 2006, another agreement was entered into with four BNP Paribas SA trade unions regarding the implementation of the French law of 23 March 2006 on equal pay during maternity, adoption and post-maternity leave. This agreement lays down the rules for determining minimum fixed and variable salary increases.

Promotion and discrimination: the possibility of recourse to an appeals commission

Any employees who feel they have experienced discrimination in the form of a lack of promotion or pay rise can bring a complaint before the appeals commission. This commission was set up under an agreement with the five trade unions, to examine the situation of employees who feel they are due for a promotion or pay rise. It is comprised of representatives from the Group HR function and the trade unions and meets on an annual basis to examine the files that have been submitted to it.

PROJECT HANDICAP

At 31 December 2006, BNP Paribas SA had 1,012 handicapped employees in mainland France. In order to improve coordination and facilitate the inclusion of handicapped persons, the Bank created a dedicated team within the Group HR department. This team has been tasked with implementing the recommendations of a human resources consultant specialised in adapting workplaces to the needs of handicapped persons, who examined the Bank's current situation and identified key areas for improvement.

BNP Paribas outsources certain work to sheltered workshops. Since 1981 it has been working with the *Institut de Cents Arpents*, which was set up by Mutuelle BNP Paribas in the suburbs of Orléans. The facility, which is home to the Jean Pinault centre for assistance through work, has recently increased its capacity and can now accommodate 105 disabled workers, as against a previous 80. It also houses 11 people with serious handicaps in its sheltered accommodation.

BNP Paribas is seeking to significantly increase the number of handicapped employees by broadening the pool of candidates. It also wishes to improve support for employees confronted with a handicap either directly or in their family. Whenever necessary, the bank adapts workstations and the working environment, and liaises with social services, the occupational medicine department and the Group's health insurance plan to improve personal living conditions and help disabled employees with the purchase of expensive equipment.

In 2006 BNP Paribas SA continued its *Accueil et Service* (reception and service) initiative aimed at improving access to its offices for customers and staff. A full audit is currently being carried out on the compliance of the Group's head office buildings in the Paris area. This initiative has been presented to BNP Paribas SA's employee representatives and will first be rolled out to all French subsidiaries, then extended to a certain number of other territories.

AWARENESS-RAISING AND TRAINING

The theme of the Group's international career management seminar for 2006 was "Managing Difference". One hundred and eighty HR managers, including 130 from France, attended this seminar which included two days of presentations on the Group's diversity policy and how it is reflected in HR procedures. In addition, HR managers from countries with a long history of diversity and non-discrimination initiatives, notably the UK, the US, Hong Kong and Singapore, spoke about their experiences.

At Group level, information on diversity has been published on the Intranet and in the weekly newsletter accessible to all employees. Topics included news of the launch of the documentary *Plafond de verre* (the glass ceiling) sponsored by IMS, an association of French companies – of which BNP Paribas is a member – that promotes corporate social responsibility; reminders concerning the Group's commitments with regard to diversity; the results of the test performed on BNP Paribas recruitment processes by HALDE; and regular updates on *Projet Banlieues*, which addresses issues of employment and social inclusion in France's underprivileged suburbs.

Several sites outside France, in particular in London, in Canada and within Bank of the West, have implemented internal communication strategies that underscore their commitment to diversity.

COMBATING DISCRIMINATION: AN INTEGRAL PART OF CAREER MANAGEMENT

Non-discriminatory hiring processes

Recruitment procedures have been put in place to prevent discrimination and boost equal opportunity. A central team processes more than 90% of applications received in France, helping to ensure an objective recruitment process. The publication of information on vacancies and internship opportunities on the Group's website helps to ensure transparency.

A comprehensive review of recruitment methods led to changes in procedures. Systems for assessing personality and behaviour at work were fine-tuned to make interviews with recruitment managers more objective. A new tool was introduced in 2006 that helps sort curricula vitae based on the requirements of five standard positions that account for a large proportion of branches' recruitment. This automatic sorting helps recruitment managers by pre-selecting the most suitable candidates for each post. Candidates' nationalities no longer appear on application forms filled out on the Group's website.

BNP Paribas takes part in various forums and working groups on recruitment and diversity. These include IMS, Africagora, AFIJ, the *Zéro Discrimination* initiative in Lyons, and the *Nos quartiers ont du talent* project with the French employers' organisation MEDEF. The Group frequently attends recruitment fairs in underprivileged areas.

Promotion to senior executive level

Since 2005, the Group has requested that the HR function pay particular attention to non-discriminatory practices with regard to promotions. A manager must be able to guarantee that there has been no discrimination of any kind (ageism, racism, sexism) at any stage of the nomination process. Special consideration is given to ensuring a balance in the proportion of male and female candidates put forward for promotion, as well as to including older employees. In 2006, employees aged 55 or older accounted for more than 7% of promotions.

PROTECTING EMPLOYEE HEALTH

The Group's occupational health policy goes beyond simply complying with changes in legislation. The major components of the policy involve risk prevention and support for vulnerable employees or those who have become unfit to work.

PREVENTION OF OCCUPATIONAL RISKS

Identifying occupational risk is the first step in preventing it. The various risks identified include attacks in branches, musculoskeletal problems, and problems with air-conditioning and heating systems. A cross-disciplinary team set up in 2006 pools the skills and knowledge of its members to prevent these risks and deal with illnesses and their various causes.

Medical assistance to employees that have been victims of attacks, in particular in the Paris region, is provided in conjunction with the Paris medical emergency services. This initiative has been progressively improved over recent years, and its effects can be seen in the decrease in both the number and length of post-attack stoppages, as well as in requests for transfer to another position subsequent to an attack. In 2006, 156 employees received medical assistance after an attack. Seven of them were referred to mental health specialists for further help.

Special measures have been put in place for the prevention of other workplace risks. These include information campaigns, training, the use of ergonomic design and remedial ergonomics, and early-warning procedures. The high degree of vigilance exercised by the occupational medicine department, team managers, facilities management departments, the ergonomics function and works committees has contributed to the very low rate of musculoskeletal problems reported in BNP Paribas SA.

SUPPORTING EMPLOYEES THROUGH DIFFICULT TIMES

As with prevention, the redeployment of employees after several months of absence due to illness is the subject of concerted efforts between the occupational health department, the HR managers and functional management. Given the rapid pace of change within the Group, the reintegration process must factor in an adjustment to the new circumstances, so as to dispel employees' worries and allow them the time to find their feet again.

In certain cases, employees can have an interview with the occupational physician before resuming work, either because they request it or because their GP or the reviewing physician from the national health insurance system deemed it necessary. In such instances the company doctor prepares the employee for his or her return, taking into consideration any after-effects or residual handicap he or she may be suffering.

Outside France, entities are endeavouring to optimise occupational risk prevention and access to care for employees in conjunction with local health authorities. The employees of UkrSibbank that were exposed to radiation following the Chernobyl disaster qualify for indemnities and additional leave and their health is closely monitored as part of an initiative run by the Ukrainian authorities.

BNP Paribas is an active member of Sida Entreprises, a business-funded association focused on AIDS. The aim of this association is for French investors in Africa to help resolve ongoing issues of prevention and lack of access to treatments, problems that remain prevalent despite the financial aid that has been injected into the countries suffering from the AIDS pandemic. BNP Paribas help to set up inter-company platforms in most of the countries in West Africa where it is present, through its network of associated banks (BICI).

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HIGH QUALITY EMPLOYER-EMPLOYEE RELATIONS

There were extensive discussions within the European Works Council in 2006, which finalised the work undertaken in 2005 on the consistency of contract conditions within the Group in France. The recommendations presented to the Group Works Council on 6 April 2006 met with broad consensus, as four trade unions approved the principles contained therein. This document now serves as a reference point on issues of employee benefits, employment management and career development.

The Commission on Employment Law — BNP Paribas SA's labour information and negotiation body — met on 32 occasions in 2006 and negotiated the signature of 13 company-level agreements. Several of these agreements regard the improvement or development of remuneration within the Group, in particular employee savings plans. A new profit-sharing agreement, signed on 29 June 2006 for the 2006-2008 period, involves employees in the Group's growth and results. It is based on consolidated gross operating income, in accordance with the Group's international strategy and its organisation into worldwide business lines. A wage agreement for 2006 specified the implementation of a general measure and the granting of an exceptional bonus.

Six years after the agreement on the organisation and reduction of working hours, the signatories amended the measures applicable to executive-band employees without fixed hours, in order to take account of the Bank's development and changes within its business. At the same time, provisions have been put in place to enable employees to transfer days from a special time savings account (*Compte Épargne Temps*) to employee savings or retirement plans.

Following the agreement of 9 April 2004 on gender equality in the workplace, a new agreement was entered into on 28 July 2006 defining the rules for changes in the individual remuneration of employees following maternity or adoption leave.

7.3 NRE Appendices — Social Chapter

Additional information is available in the Sustainable Development report which will be published online at www.invest.bnpparibas.com in the coming months.

NRE social indicators for 2006	Scope concerned
1. Remuneration and benefits paid to each corporate officer during the financial year	
See section 2.1 — *Remuneration.*	Group
2. Remuneration and benefits paid during the financial year to each corporate officer by controlled companies as defined in article L. 233-13 of the French Commercial Code	
See section 2.1 — *Remuneration.*	Group
3. List of all directorships and positions held during the financial year in any company by each of the corporate officers	
See section 2.1 — *Composition of the Board of Directors.*	Group
4. Total number of employees including fixed-term contract employees	Group
See section 7.1 — *Workforce expansion in line with the Group's development.*	
The number of employees managed by the Group at 31 December 2006 was 141,911 full-time equivalent employees (FTEs), up from 32,131 FTEs in 2005 following the acquisition of BNL and UkrSibbank. In France, the number of employees managed by the Group rose to 57,123 FTEs, including 39,239 for BNP Paribas SA, of which 184 were on fixed-term contracts. The concept of cadre, loosely translated as "executive", is specific to the French workplace and cannot be meaningfully transposed at a global level. For information purposes only, therefore, the proportion of cadre to non-cadre (executive to non-executive) staff employed by BNP Paribas SA has continued to increase steadily: 35.7% in 2002; 37.7% in 2003; 39.7% in 2004; 42.4% in 2005; 44.6% in 2006.	France
5. Number of new permanent and fixed-term contract employees	
In 2006, approximately 14,000 new employees were recruited worldwide on permanent contracts.	Group
The Group hired 4,693 new employees on permanent contracts in France in 2006, up 19% on 2005.	Group France
BNP Paribas SA added 3,298 new FTEs in mainland France, 1,387 men (42%) and 1,911 women (58%). Of the total, 526 were on fixed-term contracts (147 men and 379 women) and 200 were hired on permanent contracts following a fixed-term contract (65 men and 135 women).	SA mainland France
See section 7.2 — *Recruitment* for more extensive and detailed information on this topic.	

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NRE social indicators for 2006	Scope concerned
6. Recruitment difficulties	
Despite a more competitive market context, BNP Paribas remains a very attractive employer among job seekers, with over 150,000 unsolicited job applications received in 2006. The Internet was the medium of choice for 75% of these applications. In 2006, unlike in previous years, new hires included young graduates and experienced employees in equal proportions. In 2006, new hires were split evenly between young university graduates and employees with some previous experience.	Group
See section *7.2 — Recruitment* for more extensive and detailed information on this topic.	France
7. Number of and reasons for dismissals	
In 2006, the number of employees dismissed by BNP Paribas SA in mainland France amounted to 230 FTEs. The main reasons for dismissals remain professional incompetence.	SA mainland France
8. Overtime hours	
In 2006, BNP Paribas SA paid 61,164 hours of overtime in mainland France, representing 0.1% of regular hours worked.	SA mainland France
9. Temporary staff	
Temporary workers: the average monthly number of temporary workers remained limited, at 193 FTEs. The average length of contracts was 24 days. BNP Paribas SA's expenditure on temporary staff in France amounted to EUR 8.9 million for the year.	SA mainland France
BNP Paribas continued to apply its system of approved vendor lists for temporary work agencies and service providers. Since 2005, the system has been rolled out across Europe. Agreements binding BNP Paribas and these companies include very strict clauses on compliance with employment legislation and the prevention of loss-making sales, which are prohibited under French law. In 2006, all Group entities were reminded of their duty to only use companies that guarantee compliance with employment law.	Europe
10. Where relevant, information relating to headcount adjustments, redeployment and career support advice	
See section 7.2 — *Quantitative and qualitative workforce adaptation,* where this topic is examined in depth.	SA mainland France
11. Working hours	
Extensive possibilities for requesting part-time work arrangements are available to employees. A total of 10.4% of employees in France opted for a part-time work arrangement, the proportion being 11.4% at BNP Paribas SA mainland France and 8% in the subsidiaries. Employees with over one year's seniority qualify for a time savings account (Compte Epargne Temps), in which they can save holiday time for later use — e.g., taking personal days, partly financing a continuing education project or switching to part-time work without loss of revenue. As of December 2006, 10,727 employees were using a time savings account. Subject to their supervisor's agreement, employees can also take 5 to 20 days of unpaid leave.	SA mainland France
12. Working hours and days for full-time employees	
In France, the working week for a full-time employee is generally considered to be 35 hours. For BNP Paribas SA, the theoretical number of days worked per employee per year (on a fixed working hours basis) was 205 in 2006.	SA mainland France
13. Working week for part-time employees	
11.4% of employees have chosen one of the part-time work arrangements made available, of which the main ones are 50%, 60% or 80% of a full-time equivalent. The 80% option has been selected by almost 70.2% of part-time employees.	SA mainland France
14. Absenteeism and reasons for absenteeism	
In 2006, the absentee rate for BNP Paribas SA in mainland France was 4.48%. Maternity leave accounted for 1.37% of the total. The rate of 3.11% for non-maternity-related absenteeism is one of the lowest in BNP Paribas SA's history. After maternity leave, non-work-related illnesses were the most common reason for long-term absences. See the 2006 Social Report.	SA mainland France
15. Remuneration	
The average monthly remuneration of BNP Paribas SA employees in mainland France was EUR 2,942 in 2006. ■ 95.6% of employees received a variable remuneration bonus (95.4% of women and 95.8% of men). ■ 39.7% were awarded an increase in fixed remuneration. ■ 12.2% were promoted. See section 7.2 — *A broad and competitive remuneration package.*	SA mainland France

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NRE social indicators for 2006	Scope concerned
16. Changes in remuneration	
On 22 December 2005, a wage agreement was signed following advance negotiations for 2006. From 1 January 2006, the annual salary of BNP Paribas SA employees increased by 1.20% with a minimum rise of EUR 315. At the end of February 2006, BNP Paribas SA employees received a one-off bonus of between EUR 500 and EUR 1,000, equivalent to 20% of their basic monthly salary.	SA mainland France
17. Payroll expenses	
The Group's payroll taxes for 2006 amounted to EUR 2,336 million. The year-on-year increase was the result of the Group's growth, in particular the consolidation of BNL, which accounted for EUR 356 million of the total amount.	Group
18. Application of the laws of Titre IV Livre IV of the Employment Code (Incentive plans and profit sharing)	
See section 7.2 — *Clearly identified operational challenges — Creating loyalty through a competitive remuneration package.* At 31 December 2006, the Group's savings plans for current and former employees held assets of EUR 3.9 billion, including EUR 3.5 billion in BNP Paribas shares. The geographical breakdown of staff outside France that took up the 2006 employee share issue is as follows: Europe (55%), Asia (26%), North America (6%), Africa (5%), South America (5%), and Middle East (2%).	Group
19. Gender equality in the workplace	
See section 7.2 — *Promoting diversity.* 52.8% of BNP Paribas employees worldwide are women (based on physical headcount).	Group
BNP Paribas SA's FTE staff in mainland France is composed of 17,997 men and 21,241 women. Following the agreement of 9 April 2004 on gender equality, a new agreement was entered into on 28 July 2006 defining the rules for changes in individual remuneration of employees following maternity or adoption leave. The proportion of female executives continued to rise: 34.2% in 2001; 35.7% in 2002; 36.9% in 2003; 37.7% in 2004; 38.8% in 2005; 40.3% in 2006. Proportion of female employees receiving promotion: 54.7% in 2002; 55.6% in 2003; 55.8% in 2004; 57.1% in 2005; 58.1% in 2006.	SA mainland France
20. Employee relations and collective bargaining	
See section 7.2 — *High quality employer-employee relations.* As in previous years, there was constructive dialogue with employee representatives within BNP Paribas in 2006. The Commission on Employment Law — BNP Paribas SA's labour negotiation body — met on 32 occasions in 2006 and 13 new agreements were signed with trade unions. Several of these agreements led to the improvement or expansion of employee savings plans within the company.	SA mainland France
21. Health and safety	
See section *7.2 — Protecting employee health and safety,* which explores the initiatives taken in 2006. Over and above the initiatives discussed in the report, other more specific actions were taken in 2006: ■ Emergency response and CPR training for all medical staff A five-year plan has been launched to train all medical personnel in emergency medicine and the use of a semi-automatic defibrillator, with a yearly refresher. Hands-on training sessions were put in place focusing on reviews of key protocols and role-play. Ongoing training on vaccinations, audiometrics and emerging health risks has been introduced for medical staff. The Group has set up a procedure for monitoring employees' hearing in conjunction with the health insurance body for the Paris region, in the aim of improving ambient noise conditions. ■ Ergonomics Advice on improving the ergonomics of workstations has been distributed to all employees of BNP Paribas SA and is available on the Group's intranet portal, alongside information on how to prevent health risks through appropriate lifestyle choices. Various types of equipment have been reviewed in order to draw up a list of items and equipment that could be managed by the occupational medicine department. Workstation ergonomics are examined at the design stage (for both equipment and sites) and are enhanced through remedial measures prescribed by the occupational physicians in the course of their site visits. 950 persons contributed to the blood donation drive. Employees continued to be able to have access, on a voluntary basis, to assistance in giving up smoking from a dedicated medical unit. In late 2006, the Allen Carr method was introduced.	SA mainland France

NRE social indicators for 2006	Scope concerned
22. Training	
See section 7.2 — *Developing the skills of employees and teams.* The number of BNP Paribas employees in mainland France enrolled in training for a professional qualification were as follows: 469 for the Brevet Professionnel banking diploma, 527 for the BTS banking qualification and 271 for the Institut Technique de Banque. The Right to Individual Training (DIF) was further enhanced in 2006, with the launch of a new online training catalogue. By the end of November 2006, approximately 160,000 hours of training had been provided as a result of 10,000 applications under the DIF programme.	SA mainland France
23. Employment and integration of disabled employees	
See section 7.2 — *Promoting diversity — Auditing the situation of handicapped employees* and *Project Handicap.* An “Accessibility” working group, bringing together staff from the Group Information Systems, Group HR, Property and Group Operational Effectiveness functions as well as from the French Retail Banking division, continued with the task of ensuring that disabled employees and clients enjoy better access to information on banking websites. As a result, the recruitment website has been redesigned to be usable by sight-impaired persons with appropriate equipment. The font on the intranet portal can now be resized to allow sight-impaired employees equal access to information. BNP Paribas also continued to roll out ATMs with special sound capabilities, which will be fitted with special access software and should account for over half the ATM network by the end of 2008. Specific training was given to software project managers to ensure that they build in accessibility features in any new software they develop. To support the charitable endeavours of staff members, the BNP Paribas Foundation maintained its *Coup de pouce* programme of grants. In 2006, as in other years, fighting the consequences of disabilities was at the forefront of employees’ concerns and charitable commitments.	SA mainland France
24. Company benefit schemes	
National-level social and cultural activities are administered by the Central Works Council and other staff benefit schemes are coordinated by local works councils. Benefits offered to employees include children’s summer camps and organised holidays for staff, contributions to meal expenses, family welfare, lending libraries for books, records, videos and other media, and discounts for theatres and cinemas. A sports and cultural society allows staff to take part in and attend a variety of team sports and cultural events. A breakdown of BNP Paribas SA’s contributions to employee benefit schemes is provided in the Social Report.	SA mainland France
25. Relations with the community, including associations to combat social exclusion, educational institutions, environmental and consumer associations, and local residents	
See the section entitled *A partner in society* in the Sustainable Development Report. BNP Paribas SA’s Retail Banking network in France was involved in over 1,000 formal or informal voluntary partnerships with various organisations. These relations often take the form of internships, work experience schemes or apprenticeships. Many of these partnerships also serve to promote the sports, cultural and artistic initiatives of young people, as well as local projects to help integrate them into the labour force, fight social exclusion and protect the environment. Projet Banlieues: part of this project involves providing support to local associations, especially as regards education. Its aim is to develop economic activity, aid youth insertion and promote social cohesion. Thirty-four projects were approved in 2006, most of which were education-related. For more information see the Sustainable Development Report — *A partner in society — Projet Banlieues.* Consumer organisations: the Quality & Consumer Relations Department within French Retail Banking has set up partnerships with around ten consumer rights groups.	SA mainland France

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NRE social indicators for 2006	Scope concerned
26. Contribution to regional development and employment	
See section 7.2 — *Quantitative and qualitative workforce adaptation.* The Group seeks to promote economic development in the territories where it is based by providing its clients with the financing to fuel their development. BNP Paribas plays a major role in financing entrepreneurs and new small businesses, which are the mainstay of the French economy. The latest barometer of corporate client satisfaction measures the progress perceived in the quality of monitoring and assistance provided by the business centres. Regional access to centres of expertise (Trade Centres, trading rooms) is also very favourably viewed. With Project Banlieues, the Group contributed to employing 3,400 people in Seine-Saint-Denis (northeast of Paris) and has set itself the goal of being the leading private employer in this region by 2008, with the creation of 2,500 additional jobs.At the end of September in the Rhône-Alpes region, BNP Paribas provided 23% of solidarity loans set up through the local branch of ADIE, a non-profit association providing micro loans for business projects. The Group's contribution to regional development and employment is enhanced by its network of 31,249 employees, 2,200 branches and 4,200 automatic cash dispensers. BNP Paribas' Retail Banking network outside of France also contributes to financing and developing the local economy. The Group takes steps to ensure that local employees are promoted to senior positions. The number of expatriate posts is intentionally restricted.	SA mainland France
27. Outsourcing and the Bank's policy with subcontractors: steps to ensure that subcontractors comply with International Labour Organization (ILO) standards	
The Group Operational Efficiency (GOE) function manages all procurement contracts in excess of EUR 1 million. Since 2002, all contracts negotiated and signed by GOE include clauses providing for compliance with International Labour Organization (ILO) standards or setting out local employment law principles in the event that such principles are stricter than ILO standards. To promote transparency, GOE set up a dedicated suppliers' portal on the Group's website, which makes explicit reference to sustainable development and compliance with ILO standards. For more information visit http://fournisseur.bnpparibas.com/dev.htm. Going against the grain of the widespread trend toward outsourcing of information technology functions, BNP Paribas opted for a novel solution by creating a joint venture with IBM France to meet the Group's IT processing needs. This strategic alliance answers the call for controlling and decreasing IT costs, while preserving a centre of excellence in France with leading-edge technology. Thanks to this original partnership, BNP Paribas is able to stay in command of its IT capabilities, while ensuring a painless transition for its employees, since all those concerned were able to keep the individual and collective benefits associated with their previous status. IT development activities in Morocco and India remain limited and have not led to any redundancies in France. The IT function was not outsourced and is still provided by Group subsidiaries.	Group
28. Steps taken by the Bank to ensure that subsidiaries comply with ILO standards	
As part of the implementation of CRBF Regulation 97-02, in 2004, 2005 and 2006 GOE systematically reviewed and audited all the major outsourcing agreements entered into locally by Group entities worldwide. Where clauses relating to corporate responsibility were missing or inaccurate, the entity could be requested to renegotiate the contract. In addition to management controls required by the Group's internal control system, internal audit and inspection teams are also responsible for ensuring compliance with HR directives. An ethics alert mechanism enables all employees to report any non-compliance risks they may come up against.	Group
29. Steps taken by foreign subsidiaries to address the impact of their business on regional development and the local community	
All Group subsidiaries belong to a business line and are required to contribute to fulfilling its strategy, implementing its policies and exercising its social responsibility. The levels of remuneration which BNP Paribas provides to its employees, particularly in emerging countries, added to benefits such as health insurance and death/disability coverage, help raise the standard of living in the employees' families and communities. The Group makes only limited use of expatriate staff, giving local staff the opportunity to take up managerial functions and other positions of responsibility.	Group

7.4 NRE Appendices – Environmental Chapter

Additional information is available in the Sustainable Development report which will be published online at www.invest.bnpparibas.com in the coming months.

NRE environmental indicators for 2006	Scope concerned
1. Water consumption	
The collection of data on water consumption increased in 2006, representing 34% of staff concerned in mainland France. On this basis, water consumption amounts to 22m³ per FTE.	France (Paris head office buildings + subsidiaries+ Production & Sales Support Groups)
More countries contributed to the water consumption statistics (49% of the Group outside France) than in previous years and the data was more reliable. Water consumption amounted to 24.5m³ per FTE.	International
2. Raw material consumption	
For a financial services provision group like BNP Paribas, paper is the number one raw material consumed. Overall paper consumption in France, including roll paper from printing centres, paper reams and paper purchased from printers on behalf of BNP Paribas stood at 9,521 tonnes. On this basis, paper consumption per FTE decreased 5.5% in 2006, to 172kg per FTE.	France
In other countries, paper consumption stood at 151kg per FTE, based on 56% of the Group scope outside France. In France, 9% of the Group's office supplies are environmentally-friendly products. Based on a scope representing 60% of staff outside France, green products account for an average of 12% of office supplies, with significantly higher percentages in Japan and Switzerland.	International
3. Energy consumption	
The Group's electricity consumption in France dropped 6% to 255.6 GWh, representing average consumption of 4,591 KWh per FTE.	France
Representativeness in other countries continued to increase and in 2006 represented 54% of Group employees. Based on these figures, consumption was 6,582 Kwh per FTE.	Group
4. Measures taken to improve energy efficiency	
See the Sustainable Development Report, under *Impact on the natural environment — Using all available levers for improvement*. Under the auspices of the Corporate Facilities Management Department, the group implemented a general environmental management policy. The building at 14, rue Bergère in Paris was restored with the aim of obtaining High Environmental Quality (HEQ) certification in connection with the French standard on service-sector buildings, issued by CSTB, the scientific and technical advisory centre for the French building industry. This would be a first in France in terms of restoration work. In November, the compliance of the programme and design phases was rated as *very effective* under seven criteria, as *effective* under four, and as *basic* under three criteria, thus exceeding the minimum certification requirements. A call for tenders was launched with six enterprises proposing automated solutions for managing energy requirements. Two enterprises and two pilot sites — in Levallois and Montigny — were selected to test these solutions. In 2006, electricity consumption was analysed on a local basis at all BNP Paribas sites outside Paris and recommendations were made on how to reduce consumption.	Paris head office buildings
The T8 fluorescent tubes used to light the branches' signs were replaced by T5 fluorescent tubes that give out the same amount of light but consume 30% less electricity. Long-life LED bulbs, which also consume less electricity, are used in Bank's ATM machines.	French network
5. Use of renewable energy sources	
Part of the Group's electricity in France is supplied by an operator who is contractually obliged to provide 15% renewable energy.	France
In Canada, 100% of the electricity used by the Group is renewable, as is 18% of the energy used by BNP Paribas Frankfurt and Cortal Consors in Germany.	Canada Germany

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NRE environmental indicators for 2006	Scope concerned
6. Land use	
For each project, Meunier Habitat appoints a specialised consulting firm to carry out a diagnostic review of the extent of the soil contamination. The consultants define the specifications for a soil identification programme, contamination studies are performed using tests and analyses, and a soil report is drawn up. Meunier Habitat uses this report to carry out any remediation work required to ensure that the soil meets all applicable regulatory standards. In addition to these initiatives, the Group applies "environmental housing" certification provisions to certain Meunier Habitat programmes. These mainly concern the management of pollution-related problems with a view to meeting the objectives required in terms of health, ecological balance and comfort of use.	Meunier Habitat
Klépierre systematically assesses its environmental impact when building new shopping centres. In Aubervilliers, the construction site and the operating plans for the future shopping centre meet HEQ criteria regarding land remediation, groundwater preservation, water quality and waste management. In 2006, this subsidiary installed new tools, such as multiple distributed water meters, in its shopping centres in order to improve the management of water, energy and fluid consumption.	Klépierre
7. Emissions to air, water and soil	
See Sustainable Development Report, under *Impact on the natural environment.* In 2006, the Group's environmental data management software enabled it to fine-tune its CO_2 surveys and apply them systematically. The available data do not enable this survey to be performed on the full scope of consolidation, but it has been extended to several sizeable territories outside France. The data collected take into account information on electricity consumption, work-related travel by car, train and air, and, in France, commuting between the home and office. This enabled an initial estimate of CO_2 equivalent emissions per FTE: France — 2.56 tonnes, Switzerland — 3.29 tonnes; Italy — 3.39 tonnes; United States — 7.26 tonnes. The calculation methods aim to include the emissions generated by the production, transportation and consumption of energy sources. For electricity, the type of primary energy used by the producer was taken into account. For air travel, the factors considered were kerosene consumption, average load factors, the distinction between short-, medium- and long-haul flights, and the class the passenger travelled in. For car journeys, the methodology assesses emissions based on mileage as well as on the vehicle's taxable horsepower rating and fuel type. Estimates for commuting were made by dividing employees into three categories, based on which of three concentric circles their home residence belonged in — city or town centre, close suburbs or outskirts of town, and distant suburbs or rural setting. Emissions produced by these trips were then estimated based on the type of transportation used. Independently of errors relating to the reliability of data or to the incomplete scope of the survey, the methodology used is subject to the following error margins: Electricity: 10%; Trip mileage per car: 10%; Commuting: 20%; Air travel: 20%.	Group
8. Noise and odour pollution	
No complaints relating to noise or odour issues were addressed to the Group in 2006. Meunier always studies the environmental impact of its projects from the specific standpoint of noise and odours. When technical equipment can be a source of noise disturbance, the company selects models offering the best available acoustic performance. Noise testing is carried out following construction and, if required, additional measures are taken to comply with applicable regulations. The location of air intake and discharge vents is designed to minimise effects on neighbouring buildings, based on dominant wind patterns. The construction processes and tooling used, as well as the management of construction waste, are also designed to minimise the impact of construction work on the immediate environment.	
9. Waste processing	
In France, the system for collecting used toner cartridges in association with Conibi, the industry grouping of toner cartridge producers, gathered pace in 2006, with 90,080 cartridges collected, almost twice as many as in 2005.	France
The scope of data collected in other countries increased and became more reliable, but still remains below 50%. Canada, Germany, the United Kingdom, Switzerland and Spain recycle 100% of their toner cartridges and the United States recycles more than 94%.	Group
Paper and cardboard collection for recycling is also on the increase. *Corbeille Bleue*, a specialised company, collects and sorts the litter bins in the Group's Paris offices. 80%, or 3,350 tonnes, of paper collected is sent for recycling. 20% of the paper recycled is used for district heating, 40% for packaging production and 40% for papermaking pulp. A further 1,521 tonnes of paper were collected for recycling in printing and archiving centres in France in 2006.	France

NRE environmental indicators for 2006	Scope concerned
Office bins continued to be replaced by bins enabling employees to separate recyclable from non-recyclable waste (paper and all other non-hazardous waste). Most of the Group's Paris head office buildings are now equipped with these new bins and a clause regarding "double collection" has been included in cleaning company contracts. In other countries, the scope used to measure paper collection is, for the moment, not material.	International
The aluminium sockets and the glass from fluorescent lightbulbs used in most offices are recycled and the gas is reprocessed.	Paris head office buildings
In France, the upward flow of information regarding the collection of Waste Electrical and Electronic Equipment (WEEE) is underway.	France
10. Measures taken to avoid upsetting the biological balance	
As part of its CO_2 survey, the Group identifies the processes by which it could harm the environment (for example the use of refrigerants at its Paris head office buildings) in order to try and reduce them. In 2006, resources for detecting asbestos in buildings were also reinforced as part of an asbestos action plan. Diagnostic reviews of materials were carried out before launching any renovation work in France. These reviews complement the technical recommendations drawn up in 2005 and distributed to BNP Paribas sites. Air and water quality are measured on a regular basis and the Group has issued recommendations on the choice of paint.	Group France
11. Measures taken to ensure compliance with legal requirements	
BNP Paribas continuously strives for the highest standards of ethical behaviour, compliance, risk management and internal control. Within a changing banking environment characterised by increasing regulatory requirements, in 2005 the Group decided to create a global Group Compliance function, whose director reports directly to the Chief Executive Officer and has broad powers throughout the Group. This function distributes Group-level directives regarding permanent control and monitors the development of the mechanism in the Group's entities.	Group
Guidelines have been drawn up to ensure that buildings are managed in accordance with technical regulations applicable in France.	France
Real estate guidelines are based on the most stringent regulations in all countries where BNP Paribas operates and are enforced at all sites, worldwide. Property audits are performed on all head office buildings in connection with acquisitions. Group Legal Affairs monitor changes in environmental legislation. Clauses covering the corporate and environmental responsibility of suppliers are systematically included in service agreements.	Group
12. Steps taken towards environmental evaluations and certifications	
BNP Paribas is present on all the major benchmark indices for socially responsible investment: DJSI World, DJSI Stoxx, ASPI Eurozone, FTSE4Good Global and FTSE4Good 50. Although the Group's inclusion in these indices represents neither an evaluation nor a certification, it nevertheless provides a positive indication of BNP Paribas's compliance with the requirements of corporate and environmental responsibility. The opinion of the Statutory Auditors on the non-financial information in the annual report changed, in 2006, from a review of procedures to a *moderate opinion,* applicable both to processes and to certain environmental data. Because the Group is pursuing a policy of reducing its costs and related consumption levels, and conducts a CO_2 survey, it has been able to appraise the environmental consequences of its operations and improve its environmental effectiveness.	Group
In Italy, the 87 BNL sites in Lombardy are ISO 14001 certified and comply with Health and Safety Executive regulations.	Italy
Meunier Immobililer d'entreprise obtained "Habitat and Environment" certification for its *Tenor* housing complex in Courbevoie, which meets all seven criteria specified in the certification process. Meunier Habitat signed an agreement with a certifying body, by which it committed to obtaining such "Habitat and Environment" certification for eight future housing programmes in the greater Paris region.	France
13. Company expenditures for prevention of environmental impacts	
See the Sustainable Development Report, under *Impact on the natural environment — Using all available levers for improvement*. Given the nature of the Group's operations, they have limited direct consequences on the environment. Nonetheless, the Group has focused on ten directions for fulfilling its environmental responsibilities and implementing preventive action. The cost of these cross-functional measures has not yet been calculated separately. Criteria for purchasing or leasing a building include its proximity to existing sites and to public transport.	Group

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NRE environmental indicators for 2006	Scope concerned
14. Internal department for environmental management	
See information under item 11. The cross-functional departments responsible for assessing the Group's environmental impacts and taking steps to reduce them are Corporate Facilities Management in France and Group Operational Efficiency outside France. A special committee has been set up to coordinate BNP Paribas's efforts to meet its environmental responsibilities. Led by the Group Sustainable Development function, it brings together representatives from the Bank's operating entities and relevant experts.	Group
15. Environmental training and information programmes for employees	
See the Sustainable Development Report — *Raising employee awareness.* All the Group's internal communications channels — including its website, *Ambitions* in-house newsletter, monthly sustainable development newsletter and newsletter produced by the Corporate Facilities Management Department, as well as conventions and other company events — are used to promote its corporate and environmental responsibility. In 2006, internal communication initiatives reached new heights. The Group Sustainable Development function organised a Group-wide quiz in which 1,500 employees took part, with questions on sustainable development in general as well as the Group's approach to it. In late 2006 a leaflet was produced outlining everyday gestures that employees can perform to be more environmentally-friendly in the workplace. Nearly 100,000 copies (in French, English and very soon Italian) were produced on recycled paper and are currently being distributed throughout the Group. A procurement section on the Group's BtoE portal is available for use by all employees making external purchases, covering 97% of entities. Sustainable development is a major focus of this website, by means of both a dedicated sustainable development section and a legal section containing sample clauses to help in the drafting of agreements.	Group
16. Efforts devoted to the reduction of environmental risks	
See the Sustainable Development Report under the Environment heading: *A forward-looking and responsible approach to financing.* BNP Paribas has set up a "Carbon team" dedicated to researching and promoting market solutions for corporate clients wishing to fulfil their obligations to reduce greenhouse gas emissions in line with the Kyoto protocol and European Directives on CO_2 emission quotas. As a financial institution BNP Paribas plays a full role in facilitating the operation of these markets and contributing to their development. BNP Paribas is a member of the French association Entreprises pour l'Environnement (companies for the environment).	Group
17. Structure to deal with pollution incidents extending beyond the Company	
Any crisis situation is managed by an ad hoc committee composed of the Group's top executives. This committee takes the measures it deems most appropriate and informs the operating entities concerned. If the scale of the crisis warrants it, information may be passed on to the entire Group and there may be a call for international solidarity. As part of the process of validating the operating risk model in 2007, in-depth work was carried out to define and strengthen the Business Continuity Plan, in particular in the event of pollution or accidents. In response to natural disasters and serious accidents of recent years, French Retail Banking and Cetelem mobilised their resources to lend assistance to their clients that were affected.	Group
18. Amount of provisions and guarantees covering environmental risks	
The Group's USD 4.9 million provision is earmarked for possible private disputes and is not intended to cover any fines for regulatory non-compliance.	Group
19. Amount of compensation paid following legal decisions relating to the environment	
The Group has not had any court rulings against it on environmental matters.	Group
20. Environmental objectives set for foreign subsidiaries	
BNP Paribas' guiding principles, namely the Global Pact and the ten principles contained in the Environmental Responsibility Charter, apply to all employees regardless of the business entity or country in which they are employed. The core businesses are responsible for implementing the Group's guiding principles throughout their reporting organisations, including subsidiaries, in all territories. In 2004 the General Inspection unit and the Sustainable Development function completed the design of an audit methodology for corporate social and environmental responsibility, to measure the Group's practical compliance with Group environmental guidelines. The auditors implementing this methodology are fully independent and can perform all types of audits in any of the Group's consolidated subsidiaries. Audit findings and the results of inspection assignments are presented in an annual report sent to the Commission Bancaire in accordance with regulation 97-02.	Group

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8.1 Documents available to the public

This document is available on the BNP Paribas website at www.invest.bnpparibas.com or on the *Autorité des marchés financiers* site at www.amf-france.org.

Any person wishing to receive additional information concerning the BNP Paribas Group, can request documents, without commitment, as follows:

- By mail: BNP Paribas – Group Development and Finance

  Investor Relations and Financial Communications

  3, rue d'Antin – CAA01B1

  75002 Paris
- By telephone: +33 (0)1 40 14 63 58

The regulated information is available on the website in French at www.invest.bnpparibas.com/fr/information-reglementee

8.2 Major contracts

To date, BNP Paribas has not entered into any major contract — other than those signed in the normal course of business — which creates a significant obligation or commitment for the entire Group.

8.3 Dependence on external parties

In April 2004, BNP Paribas and its subsidiaries began outsourcing data processing operations to the "BNP Paribas Partners for Innovation" (BP2I) joint venture set up with IBM at the end of 2003.

BNP Paribas exercises significant influence over BP21, which is owned on a 50/50 basis with IBM. BP21 is staffed essentially with BNP employees and its offices and data centres are owned by the Group. Its corporate governance system provides BNP Paribas with a contractual right of oversight and the Group can take back responsibility for data processing operations if necessary.

BancWest's data processing operations are outsourced to Fidelity Information Services, an external provider. Cofinoga France's data processing is handled by SDDC, which is wholly-owned by IBM.

8.4 Trends

There has been no material decline in the business outlook of BNP Paribas since 31 December 2006, date of the last audited financial statements.

8.5 Significant change

There has been no significant change in the Group's financial or business situation since 31 December 2006.

8.6 Investments

The following investments, individually valued at over EUR 500 million, are considered material at the level of the Group:

Country	Announced on	Transaction	Amount of the transaction	Comments
Italy	3 February 2006	Acquisition of BNL	EUR 9.0 billion	Acquisition of a 50.4% controlling interest, followed by acquisitions of minority interests. 98.96%-owned at 31 December 2006
United States	14 June 2005	Acquisition of Commercial Federal Corporation by BancWest	USD 1.36 billion	Integration completed on 2 December 2005
France	29 March 2005	Buyout of minority shareholders and proposed delisting of Galeries Lafayette group by the Moulin family with the financial support of BNP Paribas Joint control over Cofinoga from 30 September 2005		Cash investment following the operation: EUR 585 million in the Motier holding company
United States	16 March 2004	Acquisition of Community First Bankshares by BancWest	USD 1.2 billion	Acquisition completed on 1 November 2004

The financing for the BNL acquisition is described in note 8 c. of the notes to the financial statements (Business combinations).

These investments were financed through the Group's standard and recurring financing mechanisms.

8.7 Legal and arbitration proceedings

To the best of the Issuer's knowledge, none of the numerous proceedings in which it has been involved during the last 12 months has had or is expected to have a material impact on its financial situation or profitability.

An action has been brought against the Bank by Kensington International Ltd. ("Kensington"), a Cayman Islands-based investment fund. Kensington has obtained the "right, title and interest" as lender under various loan agreements with the Republic of Congo ("Congo") in respect of which Congo is in default, and has brought this action in relation to amounts loaned to Congo in 1983 and 1984. The plaintiff filed a civil lawsuit under the US federal Racketeer Influenced and Corrupt Organizations (RICO) Act in the US District Court for the Southern District of New York, against Congo's principal state-owned oil company, its former chief executive, and BNP Paribas. It is claiming damages of USD 100 million (which may be tripled pursuant to the RICO Act), plus interest and legal fees. On 31 March 2006 the Court denied a motion to dismiss filed by the defendants, without prejudice to the merits of the claim. The proceedings are currently in the discovery and disclosure phase, but a date for a hearing on the merits of the case has not yet been set. The Bank will continue to vigorously defend its position.

In December 2006, seven Iraqi citizens filed a class action lawsuit in federal court in New York against the Australian Wheat Board and the Bank. The plaintiffs are attempting to assert claims on behalf of all Iraqis who resided in the three northern governorates of Iraq to recover the value of money that the Iraqi Government allegedly demanded be paid to it by entities that supplied goods to it pursuant to the Oil-for-Food Program. The claim alleged a prejudice of USD 1.2 billion. The damages claimed by the plaintiff can be trebled under the Racketeer Influenced and Corrupt Organization Act under which the action is filed. Before the Bank responded to the plaintiffs' allegations, the plaintiffs advised that they intend to amend their complaint. There is no basis for any allegations that the Bank somehow was at fault for improper payments that may have made by others in connection with the sale of goods to Iraq under the Oil-For-Food Program. The Bank intends to vigorously contest all such allegations and is confident that they will be rejected.

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8.8 Founding documents and articles of association*

The Articles of Association of BNP Paribas can be viewed on the website at www.invest.bnpparibas.com and are available upon request from the address listed on page 8.1.

The Articles of Association, updated on 22 January 2007, are reproduced in full below.

SECTION I
Form — Name — Registered office — Corporate purpose

Article 1

BNP Paribas is a French Public Limited Company *(société anonyme)* licensed to conduct banking operations under the French monetary and financial code, Book V, Section 1 *(Code monétaire et financier, Livre V, Titre 1er).*

The Company was founded pursuant to a decree dated 26 May 1966. Its legal life has been extended to 99 years from 17 September 1993.

Apart from the specific rules relating to its status as an establishment in the banking sector (Book V, Section 1 of the French monetary and financial code – *Code monétaire et financier, Livre V, Titre 1er*), BNP Paribas shall be governed by the provisions of the French commercial code *(Code de commerce)* concerning commercial companies, as well as by these articles of association.

Article 2

The registered office of BNP Paribas shall be located at 16, boulevard des Italiens, 75009 Paris, France.

Article 3

The purpose of BNP Paribas shall be to provide and conduct the following services with any individual or legal entity, in France and abroad, subject to compliance with the French laws and regulations applicable to credit institutions licensed by the Credit Institutions and Investment Firms Committee *(Comité des établissements de crédit et des entreprises d'investissement):*

- any and all investment services;
- any and all services related to investment services;
- any and all banking transactions;
- any and all services related to banking transactions;
- any and all equity investments;

as defined in the French monetary and financial code Book III – Section 1 *(Code monétaire et financier, Livre III, Titre 1er)* governing banking transactions and Section II *(Titre II)* governing investment services and related services.

On a regular basis, BNP Paribas may also conduct any and all other activities and any and all transactions in addition to those listed above, in particular any and all arbitrage, brokerage and commission transactions, subject to compliance with the regulations applicable to banks.

In general, BNP Paribas may, on its own behalf, and on behalf of third parties or jointly therewith, perform any and all financial, commercial, industrial or agricultural, personal property or real estate transactions directly or indirectly related to the activities set out above or which further the accomplishment thereof.

SECTION II
Share capital — Share

Article 4

The share capital of BNP Paribas shall stand at €1,865,756,980 divided into 932,878,490 fully paid-up shares with a par value of €2.

Article 5

The fully paid-up shares shall be held in registered or bearer form at the choice of their holders, subject to compliance with French legal and regulatory provisions in force.

Shares in the Company shall be registered in an account in accordance with the terms and conditions set out in the applicable French laws and regulations in force. They shall be delivered by transfer from one account to another.

The Company may request disclosure of information concerning the ownership of its shares in accordance with the provisions of article L. 228-2 of the French commercial code *(Code de commerce).*

Without prejudice to the legal thresholds set in article L. 233-7, paragraph 1 of the French commercial code *(Code de commerce)*, any shareholder, whether acting alone or in concert, who comes to directly or indirectly hold at least 0.5% of the share capital or voting rights of BNP Paribas, or any multiple of that percentage up to 5%, shall be required to notify BNP Paribas by registered letter with return receipt within the timeframe set out in article L. 233-7 of the French commercial code *(Code de commerce).*

Above 5%, the duty of disclosure provided for in the previous paragraph shall apply to 1% increments of the share capital or voting rights.

The disclosures described in the previous two paragraphs shall also apply when the shareholding falls below the above-mentioned thresholds.

Failure to report either legal or statutory thresholds shall result in loss of voting rights as provided for by article L. 233-14 of the French commercial code *(Code de commerce)* at the request of one or more shareholders jointly holding at least 2% of the Company's share capital or voting rights.

Article 6

Each share shall grant a right to a part of ownership of the Company's assets and any liquidation surplus that is equal to the proportion of share capital that it represents.

In cases where it is necessary to hold several shares in order to exercise certain rights, and in particular where shares are exchanged, combined or allocated, or following an increase or reduction in share capital, regardless of the terms and conditions thereof, or subsequent to a merger or any other transaction, it shall be the responsibility of those shareholders owning less than the number of shares required to exercise those rights to combine their shares or, if necessary, to purchase or sell the number of shares or voting rights leading to ownership of the required percentage of shares.

SECTION III
Governance

Article 7

The Company shall be governed by a Board of Directors composed of:

1/ Directors appointed by the Ordinary General Shareholders' Meeting

* *This English translation is for the convenience of English-speaking readers. However, only the French text has any legal value. Consequently, the translation may not be relied upon to sustain any legal claim, nor should it be used as the basis of any legal opinion. BNP Paribas expressly disclaims all liability for any inaccuracy herein.*

There shall be at least nine and no more than eighteen Directors. Directors elected by the employees shall not be included when calculating the minimum and maximum number of Directors.

They shall be appointed for a three-year term.

When a Director is appointed to replace another Director, in accordance with applicable French laws and regulations in force, the new Director's term of office shall be limited to the remainder of the predecessor's term.

A Director's term of office shall terminate at the close of the Ordinary General Shareholders' Meeting called to deliberate on the financial statements for the previous financial year and held in the year during which the Director's term of office expires.

Directors may be re-appointed, subject to the provisions of French law, in particular with regard to their age.

Each Director, including Directors elected by employees, must own at least 10 Company shares.

2/ Directors elected by BNP Paribas SA employees

The status of these Directors and the related election procedures shall be governed by articles L. 225-27 to L. 225-34 of the French commercial code *(Code de commerce)* as well as by the provisions of these articles of association.

There shall be two such Directors – one representing executive staff and one representing non-executive staff.

They shall be elected by BNP Paribas SA employees.

They shall be elected for a three-year term.

Elections shall be organised by the Executive Management. The timetable and terms and conditions for elections shall be drawn up by the Executive Management in agreement with the national trade union representatives within the Company such that the second round of elections shall be held no later than fifteen days before the end of the term of office of the outgoing Directors.

Each candidate shall be elected on a majority basis after two rounds held in each of the electoral colleges.

Each application submitted during the first round of elections shall include both the candidate's name and the name of a replacement if any.

Applications may not be amended during the second round of elections.

The candidates shall belong to the electoral college where they present for election.

Applications other than those presented by a trade union representative within the Company must be submitted together with a document featuring the names and signatures of one hundred electors belonging to the electoral college where the candidate is presenting for election.

Article 8

The Chairman of the Board of Directors shall be appointed from among the members of the Board of Directors.

At the proposal of the Chairman, the Board of Directors may appoint one or more Vice Chairmen.

Article 9

The Board of Directors shall meet as often as necessary for the best interests of the Company. Board meetings shall be called by the Chairman. Where requested by at least one-third of the Directors, the Chairman may call a Board meeting with respect to a specified agenda, even if the last Board meeting was held less than two months previously. The Chief Executive Officer may also request that the Chairman call a Board meeting to discuss a specified agenda.

Board meetings shall be held either at the Company's registered office or at any other location specified in the notice of meeting.

Notices of meetings may be served by any means, including verbally.

The Board of Directors may meet and hold valid proceedings at any time, even if no notice of meeting has been served, provided all its members are present or represented.

Article 10

Board meetings shall be chaired by the Chairman, by a Director recommended by the Chairman for the purpose or, failing this, by the oldest Director present.

Any Director may attend a Board meeting and take part in its deliberations by videoconference or any other telecommunication and remote transmission means, including internet, subject to compliance with the conditions set out in applicable legislation at the time of its use.

Any Director who is unable to attend a Board meeting may ask to be represented by a fellow Director, by granting a written proxy, valid for only one specific meeting of the Board. Each Director may represent only one other Director.

At least half of the Board members must be present for decisions taken at Board meetings to be valid.

Should one or both of the positions of member of the Board elected by employees remain vacant, for whatever reason, without the possibility of a replacement as provided for in article L. 225-34 of the French commercial code *(Code de commerce)*, the Board of Directors shall be validly composed of the members elected by the Shareholders' Meeting and may validly meet and vote.

Members of the Company's Executive Management may, at the request of the Chairman, attend Board meetings in an advisory capacity.

A full member of the Company's Central Works Committee, appointed by said Committee, shall attend Board meetings in an advisory capacity, subject to compliance with the provisions of French legislation in force.

Decisions shall be taken by a majority of Directors present or represented. In the event of a split decision, the Chairman of the meeting shall have the casting vote, except as regards the proposed appointment of the Chairman of the Board of Directors.

The decisions taken by the Board of Directors shall be recorded in minutes drawn up in a special register prepared in accordance with French legislation in force and signed by the Chairman of the meeting and one of the Directors who attended the meeting.

The Chairman of the meeting shall appoint the Secretary to the Board, who may be chosen from outside the Board's membership.

Copies or extracts of Board minutes may be signed by the Chairman, the Chief Executive Officer, the Chief Operating Officers or any representative specifically authorised for such purpose.

Article 11

The Ordinary General Shareholders' Meeting may grant Directors' fees under the conditions provided for by French law.

The Board of Directors shall divide up these fees among its members as it deems appropriate.

The Board of Directors may grant exceptional compensation for specific assignments or duties performed by the Directors under the conditions applicable to agreements subject to approval, in accordance with the provisions of articles L. 225-38 to L. 225-43 of the French commercial code *(Code de commerce)*. The Board may also authorise the reimbursement of travel and business expenses and any other expenses incurred by the Directors in the interests of the Company.

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SECTION IV

Duties of the Board of Directors, the Chairman, the executive management and the non-voting Directors *(censeurs)*

Article 12

The Board of Directors shall determine the business strategy of BNP Paribas and supervise the implementation thereof. Subject to the powers expressly conferred upon the Shareholders' Meetings and within the limit of the corporate purpose, the Board shall handle any issue concerning the smooth running of BNP Paribas and settle matters concerning the Company pursuant to its deliberations. The Board of Directors shall receive from the Chairman or the Chief Executive Officer all of the documents and information required to fulfil its duties.

The Board of Directors' decisions shall be executed by either the Chairman, the Chief Executive Officer or the Chief Operating Officers, or by any special representative appointed by the Board.

At the proposal of the Chairman, the Board of Directors may decide to set up committees responsible for performing specific tasks.

Article 13

The Chairman shall organise and manage the work of the Board of Directors and report thereon to the Shareholders' Meeting. The Chairman shall also oversee the smooth running of BNP Paribas's management bodies and ensure, in particular, that the Directors are in a position to fulfil their duties.

The remuneration of the Chairman of the Board shall be freely determined by the Board of Directors.

Article 14

The Board of Directors shall decide how to organize the executive management of the Company. The executive management of the Company shall be ensured under his own liability either by the Chairman of the Board of Directors or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

Shareholders and third parties shall be informed of this choice in accordance with the regulatory provisions in force.

The Board of Directors shall have the right to decide that this choice be for a fixed term.

In the event that the Board of Directors decides that the Executive Management shall be ensured by the Chairman of the Board, the provisions of these articles of association concerning the Chief Executive Officer shall apply to the Chairman of the Board of Directors who will in such case assume the title of Chairman and Chief Executive Officer. He shall be deemed to have automatically resigned at the close of the Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-five years of age.

In the event that the Board of Directors decides that such duties should be separated, the Chairman shall be deemed to have automatically resigned at the close of the Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-eight years of age. However, the Board may decide to extend the term of office of the Chairman of the Board until the close of the Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-nine years of age. The Chief Executive Officer shall be deemed to have automatically resigned at the close of the Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-three years of age. However, the Board may decide to extend the term of office of the Chief Executive Officer until the close of the Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-four years of age.

Article 15

The Chief Executive Officer shall be vested with the broadest powers to act in all circumstances in the name of BNP Paribas. He shall exercise these powers within the limit of the corporate purpose and subject to those powers expressly granted by French law to Shareholders' Meetings and the Board of Directors.

He shall represent BNP Paribas in its dealings with third parties. BNP Paribas shall be bound by the actions of the Chief Executive Officer even if such actions are beyond the scope of the corporate purpose, unless BNP Paribas can prove that the third party knew that the action concerned was beyond the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances. The publication of the Company's articles of association alone shall not constitute such proof.

The Chief Executive Officer shall be responsible for the organisation and procedures of internal control and for all information required by French law regarding the internal control report.

The Board of Directors may limit the powers of the Chief Executive Officer, but such limits shall not be valid against claims by third parties.

The Chief Executive Officer may delegate partial powers, on a temporary or permanent basis, to as many persons as he sees fit, with or without the option of redelegation.

The remuneration of the Chief Executive Officer shall be freely determined by the Board of Directors.

The Chief Executive Officer may be removed from office by the Board of Directors at any time. Damages may be payable to the Chief Executive Officer if he is unfairly removed from office, except where the Chief Executive Officer is also the Chairman of the Board of Directors.

In the event that the Chief Executive Officer is a Director, the term of his office as Chief Executive Officer shall not exceed that of his term of office as a Director.

Article 16

At the proposal of the Chief Executive Officer, the Board of Directors may, within the limits of French law, appoint one or more individuals, called Chief Operating Officers, responsible for assisting the Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Chief Operating Officers. However, as far as third parties are concerned, the Chief Operating Officers shall have the same powers as the Chief Executive Officer.

When the Chief Executive Officer ceases to perform his duties or is prevented from doing so, the Chief Operating Officers shall, unless the Board of Directors decides otherwise, retain their positions and responsibilities until a new Chief Executive Officer is appointed.

The remuneration of the Chief Operating Officers shall be freely determined by the Board of Directors, at the proposal of the Chief Executive Officer.

The Chief Operating Officers may be removed from office by the Board of Directors at any time, at the proposal of the Chief Executive Officer. Damages may be payable to the Chief Operating Officers if they are unfairly removed from office.

Where a Chief Operating Officer is a Director, the term of his office as Chief Operating Officer may not exceed that of his term of office as a Director.

The Chief Operating Officers' terms of office shall expire at the latest at the close of the Shareholders' Meeting called to approve the financial statements for the year in which the Chief Operating Officers reach sixty-five years of age.

Article 17

At the proposal of the Chairman, the Board of Directors may appoint one or two non-voting Directors *(censeurs).*

Notices of meetings shall be served to non-voting Directors, who shall attend Board meetings in an advisory capacity.

They shall be appointed for six years and may be reappointed for further terms. They may also be dismissed at any time under similar conditions.

They shall be selected from among the Company's shareholders and their remuneration shall be determined by the Board of Directors.

SECTION V
Shareholders' Meetings

Article 18

Shareholders' Meetings shall be composed of all shareholders.

Shareholders' Meetings shall be called and held subject to compliance with the provisions of the French commercial code *(Code de commerce)* and its implementing decree.

They shall be held either at the head office or at any other location specified in the notice of meeting.

They shall be chaired by the Chairman of the Board of Directors, or, in his absence, by a Director appointed for this purpose by the Shareholders' Meeting.

Any shareholder may, subject to providing proof of identity, attend a Shareholders' Meeting either in person or by postal or proxy vote, on condition that:

- holders of registered shares are registered under their name in the Company's shareholder registers;
- holders of bearer shares have submitted a certificate at the location set forth in the notice of meeting, provided by an authorized intermediary certifying the unavailability of the shares recorded in the accounts until the date of the Shareholders' Meeting.

The period of unavailability of the shares until the date of the Shareholders' Meeting shall be determined by the Board of Directors and communicated in the notice of meeting published in the French legal announcements journal *(Bulletin des annonces légales obligatoires – BALO).*

The deadline for returning postal votes shall be determined by the Board of Directors and stated in the notice of meeting published in the French legal announcements journal *(Bulletin des annonces légales obligatoires – BALO).*

At all Shareholders' Meetings, the voting right attached to shares bearing beneficial rights shall be exercised by the beneficial owner.

If the Board of Directors so decides at the time that the Shareholders' Meeting is called, the public broadcasting of the entire Shareholders' Meeting by videoconference or any other telecommunication and remote transmission means, including internet, shall be authorized. Where applicable, this decision shall be communicated in the notice of meeting published in the French legal announcements journal *(Bulletin des annonces légales obligatoires – BALO).*

Any shareholder may also, if the Board of Directors so decides at the time of issuing the notice of meeting, take part in the Shareholders' Meeting by videoconference or any other telecommunication and remote transmission means, including internet, under the conditions provided for by the regulations applicable at the time of its use. Where applicable, this decision shall be communicated in the notice of meeting published in the French legal announcements journal *(Bulletin des annonces légales obligatoires – BALO).*

SECTION VI
Statutory Auditors

Article 19

At least two principal Statutory Auditors and at least two deputy Statutory Auditors shall be appointed by the Shareholders' Meeting for a term of six financial years. Their term of office shall expire after approval of the financial statements for the sixth financial year.

SECTION VII
Annual financial statements

Article 20

The Company's financial year shall start on 1 January and end on 31 December.

At the end of each financial year, the Board of Directors shall draw up annual financial statements and write a management report on the Company's financial position and its business activities during the previous year.

Article 21

Net income is composed of income for the year minus operating expenses, depreciation, amortisation and provisions.

The following shall be deducted from income for the year, minus prior losses, if any:

- amounts to be allocated to the reserves in accordance with French law and these articles of association. In particular, at least 5% shall be set aside to form the legal reserve until such time as said reserve is equal to one-tenth of the share capital;
- the amounts which the Shareholders' Meeting, at the proposal of the Board of Directors, deems necessary to allocate to any extraordinary or special reserves or to retained earnings.

The balance shall be distributed to the shareholders. However, except in the event of a capital reduction, no amounts may be distributed to the shareholders if the shareholders' equity is, or would become, following such distribution, lower than the amount of capital plus the reserves which is not open to distribution pursuant to French law or these articles of association.

In accordance with the provisions of article L. 232-18 of the French commercial code *(Code de commerce),* a Shareholders' Meeting may offer an option for the payment, in whole or in part, of dividends or interim dividends through the issuance of new shares in the Company.

SECTION VIII
Dissolution

Article 22

Should BNP Paribas be dissolved, the shareholders shall determine the form of liquidation, appoint the liquidators at the proposal of the Board of Directors and, in general, take on all of the duties of the Shareholders' Meeting of a French Public Limited Company *(société anonyme)* during the liquidation and until such time as it has been completed.

SECTION IX
Disputes

Article 23

Any and all disputes that may arise during the life of BNP Paribas or during its liquidation, either between the shareholders themselves or between the shareholders and BNP Paribas, pursuant to these articles of association, shall be ruled on in accordance with French law and submitted to the courts having jurisdiction.

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8.9 Statutory Auditors' special report on regulated agreements and commitments with third parties

Year ended 31 December 2006

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	61, rue Henri Regnault 92400 Courbevoie

BNP Paribas
16, boulevard des Italiens
75009 Paris

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of BNP Paribas, we hereby report to shareholders on regulated agreements and commitments with third parties.

1. Agreements and commitments entered into during the year

In application of article L. 225-40 of the French Commercial Code (Code de commerce), we were informed of the agreements and commitments approved by your Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article 92 of the decree of 23 March 1967, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We conducted our work in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents from which it was taken.

- *Shareholders' agreement (approved by the Board of Directors' meeting of 2 August 2005 and signed on 21 March 2006) concerning Galeries Lafayette, signed with the Moulin family and Motier SAS*

Director concerned:

- Jean Clamon.

On 21 March 2006, Motier SAS, the Moulin family and BNP Paribas signed a shareholders' agreement which set out the following:

- the reciprocal granting of a preferential right on Galeries Lafayette shares;
- the reciprocal granting of a right of transfer on Galeries Lafayette shares;
- the allocation of appointments on the Supervisory Board of Galeries Lafayette based on the composition of its shareholder structure.

2. Agreements and commitments entered into in prior years which remained in force during the year

In application of the decree of 23 March 1967, we were informed of the following agreements and commitments entered into in prior years, which remained in force during the year:

∗ *Shareholders' agreement (approved by the Board of Directors' meeting of 2 August 2005) concerning LaSer Cofinoga, signed with Cetelem, the Moulin family, Motier SAS, Galeries Lafayette, LaSer and Cofinoga*

On 20 September 2005, Motier SAS, the Moulin family, Cetelem, Galaries Lafayette, LaSer, Cofinoga and BNP Paribas signed a shareholders' agreement on 20 September 2005 which set out the following:

- the management of LaSer group;
- the conditions of the sale of LaSer and Cofinoga shares;
- the commitments of the Moulin family, Motier SAS and Galeries Lafayette;
- the commitments of BNP Paribas and Cetelem towards Cofinoga;
- the conditions for implementing cost synergies between Cetelem, LaSer and Cofinoga.

∗ *Agreement setting out relations with Axa (approved by the Board of Directors' meeting of 23 November 2005)*

This agreement, signed on 15 December 2005, replaces the standstill agreement signed on 12 September 2001 and the amendment to this agreement dated 26 October 2004. It sets out the relations of the BNP Paribas and the Axa groups with a view to adapting them to the framework defined by the planned merger of Finaxa into Axa.

The agreement provides for the level of shareholdings between two groups to remain stable.

- the Axa group undertook not to reduce its interest in BNP Paribas to below 43,412,598 shares, and BNP Paribas undertook not to reduce its interest in Axa to below 61,587,465 shares;
- these figures will then be adjusted to take account of securities transactions, in particular the granting of bonus shares, share splits or consolidations, and capital increases of BNP Paribas or Axa.

In addition, both parties have call options on the other's shareholdings, which are exercisable in the event of a hostile change in majority control of either party.

The new agreement is for a term of five years and is automatically renewable for two years and then for a further period of one year

∗ *Guarantees given to directors and senior executives*

BNP Paribas SA has taken out insurance policies to cover any financial liability and defence costs of the directors and senior executives of its subsidiaries and branches in the case of any proceedings initiated against them that concern the normal exercise of their functions. The principles and conditions of said agreements remained in force in 2006.

Neuilly-sur-Seine and Courbevoie, 1 March 2007

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
Pascal Colin	Etienne Boris	Hervé Hélias

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9 STATUTORY AUDITORS

9.1 Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars & Guérard
185, avenue Charles-De-Gaulle 92524 Neuilly-sur-Seine Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	61, rue Henri-Regnault 92075 La Défense Cedex

- Deloitte & Associés was appointed as Auditor at the Annual General Meeting of 23 May 2006 for a six-year period expiring at the close of the Annual General Meeting called in 2012 to approve the financial statements for the year ended 31 December 2011.

Deloitte & Associés is represented by Pascal Colin.

Deputy:

BEAS, 7-9, villa Houssay, 92200 Neuilly-sur-Seine, registered with the Trade and Companies Registry of Nanterre under the number 315 172 445.

- PricewaterhouseCoopers Audit was re-appointed as Auditor at the Annual General Meeting of 23 May 2006 for a six-year period expiring at the close of the Annual General Meeting called in 2012 to approve the financial statements for the year ended 31 December 2011. The firm was first appointed at the Annual General Meeting of 26 May 1994.

PricewaterhouseCoopers Audit, represented by Étienne Boris, is a member of the PricewaterhouseCoopers network.

Deputy:

Pierre Coll, 63, rue de Villiers, 92208 Neuilly-sur-Seine.

- Mazars & Guérard was re-appointed as Auditor at the Annual General Meeting of 23 May 2006 for a six-year period expiring at the close of the Annual General Meeting called in 2012 to approve the financial statements for the year ended 31 December 2011. The firm was first appointed at the Annual General Meeting of 23 May 2000.

Mazars & Guérard is represented by Hervé Hélias.

Deputy:

Michel Barbet-Massin, 39, rue de Wattignies, 75012 Paris.

Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard are registered Statutory Auditors under the authority of the French accounting oversight board (Haut Conseil du Commissariat aux Comptes).

9.2 Fees paid to the Auditors

In thousand of euros	Deloitte		Ernst & Young		Mazars				PricewaterhouseCoopers				TOTAL			
	2006		2005 [(1)]		2006		2005 [(1)]		2006		2005 [(1)]		2006		2005 [(1)]	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Audit																
Statutory audits and contractual audits, including:																
Issuer	3,327	31%	2,836	28%	1,008	15%	380	7%	4,125	35%	5,743	47%	8,460	29%	8,959	33%
Consolidated subsidiaries	4,875	45%	5,852	59%	5,456	83%	4,832	89%	5,510	46%	4,572	38%	15,841	54%	15,256	55%
Other reviews and services directly related to the statutory audit engagement:																
Issuer	552	5%	716	7%	18	-	86	2%	394	3%	169	1%	964	3%	971	4%
Consolidated subsidiaries	259	3%	124	1%	49	1%	49	1%	1,356	11%	1,066	9%	1,664	6%	1,239	4%
SUB-TOTAL	**9,013**	**84%**	**9,528**	**95%**	**6,531**	**99%**	**5,347**	**99%**	**11,385**	**95%**	**11,550**	**95%**	**26,929**	**92%**	**26,425**	**96%**
Other services provided by the networks to fully- or proportionally-consolidated subsidiaries																
Tax and legal	626	6%	413	4%	15	-	47	1%	135	1%	335	3%	776	3%	795	3%
Other	1,103	10%	51	1%	31	1%	18	-	510	4%	217	2%	1,644	5%	286	1%
SUB-TOTAL	**1,729**	**16%**	**464**	**5%**	**46**	**1%**	**65**	**1%**	**645**	**5%**	**552**	**5%**	**2,420**	**8%**	**1,081**	**4%**
TOTAL	**10,742**	**100%**	**9,992**	**100%**	**6,577**	**100%**	**5,412**	**100%**	**12,030**	**100%**	**12,102**	**100%**	**29,349**	**100%**	**27,506**	**100%**

(1) *The 2005 figures have been presented in accordance with instruction no. 2006-10 of the Autorité des Marchés Financiers.*

At the AGM of 23 May 2006, the shareholders of BNP Paribas re-appointed PricewaterhouseCoopers Audit and Mazars & Guérard and appointed Deloitte & Associés to replace Ernst & Young. The fees in respect of the "audit" work carried out by Ernst & Young, one of the former Statutory Auditors, include appointments in respect of subsidiaries which remained in force in 2006 and work performed in the first quarter of 2006 for a total of EUR 4,188 thousand. Fees in respect of "other services" carried out by Ernst & Young for 2006, during the period preceding the AGM of 23 May 2006, amount to EUR 225 thousand.

10 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

CONTENTS

10.1 Person responsible for the Registration document

Mr. Baudouin PROT, CEO of BNP Paribas.

10.2 Statement by the person responsible for the Registration document

I hereby declare that to the best of my knowledge, and having taken all reasonable precautions, the information contained in the Registration document is correct, and that no information has been omitted that would be likely to alter an investor's opinion.

I obtained a statement from the Statutory Auditors, Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars & Guérard, at the end of their assignment, in which they confirm having verified the information regarding the financial position and the accounts contained here within, and having examined the entire Registration document.

The historical financial information is contained in a report by the Statutory Auditors (see pages 192 and 193 of this document).

Paris, 7 March 2007

Chief Executive Officer

Baudouin PROT

11 TABLE OF CONCORDANCE

In order to make it easier to read the Registration document, the following table of concordance lists the main headings required by Annex 1 of Commission Regulation no.809/2004 pursuant to the "Prospectus" Directive.

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Pursuant to Article 28 of regulation 809-2004 on prospectuses, the following items are included by reference:

- the consolidated financial statements for the year ended 31 December 2005 and the Statutory Auditors' report on the consolidated financial statements for the same period, presented respectively on pages 99 to 259 and 260 to 261 of Registration document n°.D06-0075 filed with the Autorité des marchés financiers on 21 February 2006.
- the consolidated financial statements for the year ended 31 December 2004 and the Statutory Auditors' report on the consolidated financial statements for the same period, presented respectively on pages 90 to 165 and 166 to 167 of Registration document n°.D06-0151 filed with the Autorité des marchés financiers on 25 February 2005.

The chapters of Registration documents n°.D06-0075 and n°. D05-0151 not referred to above are either not of significance for the investor or are covered in another section of this Registration document.

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