

Redistributing Risk & Value in Equity Derivatives: a Virtuous Cycle

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BNP Paribas Equities & Derivatives

Covering a Wide Range of Clients & Products

Redistributing Risk & Value



A Sustainable Franchise Developed Over 20 Years

80's - Mid 90's	Mid 90's - 2000	Since 2000		
The Prop. Trading Years	Opening up to Clients	A Global Integrated Business		
 1987: start of BNP Equity Derivatives Trading 	Development of sales forceClient-driven business growing from 10% to	 Since 2004: BNP Paribas ranks among the top 3 global leaders in the business 		
	over 60%	 Client-driven business growing even further 		



BNP Paribas Equities & Derivatives Today: a Global Coverage with Local Know-How

- 5 main offices with local branches implanted where relevant
- 800 Front-office staff:
 - 450 in R&D, Trading & Structuring
 - 350 in Sales & Marketing





BNP Paribas Equities & Derivatives Today: a Solid Growth

- Over 200 newly hired staff in 2006
 - Top-level Quants (engineering schools + financial maths + PhD)
 - All traders with a quantitative background
 - High profile Sales from many different nationalities
- Development of new Trading Desks
 - New arbitrage desks
 - Risk transfer desks
- Strong growth of our sales coverage
 - More countries
 - New segments



BNP Paribas Equities & Derivatives Recognised by the Best Experts

EXTRACTS FROM JPMORGAN

MARCH 2006 RESEARCH

European Equity Research 28 March 2006

European Banks Reassessment

Equity derivatives: value unlocked - OW French Banks

Table 11: BNP Paribas - Equity derivatives Cost/Income ratio 2005

€ million

	BNP (CIB)			BNP (Capital markets division)		
	Total CIB	Eq. Der	Other IB	Total	Eq. Der	Other
Revenues	6,422	1,440	4,982	3,722	1,440	2,282
Cost	-3,711	-727	-2,984	-2,577	-717	-1,860
Cost/Income	58%	50%	60%	69%	50%	82%

Source: JPMorgan estimates, Company data

On the other hand the relative positioning at the top of the market has remained more or less constant over the past 5 years. Société Générale and BNP Paribas remain at the top.



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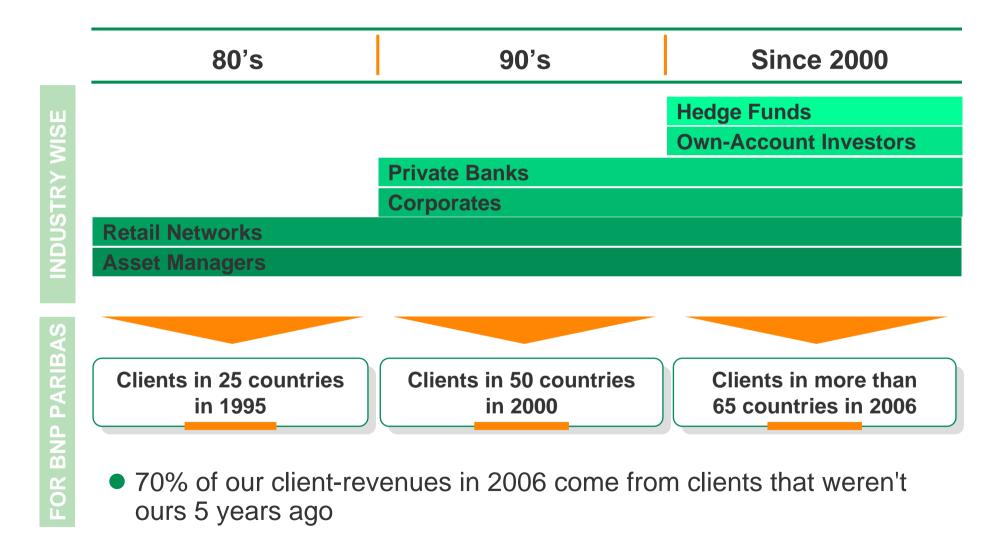
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A Fast Growing Industry, With an Evolving Client Mix



80's 90's **Since 2000** Plain Vanilla Exotic features for Alpha strategies: Correlation **Options** option payoffs: Dispersion Lookback Swaps Dividends Ladder Etc. Barrier Futures Outperformance, etc. New underlying assets: Hybrids (fixed income and equity) Mutual & hedge funds Innovation as the key differentiating factor for our clients

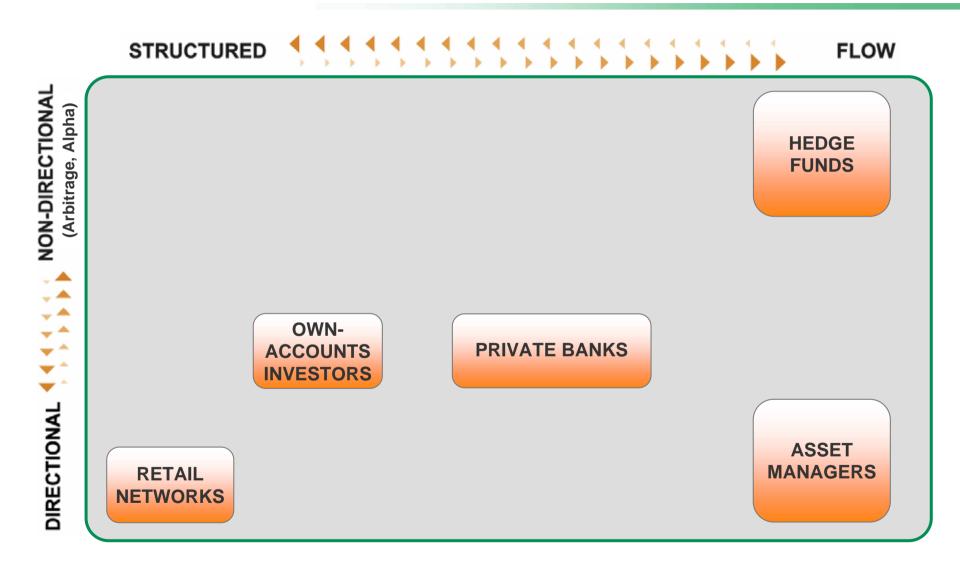
Trading / Sales

Trading / Structuring / Sales

Organisational change for us:

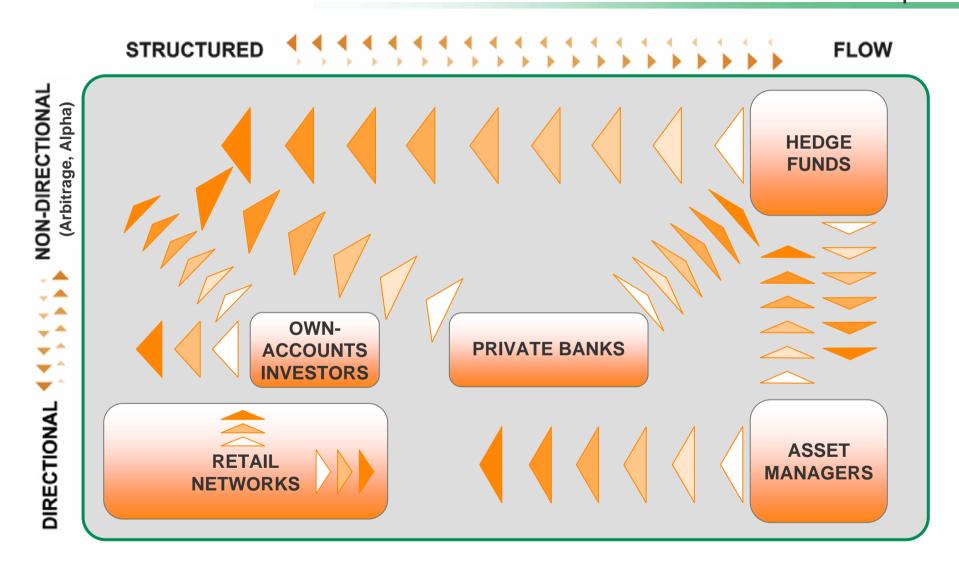


Cross-Fertilization Clients/Products Drove the Market Growth





Cross-Fertilization Clients/Products Overlaps





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Key Factors of Success of Our Risk Redistribution Business

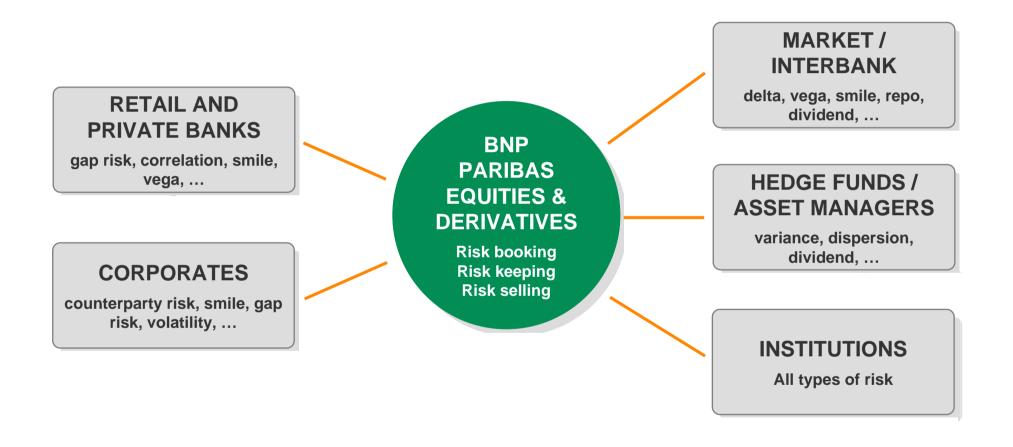
Large & diversified client base

Strong quantitative structuring team

Cutting-edge trading platform



The Ideal Business Model: Redistributing Risks & Value Among Clients





Selling and Buying Risk to Create Value: The Gap Note

RETAIL AND PRIVATE BANKS

- Capital protection
- Leverage
- Dynamic management

BNP PARIBAS EQUITIES & DERIVATIVES

Risk booking Risk keeping Risk selling

GAP NOTE

- 1Y Gap Note linked to the occurrence of a down gap (i.e. 1-day downside move)
- Pays Libor 12M + 200 bps provided the underlying hasn't dropped by more than 8% in one day

INSTITUTIONS

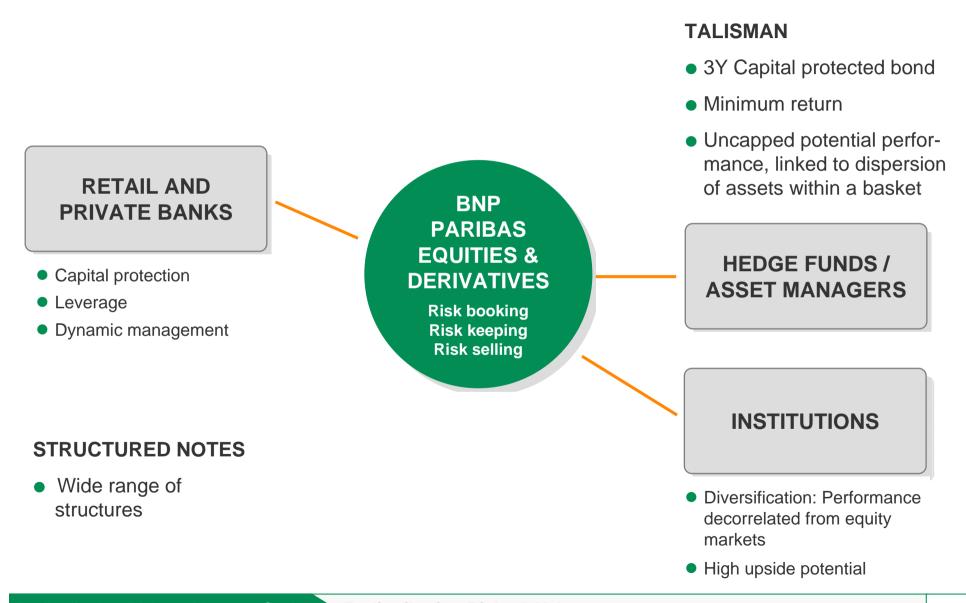
- Money-market like investment with higher potential returns
- Liquidity
- Diversification

STRUCTURED NOTES

CPPI structured Note



Selling and Buying Risk to Create Value: Talisman





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A fast growing and evolving market

A business model generating recurrent revenues

A key asset and growth lever for BNP Paribas