



EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes
The Proceeds of Which Constitute Tier 1 Regulatory Capital
Issue Price: 100%

The EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the “Notes”) of BNP Paribas (the “Issuer” or the “Bank”) will be issued outside the French Republic and will bear interest at a fixed rate of 5.019% per annum from and including April 13, 2007 (the “Issue Date”) to but excluding April 13, 2017, payable annually in arrears on a non-cumulative basis on April 13 of each year, commencing on April 13, 2008, and thereafter at a floating rate equal to 3-month Euribor plus a margin equal to 1.72% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year, commencing on July 13, 2017.

Payment of interest on the Notes will be mandatory if the Issuer pays dividends on its ordinary shares and in certain other circumstances described herein. Otherwise, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes. Any interest not paid shall be forfeited and shall no longer be due and payable by the Issuer. Interest accrual may also be reduced if the Issuer’s consolidated regulatory capital falls below required levels and in certain other circumstances.

The Notes are undated and have no final maturity. The Notes may, at the option of the Issuer but subject to the prior approval of the Secrétariat général de la Commission bancaire (“SGCB”) or its successor, be redeemed at par in whole or in part on April 13, 2017. In addition, the Notes may, in case of certain tax or regulatory events, be redeemed at par at any time (in whole but not in part), subject to the prior approval of the SGCB. The principal amount of the Notes may be written down to a minimum amount of one cent of one euro if the Issuer incurs losses and certain regulatory capital events occur, subject to restoration in certain cases described herein. The Notes are subordinated to substantially all of the Issuer’s other obligations, including in respect of ordinarily subordinated debt instruments. (See “Terms and Conditions of the Notes—Status of the Notes and Subordination”.)

The Luxembourg Commission de Surveillance du Secteur Financier (the “CSSF”) is the competent authority in Luxembourg for the purpose of Directive n°2003/71/EC (the “Prospectus Directive”) and the Luxembourg law on prospectuses for securities of July 10, 2005, for the purpose of approving this Prospectus to give information with regard to the Issuer and the Notes. Application has been made in order for the Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is an EU-regulated market within the meaning of Directive 2004/39/EC (the “EU-regulated market of the Luxembourg Stock Exchange”). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes are intended to be admitted to trading on the EU-regulated market of the Luxembourg Stock Exchange and to the official list of the Luxembourg Stock Exchange.

The Notes are expected to be assigned a rating of “A1” by Moody’s Investors Service, Inc., “A+” by Standard & Poor’s Ratings Services and “AA-” by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

See “Risk Factors” below for certain information relevant to an investment in the Notes.

The Notes have been accepted for clearance through Euroclear France S.A. (“Euroclear France”), Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”). The Notes will on the Issue Date be entered (inscription en compte) in the books of Euroclear France, which shall credit the accounts of the Account Holders (as defined in “Terms and Conditions of the Notes—Form, Denomination and Title” below), including the depositary banks for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in bearer form in the denomination of EUR 50,000 each. The Notes will at all times be represented in book-entry form (dématérialisé) in the books of the Account Holders in compliance with Article L.211-4 of the French Code monétaire et financier. No physical document of title will be issued in respect of the Notes.

This Prospectus has not been submitted to the approval of the Autorité des marchés financiers (“AMF”).

THE NOTES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). SEE “SUBSCRIPTION AND SALE”.

BNP PARIBAS UK LIMITED
Lead Manager and Bookrunner

BNP PARIBAS
Structuring Advisor

BARCLAYS CAPITAL
HSBC
ING WHOLESALE BANKING
Senior Co-Lead Managers

BANCA IMI
BANCAJA
COMMERZBANK CORPORATES & MARKETS
CM CIC
DANSKE BANK
ERSTE BANK
FORTIS BANK
UNICREDIT GROUP (HVB)
Co-Lead Managers

The date of this Prospectus is April 12, 2007.

The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents that are incorporated herein by reference as described in “Documents Incorporated by Reference” below. This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

Information contained in this Prospectus which is sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information.

The Managers (as defined in “Subscription and Sale” below) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. The Managers accept no liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes.

No person is authorized to give any information or to make any representation not contained in or not consistent with this Prospectus in connection with the issue and sale of the Notes and any information or representation not contained herein must not be relied upon as having been authorized by or on behalf of the Issuer. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that the information herein is correct as at any time subsequent to the date hereof.

This Prospectus comprises a prospectus for the purposes of (i) Article 5.3 of the Prospectus Directive and (ii) the relevant implementing measures in the Grand Duchy of Luxembourg and, in each case, for the purpose of giving information with regard to the Issuer.

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers or any affiliate of any of them to subscribe for or purchase, any Notes in any jurisdiction by any person to whom it is unlawful to make such an offer, invitation or solicitation in such jurisdiction. The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions, including the United States, the United Kingdom and the French Republic, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see “Subscription and Sale” below. No person is authorized to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. In making an investment decision regarding the Notes, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or their distribution. This Prospectus may only be used for the purposes for which it has been published.

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). The Notes are only available to, and any invitation, offer

or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

In connection with the issue of the Notes, BNP Paribas UK Limited (the “Stabilizing Manager”) (or persons acting on behalf of the Stabilizing Manager) it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action will be undertaken in accordance with applicable laws and regulations.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. The Bank, and its consolidated subsidiaries taken as a whole (the “**BNP Paribas Group**” or the “**Group**”), may also make forward-looking statements in its audited annual financial statements, in its interim financial statements, in its prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Bank’s and/or Group’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Bank and the Group undertake no obligation to update publicly any of them in light of new information or future events.

PRESENTATION OF FINANCIAL INFORMATION

Most of the financial data presented in this Prospectus are presented in euros. The Issuer and the Group began presenting their financial information in euros as of the advent of the euro on January 1, 1999.

The Group, like all companies with securities listed on European securities exchanges, was required by European Union directives to adopt international financial reporting standards (IFRS) as of January 1, 2005, with retroactive effect to January 1, 2004. Given that there are material differences between IFRS applicable in 2004 (“**2004 IFRS**”) and IFRS applicable in 2005 (“**EU-IFRS**”), the Group’s results for 2005 are not directly comparable to its results for 2004. For a summary of the material differences between 2004 IFRS and EU-IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 incorporated by reference herein. The audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 have been prepared in accordance with IFRS.

In this Prospectus, unless otherwise specified or the context requires, references to “euro”, “EUR” and “€” are to the single currency of the participating member states of the European Economic and Monetary Union, and references to “dollar”, “USD” and “U.S.\$” are to the lawful currency of the United States of America.

In this Prospectus, all references to “billions” are references to one thousand million. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not reflect precisely absolute figures. The Group’s fiscal year ends on December 31, and references in this Prospectus to any specific fiscal year are to the twelve-month period ended December 31 of such year.

TABLE OF CONTENTS

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES.....	1
RISK FACTORS.....	11
DOCUMENTS INCORPORATED BY REFERENCE	18
TERMS AND CONDITIONS OF THE NOTES.....	20
USE OF PROCEEDS.....	38
BUSINESS OF THE GROUP	39
CAPITALIZATION OF THE GROUP	60
CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP	63
RECENT DEVELOPMENTS.....	70
RISK MANAGEMENT	73
GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE	103
MANAGEMENT OF THE BANK	106
TAXATION	113
SUBSCRIPTION AND SALE.....	115
GENERAL INFORMATION	118

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Prospectus. Capitalized terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Terms and Conditions of the Notes”. Prospective investors should also consider carefully, amongst other things, the factors set out under “Risk Factors”.

Issuer:	BNP Paribas (the “ Issuer ” or the “ Bank ”).
Description:	EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the “ Notes ”).
Lead Manager and Bookrunner:	BNP Paribas UK Limited.
Structuring Advisor:	BNP Paribas.
Fiscal Agent, Principal Paying Agent and Calculation Agent:	BNP Paribas Securities Services.
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Method of Issue:	The Notes will be issued on a syndicated basis.
Denomination:	EUR 50,000 per Note.
Original Principal Amount:	EUR 50,000 per Note, which amount may be permanently reduced in the event of a partial call as described below under “Call from the First Call Date”.
Current Principal Amount:	Equal to the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions, as described below under “Loss Absorption” and “Reinstatement”, respectively.
Maturity:	The Notes will be undated securities of the Issuer with no fixed redemption or maturity date.
Form of the Notes:	The Notes will be issued in dematerialized bearer form (<i>au porteur</i>). Title to the Notes will be evidenced in accordance with Article L.211-4 of the French <i>Code monétaire et financier</i> by book entries (<i>inscription en compte</i>) in the books of Euroclear France, which shall credit, upon issue, the accounts of account holders, including the depositary banks for Clearstream, Luxembourg and Euroclear. Transfers of Notes may only be effected through registration of the transfer in the books of account holders. No physical document of title will be issued in respect of the Notes.
Status of the Notes:	<p>The Notes are deeply subordinated notes issued pursuant to the provisions of Article L.228-97 of the French <i>Code de commerce</i>.</p> <p>The principal and interest on the Notes (which constitute <i>obligations</i> under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (<i>titres subordonnés de dernier rang</i>) of the Issuer and rank and will rank <i>pari passu</i> among themselves and with all other present and future Parity Securities (as defined below), but shall be subordinated to the present and future <i>prêts</i></p>

participatifs granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations (as defined below) and Unsubordinated Obligations (as defined below). In the event of liquidation, the Notes shall rank in priority to any payments to holders of Equity Securities (as defined below).

There will be no limitations on issuing debt at the level of the Issuer or of any consolidated subsidiaries.

“Equity Securities” means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer’s share capital or other securities of the Issuer ranking junior to the Parity Securities.

“Parity Securities” means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and the Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, “Parity Securities” include, without limitation, BNP Paribas’ US\$1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 29, 2005, its EUR 1,000,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its US\$400,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 12, 2006, its £450,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 19, 2006, its EUR 150,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006 and its £325,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006 and any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.’s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.’s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred III L.L.C.’s 6.625% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred IV L.L.C.’s 6.342% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred V L.L.C.’s 7.20% Noncumulative Company Preferred Securities and (vi) BNP Paribas Capital Preferred VI L.L.C.’s 5.868% Noncumulative Company Preferred Securities).

“Ordinarily Subordinated Obligations” means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres*

participatifs issued by the Issuer.

“**Unsubordinated Obligations**” means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

Regulatory Treatment:

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer (“**Tier 1 Capital**”). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the “**CRBF Regulation**”), or otherwise recognized as *fonds propres de base* by the *Secrétariat général de la Commission bancaire* (“**SGCB**”). The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the “**BIS Press Release**”). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled “*Modalités de calcul du ratio international de solvabilité*”.

Negative Pledge:

There will be no negative pledge in respect of the Notes.

Events of Default:

There will be no events of default in respect of the Notes. However, the Notes must be redeemed in the event of liquidation of the Issuer, in an amount calculated on the basis of the Original Principal Amount of the Notes.

Interest:

The Notes bear interest on their Current Principal Amount at a fixed rate of 5.019% per annum from, and including, April 13, 2007 (the “**Issue Date**”) to, but excluding, the First Call Date payable annually in arrears on a non-cumulative basis on April 13 of each year (each a “**Fixed Rate Interest Payment Date**”), commencing on April 13, 2008.

Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month Euribor plus a margin equal to 1.72% per annum payable quarterly in arrears on a non-cumulative basis on January 13, April 13, July 13 and October 13 of each year (each a “**Floating Rate Interest Payment Date**” and together with each Fixed Rate Interest Payment Date, an “**Interest Payment Date**”), commencing on July 13, 2017.

“**First Call Date**” means April 13, 2017.

“**Fixed Rate Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

“**Floating Rate Interest Period**” means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

“**Interest Period**” means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

Interest payments are subject to the provisions set forth below under “Interest Payments”, “Loss Absorption” and “Reinstatement”.

Interest Payments:

Optional Non-Payment of Interest

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraphs. The interest to be paid will be calculated on the basis of the Current Principal Amount of the Notes outstanding during any Interest Period.

For so long as the provisions set forth below under “Mandatory Interest Payment” do not apply, the Issuer may elect not to pay interest on any Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

Any amount of interest, excluding Broken Interest (as defined below), not so paid on an Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer.

Furthermore, the Issuer shall be required not to pay interest on the Notes, subject to the provisions set forth below under “Mandatory Interest Payment”, if, on or at any time prior to the fifth Business Day prior to such Interest Payment Date, a Capital Deficiency Event (as defined below) has occurred or would occur upon payment of the interest due on such Interest Payment Date.

Notice of non-payment of interest on the Notes on any Interest Payment Date in accordance with the above provisions (an “**Interest Non-Payment Notice**”) shall be given to the Noteholders no later than two Business Days prior to the relevant Interest Payment Date. Furthermore, payment of any Broken Interest (as defined below) will not be made on such Interest Payment Date.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

The amount of Broken Interest may be reduced pursuant to the provisions set forth below under “Loss Absorption”. At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses, may be paid on the first Interest Payment Date after the end of a Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such Interest Payment Date shall be forfeited.

“**Broken Interest**” means, with respect to the period from (and

including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

“**Capital Deficiency Event**” means the first date on which either of the following events occurs:

- (a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or
- (b) the Issuer is notified by the SGCB, or its successor or any other relevant regulatory authority by which the Issuer is then-supervised (the “**Relevant Banking Regulator**”), that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

“**Applicable Banking Regulations**” means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

Mandatory Interest Payment

In the event that during the one-year period prior to any Interest Payment Date any of the following events occurs:

- (i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or
- (ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement (as defined under “Reinstatement” below), or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities);

then irrespective of whether an Interest Non-Payment Notice has been delivered and is outstanding, the Issuer shall be required to pay interest on the Notes accrued in respect of the Interest Period ending immediately prior to such Interest Payment Date (such payment, a “**Mandatory Interest Payment**” and such date a “**Mandatory Interest Payment Date**”); *provided, however*, that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) of this

section.

The interest amount payable on each Note in relation to a Mandatory Interest Payment will be calculated as follows:

- (x) if the Mandatory Interest Payment results from an event described in sub-paragraph (i) of this section, it will be calculated on the basis of the Current Principal Amount of such Note; and
- (y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of this section, it shall be equal to the Notional Interest Amount.

“Notional Interest Amount” means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to “Optional Non-Payment of Interest” above, for the one-year period prior to, and including, such Interest Payment Date, calculated on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

“Underlying Security” means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

“Underlying Security Payment Percentage” means the ratio, calculated as a percentage, equal to (i) the payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Loss Absorption:

In the event that, at any time, a Capital Deficiency Event has occurred, the board of directors of the Issuer will convene an extraordinary shareholders’ meeting to be held during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the Issuer’s extraordinary shareholders’ meeting or if the share capital increase is not sufficiently subscribed to remedy such event in full, or if such event remains in effect at the end of the Quarter following the Quarter during which the Capital Deficiency Event has occurred, the board of directors of the Issuer will implement, within ten days, a reduction of the amount of Broken Interest, if any, and thereafter for purposes of computing the Interest Amount a reduction of the Current Principal Amount of the Notes (a **“Loss Absorption”**). Notwithstanding anything to the contrary, the nominal value of the Notes shall never be reduced to an amount lower than one cent of one euro (EUR 0.01).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the issuer to absorb losses in order to ensure the continuity of its activities in

accordance with the Applicable Banking Regulations, will be (in the case that a Capital Deficiency Event has occurred pursuant to clause (a) of the definition thereof) the lower of (i) the amount of the excess of (a) the total consolidated capital required by Applicable Banking Regulations over (b) the total consolidated capital of the Issuer after the share capital increase or any other measures adopted by the shareholders' meeting of the Issuer to remedy such Capital Deficiency Event (or the total consolidated capital of the Issuer in the absence of such measures) and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction. In the case that a Capital Deficiency Event has occurred pursuant to clause (b) of the definition thereof, the amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced, will be determined by the Issuer with the consent of the Relevant Banking Regulator.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Reinstatement:

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a **"Return to Profitability"**) following the end of the most recent fiscal year in which there was a Loss Absorption (the **"Absorption Year End"**), the Issuer shall increase the Current Principal Amount of the Notes (a **"Reinstatement"**) on any date and in an amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount (as defined below) on any date that it determines if (i) a Mandatory Reinstatement Event (as defined below) has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

For the avoidance of doubt, following a Reinstatement the Current Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes.

"Consolidated Net Income" means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

"Mandatory Reinstatement Event" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the

Notes.

“Mandatory Reinstatement Amount” means the lesser of (i) the difference between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of “Mandatory Reinstatement Event” in the preceding paragraph, the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

“Restricted Payment” means an Equity Securities Payment or a Parity Securities Payment.

“Equity Securities Payment” means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

“Parity Securities Payment” means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

Call from the First Call Date:

The Issuer will have the right, subject to the prior consent of the Relevant Banking Regulator, to call the Notes in whole or in part on the Interest Payment Date falling on the First Call Date or upon any Interest Payment Date thereafter. Such call will be exercised at a price (the **“Base Call Price”**) equal to the Original Principal Amount of the Notes plus any accrued but unpaid interest thereon.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from the Loss Absorption mechanism and the resulting reduced Current Principal Amount. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

Call before the First Call Date:

The Issuer will have the right, and in certain circumstances the obligation, to redeem the Notes at the Base Call Price at any time (in whole but not in part) in case of imposition of withholding tax on interest payments on the Notes, in case of loss of deductibility of interest paid on the Notes for corporate income tax purposes and in case of loss of Tier 1 Capital status of the Notes due to a change in Applicable Banking Regulations, subject to the prior consent of the Relevant Banking Regulator.

Taxation:

The Notes will, upon issue, benefit from an exemption from deduction for withholding tax as provided under “Terms and Conditions of the

Notes”. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts.

Representation of Noteholders:

Noteholders will form a *masse* governed by the provisions of the *Code de commerce* (French Commercial Code) and by French decree No. 67-236 of March 23, 1967, as amended, subject to certain exceptions, in defense of their common interests.

Use of proceeds:

The net proceeds of the issue of the Notes amount to approximately EUR 744,375,000. The Issuer intends to use the proceeds from the issue of the Notes for general corporate purposes.

Clearing Systems:

The Notes will be accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear.

Listing and admission to trading:

Application has been made for the Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the EU-regulated market of the Luxembourg Stock Exchange.

Selling Restrictions:

The Notes have not been and will not be registered under the U.S. Securities Act and are being offered and sold only outside the United States in accordance with Regulation S thereunder. Moreover, the Notes have not been and will not be registered in any country or jurisdiction in order to permit a public offering and related selling restrictions therefore apply in various jurisdictions. See “Subscription and Sale”.

Ratings:

The Notes are expected to be assigned a rating of “A1” by Moody’s Investors Service, Inc., “A+” by Standard & Poor’s Ratings Services and “AA-” by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

As defined by Standard & Poor’s, an obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong. The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Obligations rated ‘A’ by Moody’s are considered upper-medium grade and are subject to low credit risk. Moody’s appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

As defined by Fitch an AA rating means very high credit quality and an expectation of very low credit risk. It indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating

categories.

Governing Law:

French law

Note Codes:

ISIN: FR0010456764

Common Code: 029499519

RISK FACTORS

Prospective purchasers of the Notes offered hereby should consider carefully, among other things and in light of their financial circumstances and investment objectives, all of the information in this Prospectus and, in particular, the risk factors set forth below (which the Issuer, in its reasonable opinion, believes represents or may represent the risk factors known to it which may affect the Issuer's ability to fulfill its obligations under the Notes) in making an investment decision. Investors may lose the value of their entire investment in certain circumstances. Words and expressions defined in "Terms and Conditions of the Notes" herein shall have the same meanings in this section.

Risks Related to the Bank and its Industry

Principal Categories of Risk.

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

- *Credit Risk.* Credit risk is the risk of incurring a financial loss on loans and receivables (existing or potential due to commitments given) as a result of changes in the creditworthiness of the Bank's debtors, which can lead to actual defaults. Creditworthiness is primarily measured based on the probability of default, combined with the chances of recovery of the loan or receivable in the event of default. Credit risk is measured at portfolio level based on groups of loans and/or receivables with similar credit risk characteristics, taking into account correlations between the values of the loans and receivables making up the relevant portfolio. Credit risk arises in relation to lending activities as well as market, investing and payment transactions that potentially expose the Bank to the risk of counterparty default. Counterparty risk refers to the bilateral credit risk with third parties with whom the transaction was effected where the amount varies over time according to market parameters affecting the transaction value.
- *Market and Liquidity Risk.* Market risk arises from trading and non-trading activities and is defined as the risk of incurring a financial loss as a result of adverse changes in market parameters. Trading 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 property or cars, as well as related factors such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading 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 little 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 asset portfolios held in connection with the banking business, such as:

- share holdings; or
 - properties during the sale process or cars offered for leasing whose price level is indirectly affected by changes in the market value of the assets concerned.
- *Asset Liability Management Risk.* Asset-liability risk management is the risk of incurring a financial loss as a result of changes in interest rates, maturities and nature of assets and liabilities. For banking activities, asset-liability management risk affects non-trading portfolios and primarily relates to global

interest rate risk. For insurance activities, it also includes the risk of changes in the value of shares and other assets (particularly property) held by the general insurance fund.

- *Liquidity and Refinancing Risk.* Refinancing risk corresponds to the risk of the Bank being unable to honour 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 subject 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 tied 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 concerned may involve issues including human resources and systems. External events include but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or a change in value 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 reputational risk, the Bank treats compliance risk separately from operational risk.
- *Compliance Risk.* Compliance risk is the risk of legal, administrative or disciplinary sanctions, or financial loss that a bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities (including instructions given by an executive body, particularly in application of guidelines issued by a supervisory body). By definition, this risk is a sub-category of operational risk. However, certain impacts related to compliance risk can represent more than a mere financial loss and may harm the Bank's reputation. It is for this reason that the Bank treats compliance risk separately.
- *Reputational Risk.* Reputational risk corresponds to the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other third party whose trust is an essential condition for the corporation to carry out its day-to-day operations.

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 favorable 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 commodity 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 marking 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 in financial and other markets, i.e. the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. Volatility trends that prove substantially different from the Group's expectations may also lead to losses relating to a broad range of other trading and hedging products the Bank uses, including swaps, forwards and futures, options and structured products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's businesses and earnings can be affected by the fiscal measures and other policies adopted by regulatory authorities in France and other European Union countries, foreign governments or international agencies.

The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond the Group's control. Such changes could include, but are not limited to, the following:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework (see "Capital Adequacy of the BNP Paribas Group—Planned Changes to the BIS Capital Standards");
- changes in the competitive landscape and pricing strategies;
- changes in the financial reporting environment;
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership; and
- any unfavourable changes in the political, military or diplomatic situation leading to social unrest or legal uncertainty, likely to affect 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 significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Bank's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, particularly risks that the Bank fails to identify or anticipate. Some of the Bank's qualitative tools and metrics for managing risk are based on its use of observed historical market behavior. The Bank applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These tools and metrics may fail to predict future risk exposures, e.g. if the Bank does not anticipate or correctly evaluate certain factors in its statistical models. This would limit the Bank's ability to manage its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

The Bank's hedging strategies may not prevent losses.

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

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

The Bank considers that external growth opportunities form part of its overall strategy. This strategy involves numerous risks. Although the Bank undertakes an in-depth analysis of the companies it plans to acquire, it is generally not feasible for these analyses to be complete in all respects. As a result, the Bank may assume

unanticipated liabilities, or an acquired entity may not perform as well as expected. It is also possible that some or all of the planned synergies do not arise or that an acquisition leads to higher-than-expected costs. In addition, the Bank might have difficulty integrating an acquired entity. Failure to complete announced business combinations or failure to integrate acquired businesses successfully into those of the Bank could have a material adverse effect on the Bank's profitability. It could also lead to departures of key employees, or give rise to increased costs and reduced profitability if the Bank felt compelled to offer them financial incentives to remain.

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

Competition is intense in all of the Bank's primary business areas in France and the other countries in which it conducts large portions of its business, including other European countries and the United States. If the Bank is unable to respond to the competitive environment in France or in its other major markets by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the French economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors. In addition, new lower-cost competitors may enter the market, which may not be subject to the same capital or regulatory requirements or may have other inherent regulatory advantages and, therefore, may be able to offer their products and services on more favorable terms. 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 January 1, 2006, and is authorized to extend various types of credit, in particular mortgage loans.

Risks Related to the Notes

The Notes are deeply subordinated obligations.

The Issuer's obligations under the Notes are deeply subordinated obligations of the Issuer which are the most junior debt instruments of the Issuer, ranking *pari passu* among themselves and with all other present and future Parity Securities, and subordinated to and ranking behind the claims of all other unsubordinated and ordinarily subordinated creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer. In the event of liquidation, the Issuer's obligations under the Notes rank in priority only to any payments to holders of Equity Securities.

The principal amount of the Notes may be reduced to absorb losses of the Issuer.

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Tier 1 Capital of the Issuer. See "Terms and Conditions of the Notes—Status of the Notes and Subordination" and "Capital Adequacy of the BNP Paribas Group" below. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Notes may be restricted and, in certain cases, forfeited and the amount of Broken Interest and the Current Principal Amount of the Notes may be reduced, nearly to zero. See "Terms and Conditions of the Notes – Loss Absorption and Return to Profitability".

There are certain restrictions on payments under the Notes.

For so long as the mandatory interest provisions do not apply, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes on any Interest Payment Date. Any interest not so paid on any such Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer, save as otherwise provided. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

In addition, in certain circumstances, payment of interest will be suspended automatically upon the occurrence of a Capital Deficiency Event. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

There is no limitation on issuing or guaranteeing debt.

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

The Notes are undated securities.

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in "Terms and Conditions of the Notes—Redemption and Purchase").

The Noteholders have no right to require redemption of the Notes, except if a judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason. See "Terms and Conditions of the Notes—Mandatory Redemption" below.

The Notes may be redeemed under certain circumstances.

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. Nevertheless, the Notes may be redeemed at the option of the Issuer (i) in whole or in part on the First Call Date and on any Interest Payment Date thereafter and (ii) in whole (but not in part) at any time for certain tax or regulatory reasons. See "Terms and Conditions of the Notes—Redemption and Purchase".

In certain circumstances for tax reasons (see "Terms and Conditions of the Notes—Redemption and Purchase"), the Issuer will be required to redeem the Notes in whole (but not in part).

In each case, early redemption of the Notes is subject to the prior approval of the Relevant Banking Regulator.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

There is no prior market for the Notes.

There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes or that Noteholders will be able to sell their Notes in the secondary market. There is no obligation to make a market in the Notes. Application has been made for the Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the EU-regulated market of the Luxembourg Stock Exchange.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

Payments of interest on the Notes, or profits realized by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally in France and as a result of the entry into force of the EU Directive 2003/48/EC on the taxation of savings income is described under "Taxation" below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuer advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and that have been filed with the Luxembourg competent authority for the purpose of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, and shall be incorporated in, and form part of, this Prospectus:

- (a) the 2005 *Document de Référence* filed with the AMF under the number D.06-0075 dated February 22, 2006 (except for the section entitled “Attestation du Responsable du document de référence”, p. 292), updated by (i) an *Actualisation* filed with the AMF under the number D.06-0075-A01 dated April 11, 2006 (except for the section entitled “Responsables du Contrôle des Comptes”, p. 7), (ii) an *Actualisation* filed with the AMF under the number D.06-0075-A02 dated June 2, 2006 (except for the section entitled “Responsables du Contrôle des Comptes”, p. 42), as amended on June 13, 2006 by a *Rectificatif* filed with the AMF under number D.06-0075-R01, (iii) an *Actualisation* filed with the AMF under the number D.06-0075-A03 dated September 6, 2006 (except for the section entitled “Responsables du Contrôle des Comptes”, p. 102), (iv) an *Actualisation* filed with the AMF under the number D.06-0075-A04 dated November 20, 2006 (except for the section entitled “Responsables du Contrôle des Comptes”, p. 35) and (v) an *Actualisation* filed with the AMF under the number D.06-0075-A05 dated December 7, 2006 (except for the section entitled “Responsables du Contrôle des Comptes”, p. 6); and
- (b) the 2006 *Document de Référence* filed with the *Autorité des marchés financiers* (the “AMF”) under the number D.07-0151 dated March 7, 2007 (except for the section entitled “Attestation du Responsable”, p. 248);

save that any statement contained herein or in a document all or the relevant portion of which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document all or the relevant portion of which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The information incorporated by reference above is available as follows:

Information Incorporated by Reference	Reference
<i>2005 Financial Statements</i>	
Consolidated Balance Sheet	Page 103 of the 2005 <i>Document de Référence</i>
Consolidated Profit & Loss Account	Page 102 of the 2005 <i>Document de Référence</i>
Consolidated Statement of Cashflows	Page 106 of the 2005 <i>Document de Référence</i>
Appendices/Notes	Pages 107 to 259 of the 2005 <i>Document de Référence</i>
Statutory Auditors' Report on the Consolidated Financial Statements	Pages 260 & 261 of the 2005 <i>Document de Référence</i>
<i>2006 Financial Statements</i>	
Consolidated Balance Sheet	Page 105 of the 2006 <i>Document de Référence</i>
Consolidated Profit & Loss Account	Page 104 of the 2006 <i>Document de Référence</i>
Consolidated Statement of Cashflows	Page 106 of the 2006 <i>Document de Référence</i>
Appendices/Notes	Pages 109 to 191 of the 2006 <i>Document de Référence</i>
Statutory Auditors' Report on the Consolidated Financial Statements	Pages 192 & 193 of the 2006 <i>Document de Référence</i>

The information contained in the documents incorporated by reference listed in the table above is required to be furnished under European law and regulation; information contained in the documents incorporated by reference other than the information listed in the table above is for information purposes only. The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuer at its principal office set out at the end of this Prospectus. In addition, such documents will be available free of charge from the

specified office in Luxembourg of BNP Paribas Securities Services, as well as on the website of the Luxembourg Stock Exchange (www.bourse.lu).

TERMS AND CONDITIONS OF THE NOTES

The issue outside the French Republic of the EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the “**Notes**”) of BNP Paribas (the “**Issuer**”) was decided on March 29, 2007 by the Chief Executive Officer (*Directeur Général*) of the Issuer, acting pursuant to a resolution of the board of directors (*conseil d’administration*) of the Issuer dated May 23, 2006. The Notes are issued with the benefit of a fiscal agency agreement (the “**Fiscal Agency Agreement**”), expected to be dated on or about April 12, 2007 among the Issuer, BNP Paribas Securities Services, as fiscal agent and principal paying agent (the “**Fiscal Agent**”, which expression shall, where the context so admits, include any successor for the time being of the Fiscal Agent), the other paying agents named therein (together, the “**Paying Agents**”, which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time) and BNP Paribas Securities Services, as calculation agent (the “**Calculation Agent**”, which expression shall, where the context so admits, include any successor for the time being of the Calculation Agent). References below to the “**Agents**” shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Paying Agents. References below to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs below.

1. DEFINITIONS

For the purposes of these Conditions:

“**Absorption Year End**” means the end of the most recent fiscal year in which there was a Loss Absorption.

“**Account Holders**” has the meaning set forth in Condition 2.

“**Actual/Actual ICMA**” has the meaning set forth in Condition 4.2.3.

“**Agents**” has the meaning set forth in the preamble to these Conditions.

“**Alternate Representative**” has the meaning set forth in Condition 10.2.

“**Applicable Banking Regulations**” means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

“**Base Call Price**” has the meaning set forth in Condition 6.2.

“**BIS Press Release**” has the meaning set forth in Condition 3.

“**Broken Interest**” is only applicable with respect to an Interest Period whose Interest Payment Date is an Optional Interest Payment Date and means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

“**Calculation Agent**” has the meaning set forth in the preamble to these Conditions.

“**Capital Deficiency Event**” means the first date on which either of the following events occurs:

- (a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or
- (b) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

A Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has fallen

below the relevant level, or on any such other date on which the Issuer determines that such ratio has fallen below such level.

“**Clearstream, Luxembourg**” has the meaning set forth in Condition 2.

“**Consolidated Net Income**” means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

“**CRBF Regulation**” has the meaning set forth in Condition 3.

“**Current Principal Amount**” means the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the Loss Absorption mechanism and/or reinstated on one or more occasions, pursuant to Conditions 5.1 and 5.2, respectively.

“**End of Capital Deficiency Event**” means, following a Capital Deficiency Event, the first date on which either of the following events occurs:

- (a) if the Capital Deficiency Event occurred pursuant to paragraph (a) of the definition of Capital Deficiency Event, the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations; or
- (b) if the Capital Deficiency Event occurred pursuant to paragraph (b) of the definition of Capital Deficiency Event, the notification by the Relevant Banking Regulator to the Issuer that it has determined, in its sole discretion, in view of the financial condition of the Issuer, that the circumstances which resulted in the Capital Deficiency Event have ended.

An End of Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has been restored to the relevant level, or on any such other date on which the Issuer determines that such ratio has been so restored.

“**Equity Securities**” means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer’s share capital or other securities of the Issuer ranking junior to the Parity Securities.

“**Equity Securities Payment**” means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

“**Euroclear**” has the meaning set forth in Condition 2.

“**Euroclear France**” has the meaning set forth in Condition 2.

“**Euro-zone**” means the region comprised of member states of the European Union which have adopted the Euro as their national currency in accordance with the Treaty establishing the European Community, as amended.

“**First Call Date**” means April 13, 2017.

“**Fiscal Agency Agreement**” has the meaning set forth in the preamble to these Conditions.

“**Fiscal Agent**” has the meaning set forth in the preamble to these Conditions.

“**Fixed Rate Interest Amount**” has the meaning set forth in Condition 4.

“**Fixed Rate Interest Payment Date**” has the meaning set forth in Condition 4.

“**Fixed Rate Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date, and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

“Floating Rate Interest Amount” has the meaning set forth in Condition 4.

“Floating Rate Interest Determination Date” has the meaning set forth in Condition 4.

“Floating Rate Interest Payment Date” has the meaning set forth in Condition 4.

“Floating Rate Interest Period” means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

“Interest Amount” means a Fixed Rate Interest Amount and/or a Floating Rate Interest Amount, as the case may be.

“Interest Non-Payment Notice” has the meaning set forth in Condition 4.4.

“Interest Payment Date” means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be.

“Interest Period” means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

“Issue Date” means April 13, 2007.

“Issuer” means BNP Paribas.

“Loss Absorption” has the meaning set forth in Condition 5.

“Mandatory Interest Payment” means the amount of interest due on any Mandatory Interest Payment Date, as calculated in accordance with Condition 4.4.1.

“Mandatory Interest Payment Date” means each Interest Payment Date as to which at any time during the one-year period prior to such Interest Payment Date any of the following events occurs:

- (i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or
- (ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement, or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities),

provided, however, that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) above.

“Mandatory Reinstatement Amount” means the lesser of (i) the difference between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of “Mandatory Reinstatement Event”, the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

“Mandatory Reinstatement Event” means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

“Masse” has the meaning set forth in Condition 10.

“Noteholders” means the holders of the Notes.

“**Notional Interest Amount**” has the meaning set forth in Condition 4.4.

“**Optional Interest Payment Date**” means any Interest Payment Date other than a Mandatory Interest Payment Date.

“**Ordinarily Subordinated Obligations**” means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

“**Original Principal Amount**” means the nominal amount of each Note on the Issue Date (*i.e.*, EUR 50,000), which amount may be permanently reduced in the event of a partial call as set forth in Condition 6.2.

“**Parity Securities**” means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, “Parity Securities” include, without limitation, BNP Paribas’ US\$1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on June 29, 2005, its EUR 1,000,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its US\$400,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on October 17, 2005, its EUR 750,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 12, 2006, its £450,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on April 19, 2006, its EUR 150,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006 and its £325,000,000 Undated Deeply Subordinated Non-Cumulative Notes issued on July 13, 2006 and any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.’s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.’s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred III L.L.C.’s 6.625% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred IV L.L.C.’s 6.342% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred V L.L.C.’s 7.20% Noncumulative Company Preferred Securities and (vi) BNP Paribas Capital Preferred VI L.L.C.’s 5.868% Noncumulative Company Preferred Securities).

“**Parity Securities Payment**” means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

“**Paying Agents**” has the meaning set forth in the preamble to these Conditions.

“**Reinstatement**” has the meaning set forth in Condition 5.

“**Relevant Banking Regulator**” means the SGCB or its successor or any other relevant regulatory authority by which the Issuer is then supervised.

“**Relevant Date**” has the meaning set forth in Condition 8.

“**Representative**” has the meaning set forth in Condition 10.1.

“**Restricted Payment**” means an Equity Securities Payment or a Parity Securities Payment.

“**Return to Profitability**” has the meaning set forth in Condition 5.

“**SGCB**” means the *Secrétariat général de la Commission bancaire*.

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

“**Tier 1 Capital**” has the meaning set forth in Condition 3.

“**Underlying Security**” has the meaning set forth in Condition 4.4.

“**Underlying Security Payment Percentage**” has the meaning set forth in Condition 4.4.

“**Unsubordinated Obligations**” means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

2. FORM, DENOMINATION AND TITLE

The Notes will be issued in dematerialized bearer form (*au porteur*) in the denomination of EUR 50,000 each. Title to the Notes will be evidenced in accordance with Article L.211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* referred to in Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be entered in the books of Euroclear France S.A. (“**Euroclear France**”, located at 115, rue Réaumur, 75002 Paris, France), which shall credit the accounts of the Account Holders. For the purpose of these Conditions, “**Account Holder**” shall mean any authorized financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes the depositary banks for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”).

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3. STATUS OF THE NOTES AND SUBORDINATION

The Notes are deeply subordinated notes of the Issuer issued pursuant to the provisions of Article L. 228-97 of the French *Code de commerce*.

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer (“**Tier 1 Capital**”). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement n° 90-02* dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the “**CRBF Regulation**”), or otherwise recognized as *fonds propres de base* by the SGCB. The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the “**BIS Press Release**”). The French language version of the BIS Press Release is attached as an exhibit to the report published annually by the SGCB entitled “*Modalités de calcul du ratio international de solvabilité*”.

The principal and interest on the Notes (which constitute *obligations* under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Parity Securities, but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations and Unsubordinated Obligations of the Issuer.

In the event of liquidation of the Issuer, the Notes shall rank in priority to any payments to holders of Equity Securities.

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes.

4. INTEREST AND INTEREST SUSPENSION

4.1 General

The Notes bear interest on their Current Principal Amount at a fixed rate of 5.019% per annum (the “**Fixed Interest Rate**”) from (and including) the Issue Date to (but excluding) the First Call Date, payable annually in arrears on a non-cumulative basis on April 13 of each year (each, a “**Fixed Rate Interest Payment Date**”), commencing on April 13, 2008. Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month Euribor plus a margin equal to 1.72% per annum (the “**Floating Interest Rate**”), as determined by the Calculation Agent in accordance with Condition 4.3 below and payable quarterly in arrears on a non-cumulative basis on January 13, April 13, July 13 and October 13 of each year (each, a “**Floating Rate Interest Payment Date**”), commencing on July 13, 2017.

Interest will cease to accrue on the Notes on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default otherwise occurs in respect of payment thereof. In such event, interest will continue to accrue at the relevant rate as specified in the preceding paragraph (before as well as after any judgment) on the Original Principal Amount of the Notes until the day on which all sums due in respect of the Notes up to that day are received by or on behalf of the relevant Noteholder.

4.2 Fixed Interest Rate

- 4.2.1 The amount of interest (the “**Fixed Rate Interest Amount**”) payable on the Notes on each Fixed Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Fixed Interest Rate, multiplied by the Actual/Actual-ICMA day count fraction and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).
- 4.2.2 If interest is required to be calculated in respect of a Fixed Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Fixed Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Fixed Rate Interest Period, multiplying such product by the Actual/Actual-ICMA day count fraction for each relevant portion of the Fixed Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).
- 4.2.3 The Calculation Agent will cause such Fixed Rate Interest Amount to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 as soon as possible after its determination but in no event later than the fourth TARGET Business Day thereafter.

For the purposes of this Condition:

“**Actual/Actual-ICMA**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

“**Regular Period**” means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4.3 Floating Rate

4.3.1 Determination of Floating Interest Rate

The Notes bear interest at the Floating Interest Rate from the First Call Date, payable on each Floating Rate Interest Payment Date.

The Floating Interest Rate for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the 3-month rate for deposits in Euros which appears on the display page designated 248 on the Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m. (Brussels time), on the second TARGET Business Day before the first day of the relevant Floating Rate Interest Period (the “**Floating Rate Interest Determination Date**”); or
- (b) if at the specified time such rate does not appear on that page, the Calculation Agent will:
 - (A) request the principal London office of each of four major banks in the Euro-zone interbank market as selected by it (but which shall not include the Calculation Agent) to provide a quotation of the rate at which deposits in Euros are offered by it at approximately 11:00 a.m. (Brussels time) on the Floating Rate Interest Determination Date to prime banks in the Euro-zone interbank market for a 3-month period and in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations, with the highest and lowest (or, in the event of equality, one of the highest and/or lowest) of such quotations being disregarded for purposes of the calculation; or
- (c) if fewer than two such quotations are provided as requested by the Calculation Agent in accordance with the above paragraph, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11:00 a.m. (Brussels time) on the first day of the relevant Floating Rate Interest Period for loans in Euros to leading Euro-zone banks for a 3-month period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Interest Rate for such Floating Rate Interest Period shall be equal to the sum of 1.72% per annum and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Interest Rate applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.72% per annum and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

4.3.2 Calculation of Floating Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on each Floating Rate Interest Determination Date in relation to each Floating Rate Interest Period, calculate the amount of interest (the “**Floating Rate Interest Amount**”) payable in respect of each Note for such Floating Rate Interest Period. The Floating Rate Interest Amount payable on the Notes on the relevant Floating Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Floating Interest Rate for such Floating Rate Interest Period, multiplied by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated in respect of the Floating Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Floating Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Floating Rate Interest Period, multiplying such product by the actual number of days divided by 360 for each relevant portion of the Floating Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.3.3 Publication of Floating Interest Rate and Floating Rate Interest Amount

The Calculation Agent will cause the Floating Interest Rate and the Floating Rate Interest Amount for each Floating Rate Interest Period and the relevant Floating Rate Interest Payment Date to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 on or as soon as practicable after the first day of the relevant Floating Rate Interest Period. The Floating Rate Interest Amount so published may subsequently be amended (or appropriate arrangements made by way of adjustment). If the Notes become due and payable under Condition 6.2(b) or 6.3 (in case of a purchase of all the outstanding Notes) or under Condition 9, no publication of the Floating Interest Rate or the Floating Rate Interest Amount so calculated need be made.

4.4 Mandatory Interest and Optional Interest

4.4.1 Mandatory Interest Payment

The Issuer shall, on each Mandatory Interest Payment Date, for so long as the mandatory interest provisions apply (as set out in the definition of “Mandatory Interest Payment Date”), pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date.

In order to calculate the amount of interest required to be paid on the Notes on a Mandatory Interest Payment Date pursuant to this Condition 4.4.1 (the “**Mandatory Interest Payment**”):

- (x) if the Mandatory Interest Payment results from an event described in sub-paragraph (i) of the definition of Mandatory Interest Payment Date, it will be calculated on the basis of the Current Principal Amount of the Notes applying the Interest Rate for such Interest Period, as the case may be, and
- (y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of the definition of Mandatory Interest Payment Date, it shall be equal to the Notional Interest Amount.

“**Notional Interest Amount**” means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to Conditions 4.4.2 and 4.5 below, for the one-year period prior to, and including, such Interest Payment Date, calculated by the Issuer on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

“**Underlying Security**” means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

“**Underlying Security Payment Percentage**” means the ratio, calculated by the Issuer as a percentage, equal to (i) the payments effectively made on the Underlying Security during the

one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction in accordance with Condition 5.1.

4.4.2 Optional Interest Payment

For so long as the mandatory interest provisions do not apply, the Issuer may elect not to pay interest on any Optional Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

On any Optional Interest Payment Date, the Issuer may, at its option, pay all or part of the interest in respect of the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date, but the Issuer shall have, subject to such election and decision having been made as described above, no obligation to make such payment and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Notice of non-payment of all or any interest under the Notes on any Optional Interest Payment Date (an “**Interest Non-Payment Notice**”) shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg Stock Exchange. The Interest Non-Payment Notice shall be given no later than two TARGET Business Days prior to the relevant Optional Interest Payment Date.

Save as otherwise provided, any interest not paid on an Optional Interest Payment Date will be forfeited and accordingly will no longer be due and payable by the Issuer.

The amount of Broken Interest in respect of the Interest Period ending immediately prior to any Optional Interest Payment Date may be reduced following a Capital Deficiency Event, as provided in Condition 5.1.

Payment of interest will automatically be suspended upon the occurrence of a Capital Deficiency Event (and until the occurrence of an End of Capital Deficiency Event), unless the relevant Interest Payment Date is a Mandatory Interest Payment Date.

4.5 Optional Interest and Capital Deficiency Event

4.5.1 Interest Payable on Optional Interest Payment Dates Following the Occurrence of a Capital Deficiency Event

In the event that during any Interest Period, on or at any time prior to the fifth Business Day prior to an Optional Interest Payment Date, a Capital Deficiency Event has occurred or would occur upon payment of the interest due on the next Optional Interest Payment Date:

- (x) the accrual of interest, if any, in respect of the Notes shall automatically be suspended. In addition, the amount of Broken Interest may be reduced to absorb losses in accordance with Condition 5.1; and
- (y) no interest on the Notes shall accrue nor be payable by the Issuer with respect to the remaining period in such Interest Period or any other Interest Period during the period starting on the date of the Capital Deficiency Event and ending on the date of the End of Capital Deficiency Event.

4.5.2 Interest Payable on Optional Interest Payment Dates after End of Capital Deficiency Event

At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses in accordance with Condition 5.1, may be paid on the first Optional Interest Payment Date

falling on or after the date of the End of Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

In respect of any Optional Interest Payment Date which occurs on or after the End of Capital Deficiency Event, interest on the Notes will recommence accruing on its Current Principal Amount, on the basis of the number of days elapsed during the period from (and including) the date of End of Capital Deficiency Event to (but excluding) the next succeeding Interest Payment Date as calculated by the Calculation Agent in accordance with Condition 4.2 or, as the case may be, 4.3. At the option of the Issuer, such interest may be paid on the next succeeding Optional Interest Payment Date occurring as from the date of the End of Capital Deficiency Event (inclusive). Any such interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

5. LOSS ABSORPTION AND RETURN TO PROFITABILITY

5.1 Loss Absorption

In the event that, at any time, a Capital Deficiency Event has occurred, the board of directors of the Issuer will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event in full, or if such event remains in effect at the end of the Quarter following the Quarter during which the Capital Deficiency Event has occurred, the board of directors of the Issuer will implement, within ten days, a reduction of the amount of Broken Interest, if any, and thereafter for purposes of computing the Interest Amount a reduction of the Current Principal Amount of the Notes (a "**Loss Absorption**"). "**Quarter**" means one quarter of a calendar year, *i.e.*, January 1st to March 31st, April 1st to June 30th, July 1st to September 30th and October 1st to December 31st.

Notwithstanding any other provision, the Current Principal Amount of each Note shall never be reduced to an amount lower than one cent of one euro (EUR 0.01).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the issuer to absorb losses in order to ensure the continuity of its activities in accordance with the Applicable Banking Regulations, will be (in the case that a Capital Deficiency Event has occurred pursuant to clause (a) of the definition thereof) the lower of (i) the amount of the excess of (a) the total consolidated capital required by Applicable Banking Regulations over (b) the total consolidated capital of the Issuer after the share capital increase or any other measures adopted by the shareholders' meeting of the Issuer to remedy such Capital Deficiency Event (or the total consolidated capital of the Issuer in the absence of such measures) and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction. In the case that a Capital Deficiency Event has occurred pursuant to clause (b) of the definition thereof, the amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced, will be determined by the Issuer with the consent of the Relevant Banking Regulator.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Broken Interest and the Current Principal Amount of the Notes may be reduced on one or more occasions, as required.

In the event that other Parity Securities which would be subject to such reductions are outstanding, such reductions will be applied on a pro-rata basis among the Notes and such other Parity Securities.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction.

Notice of any Capital Deficiency Event and of any End of Capital Deficiency Event shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Capital Deficiency Event and of any End of Capital Deficiency Event. Notice of any reduction of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of the Current Principal Amount.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

5.2 Return to Profitability

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a “**Return to Profitability**”) following the end of the most recent fiscal year in which there was a Loss Absorption (the “**Absorption Year End**”), the Issuer shall increase the Current Principal Amount of the Notes (a “**Reinstatement**”) on any date and in any amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount on any date that it determines if (i) a Mandatory Reinstatement Event has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

The amount of any Reinstatement will not exceed the amount of the latest positive Consolidated Net Income of the Issuer.

For the avoidance of doubt, any Reinstatement shall be made in a maximum amount that will ensure that such Reinstatement does not trigger the occurrence of a Capital Deficiency Event or, except with respect to any optional redemption by the Issuer of the Notes in accordance with their terms, a worsening of a Capital Deficiency Event.

No payments will be made to holders of Equity Securities, in each case to the extent categorized as Tier 1 Capital, before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

In the event that other Parity Securities are outstanding and may also benefit from a reinstatement or an increase of their current principal amount in accordance with their terms, any Reinstatement will be applied on a pro-rata basis with other reinstatements or increases of the principal amount made on such other Parity Securities.

Such Reinstatement or increase of the Current Principal Amount of the Notes shall be made on one or more occasions in the conditions described above until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount (save in the event of occurrence of another Capital Deficiency Event).

For the avoidance of doubt, any Broken Interest that has been reduced pursuant to Condition 5.1 shall not be reinstated pursuant to this Condition 5.2.

Notice of any Return to Profitability shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Return to Profitability. Notice of any Reinstatement and any increase of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg

Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement and increase of the Current Principal Amount of the Notes.

6. REDEMPTION AND PURCHASE

The Notes may not be redeemed otherwise than in accordance with this Condition 6.

6.1 No Final Redemption

The Notes are undated securities in respect of which there is no fixed redemption or maturity date.

6.2 Issuer's Call Options Subject to the Approval of the Relevant Banking Regulator

(a) General Call Option

On the First Call Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 60, days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to prior approval of the Relevant Banking Regulator, may, at its option, redeem the Notes in whole or in part at a price (the "**Base Call Price**") equal to the Original Principal Amount of the Notes, together with any amounts outstanding thereon, including accrued interest.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from a Loss Absorption. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

(b) Redemption for Regulatory Reasons or Taxation Reasons

(i) If by reason of any change in French law, any change in Applicable Banking Regulations, or any change in the official application or interpretation of such laws or regulations, becoming effective on or after the Issue Date, the proceeds of the Notes cease to be eligible as Tier 1 Capital for the Issuer, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the proceeds of the Notes cease to meet the requirements to be eligible as Tier 1 Capital.

(ii) If by reason of any change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), or any other change in the tax treatment of the Notes, becoming effective on or after the Issue Date, interest payment under the Notes is no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes.

- (iii) If by reason of a change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), becoming effective on or after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8.2, the Issuer may, at any time, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.
- (iv) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8.2, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

6.3 Purchases

The Issuer may at any time purchase Notes in the open market or otherwise at any price provided that it has obtained the prior approval of the Relevant Banking Regulator.

6.4 Cancellation

All Notes which are purchased or redeemed by the Issuer pursuant to Conditions 6.2 or 6.3 (other than in the event of a partial call, as set out in Condition 6.2(a)) will be cancelled and accordingly may not be reissued or sold.

7. PAYMENTS AND CALCULATIONS

7.1 Method of Payment

Payments in respect of principal and interest on the Notes will be made in EUR by credit or transfer to a EUR denominated account (or any other account to which EUR may be credited or transferred) specified by the payee with a bank in a country within the TARGET System. Such payments shall be made to the Account Holders (including the depositary banks for Euroclear and Clearstream, Luxembourg) for the benefit of the Noteholders and all payments validly made to such Account Holders in favor of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Noteholders in respect of such payments.

7.2 Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of this Condition, “**Business Day**” means any day, not being a Saturday or a Sunday on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and which is a TARGET Business Day.

7.3 Fiscal Agent, Paying Agents and Calculation Agent

The name and specified office of the initial Fiscal Agent, Principal Paying Agent and Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT
BNP Paribas Securities Services
Immeuble Tolbiac
25, quai Panhard Levassor
75450 Paris Cedex 09
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agents or Calculation Agent and/or to appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, the Calculation Agent or any Paying Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg, and (iii) a Calculation Agent having a specified office in a European city. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading European bank engaged in the Euro interbank market (acting through its principal Paris or Luxembourg office) to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 not more than 45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Noteholders as specified in Condition 11.

7.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the relevant banks in the Euro-zone interbank market (or any of them) shall (in the absence of willful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the relevant banks in the Euro-zone interbank market and the Noteholders. No Noteholder shall (in the absence of the aforesaid willful default or manifest error) be entitled to proceed against the Calculation Agent or any of the foregoing entities in connection with the exercise or non-exercise by them of their powers, duties and discretionary judgments.

8. TAXATION

8.1 Withholding Tax Exemption

Because the Notes constitute *obligations* under French law, are denominated in euro and accordingly are deemed to be issued outside of France for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France and who are not concurrently shareholders of the Issuer benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code général des impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

8.2 Additional Amounts

If French law or regulations should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the French Republic or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary so that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a Noteholder (or beneficial owner (*ayant droit*)):

- (a) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Note by reason of his having some present or former connection with the French Republic other than the mere holding of such Note; or
- (b) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or
- (c) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the “**Relevant Date**” in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of money payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 to Noteholders that such money has been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts that may be payable under the provisions of this Condition 8.

9. MANDATORY REDEMPTION

If any judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any other reason, then the Notes shall become immediately due and payable as described below.

The rights of the Noteholders in the event of a liquidation of the Issuer will be calculated on the basis of the Original Principal Amount of the Notes they hold together with interest accrued and due in accordance with the Conditions and any other outstanding payments under the Notes. No payments will be made to the Noteholders before all amounts due, but unpaid, to all other creditors of the Issuer (including holders of Unsubordinated Obligations, holders of Ordinarily Subordinated Obligations, lenders in relation to *prêts participatifs* granted to the

Issuer and holders of *titres participatifs* issued by the Issuer, but excluding Parity Securities, which will be paid *pro rata* with the Notes) have been paid by the Issuer, as ascertained by the judicial liquidator.

No payments will be made to holders of Equity Securities before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer, as ascertained by the judicial liquidator.

10. REPRESENTATION OF THE NOTEHOLDERS

Noteholders will form a *masse* under French law in defense of their common interests (hereinafter referred to as the “*Masse*”).

The *Masse* will be governed by the provisions of the French *Code de commerce* (with the exception of the provisions of Articles L. 228-48, L. 228-59, L.228-65-II and L.228-71 thereof) and by French decree No. 67-236 of March 23, 1967, as amended (with the exception of the provisions of Articles 218, 222, 224 and 226 thereof), subject to the provisions below.

10.1 A Legal Entity

The *Masse* will be treated as a separate legal entity and will act in part through its representative (hereinafter referred to as the “**Representative**”) and in part through general assemblies of Noteholders.

The *Masse*, acting alone and to the exclusion of all individual Noteholders, will exercise the collective rights of the Noteholders with respect to the Notes, both present and future.

10.2 Representative

A person of any nationality may serve as the Representative of the *Masse*. However, the following persons may not be designated a Representative:

- (a) the Issuer, the members of the Issuer’s board of directors (*conseil d’administration*), the Issuer’s executive officers (*directeurs généraux*), the Issuer’s statutory auditors or the Issuer’s employees, as well as the ascendants, descendants or spouses of any such persons; or
- (b) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), executive officers (*directeurs généraux*), members of their board of directors, executive board or supervisory board, their statutory auditors or their employees, as well as the ascendants, descendants or spouses of any such persons; or
- (c) companies holding 10% or more of the share capital of the Issuer, or companies in which the Issuer holds 10% or more of the share capital; or
- (d) persons who are restricted from the practice of banking or who have been deprived of the right to direct, administer or manage a company in any capacity whatsoever.

The initial Representative of the *Masse* has been designated as:

Delphine Dahan
3, rue des Quatre Fourchettes
95130 Franconville
France

The alternate representative (the “**Alternate Representative**”) has been designated as:

Marc-Olivier Roos
111, avenue de Verdun
92130 Issy les Moulineaux
France

In the event of the death, incapacity, resignation or revocation of the powers of the Representative, he or she will be replaced by the Alternate Representative, and all references to the “Representative” herein will be

deemed to refer to the “Alternate Representative”. The Alternate Representative will then have the same powers as the Representative.

In the event of the death, incapacity, resignation or revocation of the powers of the Alternate Representative, he or she will be replaced by a person selected at a general assembly of Noteholders.

The Issuer shall pay to the Representative an amount of EUR 300 per year in connection with his or her services, payable on the anniversary of the Issue Date in each year, commencing on the first such anniversary in 2008. The Alternate Representative will be entitled to payment of the same amount only if it begins to exercise the duties of Representative on a permanent basis; such compensation will begin to accrue on the date that the Alternate Representative assumes these duties.

Interested parties will at all times have the right to obtain the name and address of the Representative and the Alternate Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

10.3 Powers of the Representative

The Representative shall, in the absence of any decision by the general assembly of Noteholders that provides otherwise, have the power to take undertake all actions that aim at defending the common interests of the Noteholders. All legal proceedings initiated against the Noteholders must be initiated against the Representative, and all legal proceedings initiated by the Noteholders must be initiated by the Representative.

The Representative may not interfere in the management of the affairs of the Issuer.

10.4 General Assemblies of Noteholders

General assemblies of Noteholders may be held at any time, at the request of either the Issuer or the Representative. One or more Noteholders, who individually or collectively hold at least one-thirtieth of the outstanding Notes, may demand that the Issuer and the Representative convene a general assembly. If a general assembly has not been convened within two months of the date of this demand, these Noteholders may designate one person among them to petition a court within the jurisdiction of the Paris Court of Appeals to appoint an agent (*mandataire*) on the Noteholders’ behalf, who will then be responsible for convening a general assembly.

Notice of the date, time, place and agenda of any general assembly of Noteholders will be published as provided under Condition 11.

Each Noteholder has the right to participate in general assemblies in person or by proxy. Each Note carries the right to one vote.

10.5 Powers of General Assemblies

A general assembly is empowered to deliberate on the reduction of compensation for the Representative or the Alternate Representative, and may also decide to remove or replace the Representative or the Alternate Representative. A general assembly may also act on any other matter that affects the collective rights of the Noteholders with respect to the Notes, both present and future, including authorizing the Representative to act as plaintiff or defendant in any action.

A general assembly may further deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, including any proposal in connection with arbitration or settlement proceedings relating to disputed rights or rights that were the subject of judicial decisions; *provided, however*, that a general assembly may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares, and provided further that no amendment to the status of the Notes may be approved without the prior consent of the Relevant Banking Regulator.

A general assembly may validly deliberate on the first date on which it is convened only if the Noteholders present or otherwise represented at such assembly hold at least one-quarter of the Notes then outstanding. On the second date on which a general assembly is convened, if any, no such quorum shall be required. Decisions at assemblies shall be taken based on a simple majority of votes cast, either by Noteholders attending the assembly in person or who are otherwise represented at such assembly for voting purposes.

Decisions of general assemblies must be published in accordance with the provisions set forth in Condition 11.

10.6 Information to the Noteholders

Each Noteholder or his or her representative will have the right, during the 15-day period preceding the date of each general assembly, to consult or make a copy of the text of the resolutions to be proposed as well as any reports to be presented at the general assembly, which will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of the general assembly given in accordance with Condition 11.

10.7 Expenses

The Issuer will pay all expenses incurred in connection with the functioning of the *Masse*, including the expenses of calling and holding general assemblies and the Representative's compensation, and more generally will pay all administrative costs of the *Masse* as documented at a general assembly of Noteholders, it being expressly stipulated that no expenses may be offset against interest payable on the Notes.

11. NOTICES

Any notice to the Noteholders will be valid if delivered to the Noteholders through Euroclear France, Euroclear or Clearstream, Luxembourg, for so long as the Notes are cleared through such clearing systems. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice shall also be published (i) in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or the *Tageblatt*), or (ii) on the website of the Luxembourg Stock Exchange (www.bourse.lu). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13. FURTHER ISSUES

The Issuer may from time to time, subject to the prior written approval of the Relevant Banking Regulator but without the consent of the Noteholders, issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated (*assimilables*) notes will for the defense of their common interests be grouped in a single *Masse* having legal personality.

14. GOVERNING LAW AND JURISDICTION

The Notes are governed by, and shall be construed in accordance with, the laws of the French Republic.

In relation to any legal action or proceeding arising out of or in connection with the Notes, the Issuer irrevocably submits to the jurisdiction of the competent courts in Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deduction of underwriting and management commissions of EUR 5,625,000, amount to approximately EUR 744,375,000. The Bank intends to use the proceeds from the issue of the Notes for general corporate purposes.

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

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

Business Overview

The BNP Paribas Group (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has approximately 140,000 employees, 110,000 of whom are based in Europe. The Group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It has operations in 85 countries and has a strong presence in all the key global financial centers. Present throughout Europe, in all its business lines, France and Italy are its two domestic retail banking markets. BNP Paribas has a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

At December 31, 2006, the Group had consolidated assets of €1,440.3 billion (compared to €1,258.1 billion at December 31, 2005), consolidated loans and receivables due from customers of €393.1 billion (compared to €301.2 billion at December 31, 2005), consolidated items due to customers of €298.7 billion (compared to €247.5 billion at December 31, 2005) and shareholders' equity (Group share including income for 2006) of €49.5 billion (compared to €40.7 billion at December 31, 2005). Pre-tax net income for the year ended December 31, 2006 was €10.6 billion (compared to €8.4 billion for the year ended December 31, 2005). Net income, Group share, for the year ended December 31, 2006 was €7.3 billion (compared to €5.9 billion for the year ended December 31, 2005).

The Group currently has long-term senior debt ratings of "Aa2" with stable outlook from Moody's, "AA" with positive outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings. Moody's has also assigned the Bank a Bank Financial Strength rating of "B+" and Fitch Ratings has assigned the Bank an individual rating of "A/B".

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

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2006.

French Retail Banking

In France, the Group distributes its banking products and services to six million customers through its network of 2,200 branches. The Group is a leading provider of banking products and services for high net worth individuals and has a leading position in the corporate market. The Group has significant market shares in consumer lending, corporate lending and savings management.

International Retail Banking and Financial Services

This core business comprises the international retail banking business of the Group and a range of specialized financial services businesses. In specialized financial services, the Group is a leader in Europe in consumer loans, lease financing and vehicle fleet management. The core business is organized into five business lines as follows:

- Retail Banking in the United States (BancWest): includes retail operations in the western United States, with a network of approximately 742 branches and nearly 4 million households and businesses in twenty states;
- Consumer Financing (Cetelem): includes a complete portfolio of consumer credit and related financial services both in France and internationally (24 countries on four continents);
- Mortgage Financing (UCB): provides financing for residential real estate purchases by individuals;
- Equipment Solutions: provides financing for capital goods leased by businesses (BNP Paribas Lease Group) and outsourcing solutions on behalf of corporate customers for the management and financing of vehicle fleets and other logistical equipment (Arval, Artegy and Arius); and
- Retail Banking in Emerging and Overseas Markets: includes networks totaling nearly 1,650 branches (excluding China) and serving approximately more than 2.5 million customers in five geographical areas (Africa—Indian Ocean, French overseas departments and territories, North Africa—Mediterranean, the Middle East and Europe—Near East).

Asset Management and Services

For the year ended December 31, 2006, Asset Management and Services contributed €1,587 million (or 14.6%) of the Group's gross operating income.

Wealth & Asset Management

BNP Paribas Private Banking is one of the leading private banking organizations worldwide, offering a full range of international private banking products and services designed to meet the needs of high net worth individuals.

BNP Paribas Asset Management offers discretionary asset management services to a prestigious international clientele of insurance companies, pension funds, central banks, international organizations and multinational corporations and distributes mutual funds through the Bank's branch network and Private Banking units, as well as through an external network of banks and other financial institutions.

The Group's subsidiary Cortal Consors specializes in direct sales of personal savings products and on-line brokerage services. With over one million clients, Cortal Consors is a European leader in its sector based on number of customers.

Finally, through BNP Paribas Immobilier, the Group provides its clients with real estate investment services. These services include property development, real estate investments, commercial real estate advisory services, asset management, property management and residential sales.

Insurance

The Group's insurance business is led by BNP Paribas Assurance, which manages all of BNP Paribas' insurance companies, including Cardif.

Securities Services

BNP Paribas Securities Services provides securities services for financial and other institutions, including banks, brokerage houses, pension funds, mutual funds and insurance companies. In addition to clearing and custody services, it offers a wide range of related services, such as securities and cash position financing, collateral management, the outsourcing of middle- and back-office functions, fund administration and accounting, performance measurement and attribution, e-banking support services and transfer agent and issuer services. At December 31, 2006 assets under custody were €3.614 billion. BNP Paribas Securities Services handled 32.2 million transactions in 2005.

Corporate & Investment Banking

The Group is at the forefront of Europe's corporate and investment banking sector in key markets and is a major player in Asia and the Americas in selected businesses.

For the year ended December 31, 2006, Corporate & Investment Banking contributed €2,711 million (or 31.8%) of the Group's gross operating income.

Advisory and Capital Markets

Advisory and Capital Markets includes the Corporate Finance, Equities and Equity Derivatives and Fixed Income business lines.

Advisory and Capital Markets is a leader in France in several areas, in particular mergers and acquisitions advice. In 2006, BNP Paribas was ranked number one in France in mergers and acquisitions advice (source: *Thomson Financial*), and was among the leaders in Europe. The Group has also been one of the European leaders in equity derivatives for several years.

Financing businesses

At the crossroads of lending and capital markets, the Group's financing businesses offer both traditional lending and innovative and multifaceted structured financing solutions, backed by a seasoned distribution network. Products include energy and commodities services, project financing, export financing, syndicated loans, acquisition financing, leveraged buy-out financing, optimization and asset financing, media and telecommunications financing, marine and aircraft financing and structured leasing. The Group has a pre-eminent position in these areas of expertise and ranks among the world's top arranging banks.

BNL bc

BNL banca commerciale is a new core business resulting from the reorganization of BNL Group's business after its acquisition by BNP Paribas in the first half of 2006. It provides banking services in Italy to individuals and private banking clients, small- and medium-sized companies and local municipal and territorial authorities.

Strategy

Strategy by Division

The Group will focus on pursuing its growth during 2007. For each of its five core businesses, the Group has set the objectives summarized below.

French Retail Banking

French Retail Banking has the following areas of priority focus in 2007:

- continuing to improve individual customer satisfaction , by continuing the branch refurbishment program and innovation efforts, especially with respect to savings and insurance products;
- consolidating its market leading position in French private banking by expanding wealth management services, helping customer service officers to bolster their skills and expertise, and continuing to deliver innovative products and services;
- capitalizing on the success of the business centers with business customers to expand cross-selling of all the Group's products and services, including BNL's Italian desks, and to be the leading bank for growing businesses;
- improving efficiency of operations in both the sales organization and the back offices, where streamlining and automation of processes will continue.

The core business seeks to grow net banking income, excluding the PEL/CEL effects, by 4% in 2007 while maintaining a differential of at least one point between growth in net banking income and in operating expenses and depreciation.

International Retail Banking and Financial Services

International Retail Financial Services will implement an ambitious strategy across the board in 2007 focusing on:

- consolidating its leading positions in Retail Financial Services in Europe, especially in France and Italy, with even greater focus on innovation and productivity gains;
- implementing the organic growth plan at BancWest by filling out its branch network and deploying a larger product offering throughout the entire network;
- increasing revenues in Emerging Markets by more than 25% and continuing to open branches in far-Eastern Europe and 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.);
- taking advantage of acquisition-related cost savings.

Asset Management and Services

In 2007, the AMS core business will continue to deploy its profitable growth model designed to create substantial shareholder value, in particular by:

- focusing on organic growth, taking advantage of positive structural trends both in Europe and, increasingly, in emerging markets;
- capitalizing on new growth opportunities in Italy, where it will deploy a private banking network along with BNL and consolidate its product offering, especially asset management services and insurance products.

Asset Management Services thus seeks to continue to generate organic revenue growth above 10% while maintaining a positive jaws effect.

Corporate & Investment Banking

In 2007, CIB's goal is to:

- continue to develop its strategic franchises, in particular derivatives, focusing on flow business as well as specialized and structured finance;
- seek to expand its customer base, in particular the financial institutions and midcap segments;
- expand its business in Italy, capitalizing in particular on cross-selling opportunities with BNL;
- bolster its presence in a number of emerging markets, specifically China, India, Russia and the Middle East.

Corporate & Investment Banking will endeavour to maintain one of the industry's best cost/income ratios and to increase the productivity of the capital allocated to this core business, focusing on high value-added businesses, a selective loan origination policy and active management of the loan portfolio.

BNL

The plan to integrate BNL into BNP Paribas and the Group's general growth strategy for Italy were presented in detail in Rome on December 1, 2006. The implementation of this plan is well underway.

The retail banking, private banking and corporate banking divisions have been grouped under the name "BNL banca commerciale" (BNL bc) since January 1, 2007. The management structures for this new division for the Group have been put into place. A new geographic organization premised on the division of the Italian network into five autonomous and responsive regions is in the course of implementation. The product offering to individuals has been enriched and renewed, in particular with new life insurance products and the launching of a new demand deposit account called the "*conto revolution*". The new division has been successful in mixed sales to companies, including new clients brought in by the "Italian desks" already open within the Group, new international cash management mandates, and structuring and distribution of Fixed Income products to local municipalities.

The Group's other divisions are also in a position to provide products and services to BNL clients:

- the integrated "Asset Management and Services" team in Italy has been put into place to promote the division's platform to the branch network. The "Asset Management" group has improved its product offerings. A new life insurance product distribution agreement has been entered into with Unipol for BNL Vita;
- the Corporate and Investment Banking "BNP Paribas – BNL CIB" teams are fully operational with 225 professionals. They have enacted product training for BNL bc commercial managers and begun joint client visits;
- regarding International Banking and Financial Services, the combination of the two leasing companies is in progress. Distribution agreements have been established between BNP bc on one hand and Arval and UCB on the other. An "Italian desk" is open in Tunisia and another is in the process of opening in Turkey.

A tailored employment plan was signed by BNL SpA with workforce representatives in November 2006 pursuant to which there will be 2,200 departures and 900 hirings between 2007 and 2009. This plan is in the course of implementation.

The synergies expected in 2007 are 119 million euros, including 100 million euros in cost synergies and 79 million euros in gross revenue synergies resulting in 60 million euros in marginal costs associated with implementation. The responsibilities for the carrying out of these synergies are clearly assigned and the project management and monitoring tools are in place. In 2006, 15 million euros in cost synergies were achieved in the third quarter, including 23 million euros in the fourth quarter.

Activities of the Group

History

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

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

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

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

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

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

Organization

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, International Retail Banking and

Financial Services and Retail Banking in Italy (BNL bc). The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, which are conducted outside of its core businesses.

French Retail Banking

French Retail Banking's client base is composed of six million individual clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive line 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. At December 31, 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 in particular 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 organized its sales structure on the basis of network segmentation, with branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and specialized centres in charge of after-service.

The division has continued to actively expand the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled starting in 2002. The underlying aim of this system is to offer clients the highest standard of service and to step up the role of client advisers in the branches. The Client Relations Centre's three platforms in Paris, Orleans and Lille handle 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 center for entrepreneurs and small business clients was also opened in the Paris region in 2006 with a view to nationwide deployment. The workstations operated by the client advisers are geared to managing client relations within a multi-channel framework and hereby constitute the hub of the system, whose worth and effectiveness have been demonstrated through several years of use. French Retail Banking also has the largest network in France of Private Banking Centres, with 212 centres across France that ensure extensive local coverage.

To service corporate clients, the Division has 24 Business Centers located throughout France, as well as two professional assistance services – Service Assistance Entreprise (SAE) and Cash Customer Services (CCS).

Finally, the division is reengineering its sales processing centres into Production and Sales Support Branches (PSSBs). Specialized 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 (*excluding LaSer-Cofinoga*) in 56 countries. BNP Paribas subsidiaries and branches, with 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 on 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 business are 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.

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 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 stake 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 Middle East.

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

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 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, June 30, 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 December 31, 2006. Serving 4 million households and companies, it is now the 5th-largest bank in the western United States (*source: SNL Financial, June 30, 2006*).

Cetelem

Having pioneered consumer credit in 1953 and online credit in 1997, Cetelem is the leading consumer finance lender in France and continental Europe with more than EUR 53 billion in outstanding loans as at December 31, 2006, 42% of which is outside France. Cetelem currently 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.

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

The Group believes that 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 October 1, 2005, it has held joint control of LaSer-Cofinoga with Galeries Lafayette. The Cetelem-LaSer “alliance” enables the two partners to capitalize on numerous synergies and improve their market competitiveness.

Cetelem also has strong relationships with 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 with 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.

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. At December 31, 2006, UCB’s managed outstanding loans totalled EUR 32.6 billion.

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.

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 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; and
- BNP Paribas Lease Group (BPLG), specialized 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. 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, making it the leading 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 the leader in the leasing market, with an 18% market share (*source: ASF, 2006*).

In Italy, the link-up with Locafit, a subsidiary of Banca Nazionale del Lavoro, has created a major player in the market and the leader supplier of equipment leasing contracts (*source: Assilea, 2006*).

Emerging Markets

The Retail Banking in the Emerging Markets business line encompasses the bank's network of branches in over 30 countries, offering retail banking services tailored to local needs in six geographic zones: Africa and Indian Ocean; French overseas territories (DOM TOM); Maghreb; Asia, Turkey and Israel; the Middle East and Eastern Europe.

The Retail Banking in the Emerging Markets business line's networks grew substantially in 2006, with 343 new branch openings across 33 countries.

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 total more than 1,650 branches and over 2.5 million clients, excluding China, where the Group operates via a strategic partnership.

In April 2006, the Group finalized the acquisition of 51% of UkrSibbank, which was Ukraine's 3rd-largest bank in terms of assets as at December 31, 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 development of a local bank network in Russia.

BNP Paribas started operations in two new countries in 2006, opening 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 December 31, 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 organization.

BNP Paribas' operations in Africa are organized around the network of Banque Internationale pour le Commerce et l'Industrie (BICI). With approximately 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 Fortuna), the Group has 53 branches and has solid local positions.

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 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: Bahrein, 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 Centers.

BNL banca commerciale (BNL bc)

BNL banca commerciale is a new core business segment resulting from the reorganization of BNL's business 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 municipal and territorial authorities.

As a result of consolidation among Italian banks in 2006, the Group estimates that BNL banca commerciale can now be considered the seventh largest bank in Italy in terms of both customer loans and deposits.

With nearly 16,000 employees, the network extends to all major Italian cities (i.e., provincial capitals) and comprises 730 branches and 100 centers specialized in relations with private banking clients, companies and local and regional administrations. 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, BNL's Retail & Private Banking division covers:

- 2.5 million individual clients (defined as those with personal assets up to EUR 1 million), 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 (defined as those with personal assets over EUR 1 million), who are served by a network of 18 private banking centers located in the main Italian cities and 150 specialists dedicated to developing distinctive and personalized products and services;
- 112,000 small businesses (defined as those with revenues up to EUR 1.5 million), in a market offering attractive opportunities that BNL banca commerciale intends to take advantage of while maintaining strict credit quality standards. 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 administering the Italian state's subsidy program 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 (defined as those with revenues between EUR 1.5 million and EUR 500 million), 16,000 local and regional administrations and non-profit organizations.

All types of financing are provided, in some cases in conjunction with the Group's Corporate and Investment Banking Division. In certain financing areas BNL is among the market leader, such as factoring, which is offered through BNL's specialized subsidiary, Ifitalia, and rated no. 2 in its sector with a 16% market share (*source: Assifact (association of factoring companies)*). BNL banca commerciale also offers medium-sized companies and local and regional administrations 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 (AMS)

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 Banque Privée), 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); and
- 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 all AMS businesses were leaders in their markets in France and at a European or global level.

Wealth & Asset Management

Asset Management

BNP Paribas Asset Management is one of the foremost asset managers in Europe, with EUR 326 billion of assets under management at December 31, 2006 (including assets under advisory account).

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

Over the last ten years, BNP Paribas Asset Management has built up its position in 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.

BNP Paribas Asset Management is strongly committed to responsible investment, and its funds have received Novethic's top rating (aaa). The Group believes that 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-person meeting. 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 specialized in personalized 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 personalized portfolio advisory and management services.

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

The Group believes that Cortal Consors can be readily adapted to all banking systems and is therefore easily exportable, and accordingly that Cortal Consors' future growth lies in carving out market share in emerging markets.

Private Banking

Serving a demanding client base of high net worth individuals, BNP Paribas Banque Privée offers personalized 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 the market leader in French private banking, with close to EUR 56 billion in assets under management and a network of approximately 100 Private Banking Centers (plus 100 or so other facilities) nationwide. It ranks third in western Europe, where it is fast broadening its reach in its domestic markets, and seventh in Asia (*source: 2006 Euromoney rankings*). At the end of 2006, BNP Paribas Banque Privée's overall client assets under management stood at more than EUR 130 billion.

Real Estate Investment Services

With 3,500 employees, BNP Paribas Immobilier is continental Europe's leading provider (based on information published by competitors) of real estate services to companies and one of France's major players in residential property. The Group believes that the range of services offered by BNP Paribas Immobilier is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.

European network

In commercial property, BNP Paribas Immobilier is active in eight European countries: France, the United Kingdom, Germany, Spain, Belgium, Luxembourg, Italy and Ireland, and also has offices in New York. In residential real estate, BNP Paribas Immobilier's main activity is in France, but it also has operations in Spain.

BNP Paribas Immobilier includes 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 (based on information published by competitors);
- no. 2 in Spain (based on information published by competitors);
- among the top 10 in the United Kingdom (based on information published by competitors).

In residential property, the Espaces Immobiliers BNP Paribas network is one of the major selling groups for new and relatively new housing (over five years old).

Property Management

BNP Paribas Real Estate Property Management manages more than 16 million square meters of commercial property in Europe, including more than 8.5 million square meters. 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 residential accommodation.

Property Development

Meunier is France's 3rd-largest real estate developer (*source: "Classement des Promoteurs", published by Innovapresse in June 2006*):

- number 1 in commercial properties with Meunier Immobilier d'Entreprise;
- among the top ten in residential properties with Meunier Habitat;

4. 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 five 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 personalized group policies to large companies and small and medium-sized companies.
- 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 include 35 of the world's 100 leading banks and a large number of financial institutions, including consumer credit companies, credit subsidiaries of car makers and major retail groups.

BNP Paribas Assurance is the fourth largest life insurer in France (*source: FFSA*) and second largest worldwide in creditor insurance (based on information published by competitors).

Securities Services

BNP Paribas Securities Services (including securities operations developed through BNP Securities Services, BNP Paribas Fund Services and BNP Paribas SA) is the leading European provider of securities services to companies, asset managers and financial institutions located around the world. 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 December 31, 2006, assets under custody totalled EUR 3,614 billion and assets under administration EUR 623 billion, with 32.2 million transactions settled in 2006.

BNP Paribas Securities Services is ranked number 1 among European global custodians and 4th worldwide (*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 & Investment Banking (CIB)

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 needs for development and financial optimisation faced by companies, institutions, states and public authorities. In 2006 the Group defined a "One Bank" strategy with a view to enhancing knowledge sharing among these expert teams and consolidate the global approach to client service. In this spirit, BNP Paribas has organised client-facing groups, specialized 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 and 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 specialized 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 organization 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 mergers and acquisitions teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatisations. Primary market services include public offerings, equity issues, secondary issue placements, and convertible/exchangeable bond issues.

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

Corporate Finance employs approximately 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 emerging markets.

In mergers and acquisitions advisory work, BNP Paribas ranked number 1 in France in 2006 (*source: Thomson Financial*), and ranked eighth in Europe (*source: Dealogic* based on transaction volumes announced in 2006). In primary equity business, BNP Paribas ranked among the leading ten institutions in Europe (*source: Dealogic Equityware*).

Equities and Equity 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 a strong growth performance, garnering numerous awards, including:

- “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 three fixed income market participants in Europe, and it has 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 recognized global house in the interest rate and credit derivatives markets, and is a leading player in global foreign exchange trading. BNP Paribas’ broad range of fixed income products is delivered through an accomplished sales and marketing platform. Further, the Bank has a comprehensive range of research products and services available for one-on-one client support and advice, as well as an extensive array of written reports through a variety of channels. In particular, the Bank’s research methods are supported by innovative quantitative techniques.

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 securitization (origination, structuring and distribution) and reorganizing 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 honored with several prestigious awards, including:

- “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); and
- “Best Structured Products House” from the *Euromoney* magazine (July 2006).

Financing Businesses

Energy, Commodities, Export and Project Finance (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 industrialized 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 specialized 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 maintained its position 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 & Forfeiting 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, number 1 “Worldwide Arranger of Export Credit backed Aircraft Financing Solutions” (*Euromoney*).

BNP Paribas was also recognized for its innovation in this area (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 sixth-largest bookrunner of syndicated loans worldwide and third-largest bookrunner of syndicated loans in the Europe – Middle East – Africa region. It was also the market leader 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 optimizing liquidity.

Developed in close collaboration with French Retail Banking's Cash Management department, this product 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 organization, 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 and 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 December 31, 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 divestments related to Power Corp. of Canada and Ipsen. The Group continued investing in private equity funds and made 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 (50.16% held by BNP Paribas SA) develops, owns and manages shopping centers in ten European countries, mainly France, Spain and Italy. Klépierre is continental Europe's second-largest listed property group specialized in shopping centers, with a market capitalization of EUR 6.6 billion at December 31, 2006. Its property assets totalled EUR 9.1 billion at

year-end, of which more than 89% consisted of shopping centers 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 centralized development and management capabilities of its subsidiary Ségécé (which is 75%-held by Klépierre, and 15%-held by BNP Paribas SA.). Ségécé is continental Europe's leading manager of shopping centers. Ségécé manages 342 shopping centers – 236 of which are owned by Klépierre – through a network of eight subsidiaries.

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

The Group has more than 1,000 employees.

Litigation

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

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 in May 2005 under the U.S. federal Racketeer Influenced and Corrupt Organizations (RICO) Act in the U.S. District Court for the Southern District of New York, against Congo's principal state-owned oil company (SNPC), its former chief executive, and BNP Paribas. The complaint alleges that the defendants and certain oil traders pursued a "scheme" to misappropriate Congo funds for the private benefit of certain Congo public officials and to protect oil and oil revenues from the reach of creditors, by entering into a series of "prepayment agreements", pursuant to which SNPC received advance payments on sales of oil to the oil traders. It is claiming damages of USD 100 million (which may be tripled pursuant to the RICO Act), plus interest and legal fees. On March 31, 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. Before the Bank responded to the plaintiffs' allegations, the plaintiffs advised that they intend to amend their complaint. The Bank expects that the plaintiffs will file an amended complaint sometime in mid-May. The Bank considers the plaintiff's claim, as well as any allegation 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, to be baseless, and intends to vigorously defend itself in the lawsuit.

Main Shareholders of BNP Paribas

At December 31, 2006, AXA, a French *société anonyme* (corporation), held 5.7% of the share capital, or approximately 52.7 million shares, of BNP Paribas (5.8% of voting rights). At that date, to the knowledge of the Board of Directors of BNP Paribas, no other shareholder held more than 5% of the share capital.

The Bank has also long been a shareholder of AXA, previously indirectly via a holding company (Finaxa) and since the merger between AXA and Finaxa on December 16, 2005, directly. At December 31, 2006, the Bank held 5.8% of the share capital, or approximately 120.9 million shares, of AXA (5.2% of voting rights).

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

CAPITALIZATION OF THE GROUP

Except as set forth in this section, there has been no material change in the capitalization of the Group since December 31, 2006.

The following table sets forth the consolidated capitalization of the Group as of December 31, 2006 and December 31, 2005.

<i>(in millions of euros)</i>	As of <u>December 31, 2006</u>	As of <u>December 31, 2005</u>
Medium- and Long-Term Debt of which the unexpired term to maturity is more than one year⁽¹⁾		
Debt securities at fair value through profit or loss	43,773	36,580
Other debt securities	45,136	20,269
Subordinated debt	<u>14,072</u>	<u>13,356</u>
Total Medium- and Long-Term Debt	<u>102,981</u>	<u>70,205</u>
 Shareholders' Equity and Equivalents		
Issued capital ⁽²⁾	1,868	1,676
Additional paid-in capital	13,721	8,025
Preferred shares and equivalent instruments ⁽³⁾	4,447	2,424
Retained earnings ⁽⁴⁾	21,648	20,966
Unrealized or deferred gains and losses attributable to shareholders	5,025	5,471
 Undated participating subordinated notes ⁽⁵⁾	290	306
Undated subordinated FRNs ⁽⁶⁾	<u>1,214</u>	<u>1,493</u>
 Total Shareholders' Equity and Equivalents	<u>48,213</u>	<u>40,361</u>
Minority interests ⁽⁷⁾	<u>5,087</u>	<u>5,084</u>
Total Capitalization	<u>115,650</u>	<u>115,650</u>

Notes:

- 1) Medium- and long-term debt does not include the following items: interbank items and customer term deposits. All medium- and long-term senior debt of BNP Paribas ranks equally with deposits. The subordinated debt of BNP Paribas is subordinated to all other debt with the exception of undated participating subordinated notes (*titres participatifs*).
BNP Paribas and its subsidiaries issue medium- to long-term debt on a continuous basis, particularly through private placements in France and abroad.
Euro against foreign currency – as of December 31 2006: CAD = 1.537435; GBP = 0.673814; CHF = 1.308572; HKD = 10.262501; JPY = 157.135389; USD = 1.3198.
- 2) The number of shares outstanding has increased since December 31, 2006. BNP Paribas' share capital was modified on January 22, 2007: it stands at €1,865,756,980 divided into 932,878,490 common shares with a par value of €2 per share, all fully paid.
- 3) In June 2005, BNP Paribas SA issued \$1,350 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.186% per annum for a period of ten years. Thereafter, BNP Paribas SA

may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to 3-month USD Libor plus a margin equal to 1.68% per annum.

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

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

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

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

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

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

- 4) After estimated distribution (subject to approval of the shareholders' meeting to be held in May 2007) and deduction at cost of 4,724,282 BNP Paribas shares held by BNP Paribas as at December 31, 2005 and 25,211,909 BNP Paribas shares held by BNP Paribas as at December 31, 2006.
- 5) In July 1984, BNP issued 1,800,000 undated participating subordinated notes (*titres participatifs*) with a par value of FF 1,000, for total issue proceeds of €274 million. Rights to subscribe to additional undated participating subordinated notes were attached to each of these notes. In respect of rights exercised between July 1 and July 30, 1985, 1986, 1987 and 1988, BNP issued a total of 412,761 new undated participating subordinated notes with a face value of FF 1,000 and received an issue premium of €4 million. These notes are redeemable only in the event of a liquidation of BNP Paribas but may be redeemed in accordance with the terms of the French Law of January 3, 1983.
- 6) In October 1985, BNP issued €305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). These notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all of the Bank's other debts but senior to the undated participating subordinated notes issued by BNP Paribas. The Board of Directors is entitled to postpone the interest payments on these securities if the shareholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP raised a further \$500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In 1996, 1997 and the first half of 1998, BNP issued undated floating-rate subordinated notes that may be called at the issuer's

discretion, starting from a date specified in the issuing agreement and contingent upon the consent of the *Commission Bancaire*.

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

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

In October 2001, BNP Paribas Capital Preferred II LLC, a wholly-owned subsidiary of BNP Paribas, issued €350 million of noncumulative preferred securities, via BNP Paribas Capital Trust II. They pay a contractual dividend of 7.00%. As at October 5, 2006, the issuer has redeemed the securities.

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

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

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

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

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

Capital Adequacy under the BIS Standards

In 1988, the Basel Committee on Banking Supervision (the “Basel Committee”), a committee consisting of representatives of the central banks and supervisory authorities from the “Group of Ten” countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements (“BIS”), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. In 1996, the Basel Committee adopted a significant amendment to the BIS standards to provide a specific capital cushion for market risks in addition to a bank’s credit risks. This amendment defines market risks as: (i) the risks pertaining to interest rate-related instruments and equities in a bank’s trading book and (ii) foreign exchange risks and commodities risks held generally on the bank’s books. As amended in 1996 and refined in September 1997 by the Basel Committee, the BIS standards continue to require a capital solvency ratio with respect to a bank’s credit risks and, in addition, require a bank to quantify its market risks in figures equivalent to credit risks and to maintain an overall capital ratio of 8% with respect to its credit and market risks. As adopted by the Banking Commission, these revised BIS standards have been applicable to French credit institutions since January 1, 1998.

Under the BIS standards, a credit institution’s capital is divided into three principal categories, or “tiers”. Tier 1 capital consists of “core” capital items such as common and qualifying perpetual preferred equity, Tier 2 capital includes “quasi-capital” items such as certain perpetual and long-term preferred equity and subordinated debt, and Tier 3 capital (counted in regulatory capital only for the market risk component of the BIS standards) consists of qualifying short-term subordinated debt. The composition of each tier of capital is described in more detail under “The CAD Ratio—Determination of the Level of Capital”. The aggregate amount of the credit institution’s regulatory capital is compared to the value of the credit institution’s assets, weighted to take into account the market and/or counterparty risk inherent in those assets. Under the BIS standards, credit institutions are required to maintain a total risk-based ratio (combined Tier 1 and Tier 2 capital to risk-weighted assets) of at least 8%, and the Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) must be at least 4%.

Capital Adequacy Directives

In 1989, the Council of the European Union adopted two directives that set the framework of capital adequacy within the European Union with respect to credit risks and, in 1993, adopted a capital adequacy directive for credit institutions and investment enterprises under which member states are required to adopt regulations to supplement the solvency rules so as to take into account risks associated with a bank’s trading activities in addition to credit risk. In France, these directives have been implemented through a series of regulations adopted by the Banking and Finance Regulatory Committee since 1996 (collectively, the “CAD Regulation”).

Effective as of January 1, 1996 pursuant to the CAD Regulation, French credit institutions became subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of banking activities. In addition to credit risk, the CAD Regulation specifies different standards for a credit institution’s trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulation also requires credit institutions to maintain additional capital measured by reference to the foreign exchange and commodities risks of all their activities, including banking and trading. Under the CAD Regulation, a credit institution’s total capital is divided by the total amount of capital that the bank is required to maintain under

the CAD Regulation, which is based on weightings designed to address the various risks intended to be covered. The resulting quotient (expressed as a percentage) is the credit institution's CAD ratio (the "CAD Ratio"), which must be at least 100%.

The CAD Ratio

The CAD Ratio is calculated in a process that includes five principal steps. First, the overall level of the credit institution's capital is determined, with capital subdivided into three tiers, Tier 1, Tier 2 and Tier 3. Second, the credit institution's assets and off-balance sheet commitments are divided into a banking portfolio and a trading portfolio. Third, the components of the banking portfolio (including the relevant off-balance sheet items converted to balance sheet equivalents) are adjusted by multiplying the value of each asset by a percentage designed to reflect the level of associated credit risk, a process known as "risk-weighting". Fourth, the aggregate capital requirement of the credit institution is calculated, in an amount equal to 8% of the risk-weighted value of the assets and off-balance sheet items in the banking portfolio, plus specified percentages of the value of the assets and off-balance sheet items in the trading portfolio, plus capital requirements in respect of foreign exchange risk and commodities risk. Fifth, the level of the credit institution's capital (subject to certain limitations described herein) is divided by the aggregate capital requirement of the credit institution as described above.

Determination of the Level of Capital

Tier 1 capital (referred to as "own funds") includes share capital, reserves (other than revaluation reserves, as described below), share premiums, retained earnings, unallocated profit from the most recent fiscal year (less the amount of any related dividend proposed for approval to the shareholders) or interim period and any reserves for general banking risks (*i.e.*, any reserves established to cover risks that are not accounted for by specific or country risk provisions). Share capital and the related share premium (the equivalent of additional paid-in capital) include common equity and qualifying non-cumulative perpetual preferred stock. Because unallocated profit for the most recent year (less the amount of any proposed dividend for that year) or interim period is included in Tier 1 capital, fluctuations in net income may have a significant impact on the CAD Ratio of a credit institution. For an institution that prepares financial statements on a consolidated basis, such as BNP Paribas, Tier 1 capital is adjusted to reflect the result of the consolidation, most notably by the addition of minority interests in the equity accounts of consolidated companies. Goodwill and certain other non-qualifying intangible and other assets are deducted in calculating Tier 1 capital.

Tier 2 capital (referred to as "supplementary capital") includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses, is classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as "ancillary own funds") consists of subordinated debt that like Tier 2 capital must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a "lock-in" clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including

counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250% of a bank's residual Tier 1 capital (*i.e.*, Tier 1 capital above that required to cover credit risks).

Determination of the Banking Portfolio and the Trading Portfolio

Under the CAD Regulation, a credit institution's banking portfolio includes all of its assets and off-balance sheet items, other than those included in its trading portfolio. The trading portfolio includes any items that the Bank intends to trade with a view to benefiting from favorable price trends or to finance or hedge such items, such as trading securities, securities held for sale (subject to certain exceptions) and derivative instruments (broadly defined), the purpose of which is either to maintain open positions to benefit from price variations or to manage the bank's trading portfolio. Items in the banking portfolio are recorded at historical cost and most items in the trading portfolio are marked to market.

Risk-Weighting

As discussed above, the nature of banking operations involves a variety of risks that depend upon credit quality and market conditions. To determine the risk-weighted value of the assets in the banking portfolio under the CAD Ratio, a specific weighting is assigned to each such asset, based on the credit risk of the relevant obligor, guarantor or other counterparty. The weighting is expressed as a percentage, which is multiplied by the value at which the relevant asset is carried on the credit institution's balance sheet. For risk-weighting purposes, commercial loans are taken as a benchmark with a risk weighting of 100%. Certain other transactions qualify for reduced weightings. The following table sets forth the risk weightings applicable to various types of assets. If the relevant obligation is fully guaranteed, the risk weighting of the guarantor is applied (except as specified in the table below).

<u>Type of Asset or Counterparty</u>	<u>Risk Weighting</u>
Cash and equivalents; government or central bank obligations of OECD countries and certain other countries ("Zone A" countries) and obligations expressly guaranteed by such entities; government or central bank obligations of non-Zone A countries ("Zone B" countries) and obligations of a borrower of a Zone B country guaranteed by the government or central bank of such country, in each case that are payable and funded in local currency; obligations of the European Communities and of certain local governments of the European Economic Area; and assets secured by securities of a Zone A government or central bank or the European Communities, deposits lodged with the lending credit institution or certificates of deposit issued by, and deposited with, the lending credit institution	0%
Securities issued by certain French and EU mortgage companies	10%
Obligations of certain multilateral development banks and obligations expressly guaranteed by such entities; obligations of certain regional or local governments of Zone A countries and obligations expressly guaranteed by such entities (excluding entities authorized to apply a 0% ratio on these obligations); obligations of credit institutions in Zone A countries (unless classified as qualifying capital by those institutions); obligations of Zone B credit institutions with a residual maturity of one year or less (unless classified as qualifying capital by those institutions); assets secured by securities of certain multilateral development banks or regional or local governments of Zone A countries; and cash items in course of collection	20%
Obligations secured by residential mortgages on owner-occupied or leased properties; real estate leasing operations; prepayments and accrued income when the counterparty cannot be determined	50%
All other assets	100%

Off-balance sheet items are converted to balance sheet equivalents by applying specified conversion factors, except in the case of off-balance sheet items relating to interest rates, currency exchange rates, securities, precious metals and commodities, which are discussed separately below. The converted balance sheet equivalent amounts are then multiplied by the applicable risk-weighting percentages described above, and the product is the risk-weighted equivalent value of the relevant item. For purposes of determining the applicable conversion factors, off-balance sheet items other than those relating to interest rates, currency exchange rates, securities, precious metals and commodities are first classified in four categories, with higher levels of capital required for the categories perceived as representing greater risk. Each off-balance sheet item is classified in the category that is deemed

appropriate (according to instructions of the Banking Commission). The following table sets forth a summary description (which is not exhaustive) of the items in each category and the corresponding risk weighting.

<u>Type of Off-Balance Sheet Item</u>	<u>Conversion Factor</u>
Limited Risk Undrawn commitments that are for an initial maturity less than or equal to one year or that may be cancelled unconditionally at any time by the relevant entity of the credit institution member without notice and other items presenting a limited risk	0%
Moderate Risk Documentary credits secured by underlying goods and other similar transactions and other items presenting a moderate risk	20%
Average Risk Unsecured documentary credits, guarantees (including performance bonds and similar non-payment guarantees), agreements to repurchase assets when the transferee benefits from a resale option, irrevocable credit lines that do not constitute credit substitutes, standby facilities and undrawn credit lines with an initial maturity of more than one year, note issuance facilities and revolving underwriting facilities and other items presenting an average risk	50%
High Risk Loan guarantees, acceptances (including endorsements with the character of acceptances), transfers with recourse, irrevocable credit lines or guarantees that are credit substitutes, forward purchase agreements, sale and repurchase agreements, forward deposits, and non-paid up share capital or other securities and other items presenting a high risk	100%

Off-balance sheet items relating to interest rates, exchange rates, titles to property, commodities and similar items, such as forward exchange operations, interest rate or exchange rate futures and other similar items, are valued on a mark-to-market basis. Under this mark-to-market method, the initial step is to determine the net exposure of the credit institution to each counterparty, measured as if the arrangement were terminated on the date of measurement. An additional amount is then added to such net exposure, calculated by multiplying the notional principal amount of the relevant contract by a certain coefficient (ranging from 0% to 15%) depending on the type of item and its residual maturity. The resulting amounts are multiplied by the risk weighting for the applicable type of counterparty (as set forth above for balance sheet items). Interest rate and currency options sold (subject to certain exceptions), contracts traded on a regulated market that requires daily margin posting and exchange rate contracts with an initial maturity of 14 days or less are not converted to balance sheet equivalents.

Total capital requirements

The capital requirement applicable to the banking portfolio is equal to 8% of the aggregate risk-weighted value of the assets and off-balance sheet items included in the banking portfolio, determined in the manner set forth above.

The capital requirement applicable to the trading portfolio is determined by multiplying the value of the assets and off-balance sheet items in the trading portfolio by specified percentages designed to take into account the market risks (which include the interest rate risk, the equity-position risk and certain option risks) and settlement risk associated with such assets. Interest rate risk is the risk to the value of interest-bearing assets relating to future movements in interest rates, based either on factors specific to the asset or on general level of market interest rates. Equity-position risk is the risk to the value of equity securities relating to either future movements in prices of the relevant shares or stock market prices generally or factors specific to the security or issuer concerned. Settlement risk is the risk that a counterparty to a trade will not complete the trade and deliver the relevant asset or pay the relevant purchase price.

Capital is also required under the CAD Regulation for foreign exchange risk and commodities risk, whether located in the credit institution's banking portfolio or trading portfolio. In general, these requirements are calculated by (i) applying an 8% capital charge to net foreign exchange and gold positions that exceed 2% of the credit institution's total capital, and (ii) multiplying matched and unmatched positions in other commodities and related derivatives by certain specified percentages.

Calculation of the CAD Ratio

The CAD Ratio of a credit institution is determined by comparing the aggregate amount of capital available to cover the institution's capital requirements, calculated in accordance with the CAD Regulation, with the aggregate capital requirement of the institution.

The amount of the institution's capital for purposes of calculating the CAD Ratio is equal to the sum of the amount of capital allocated to cover the capital requirements of the banking portfolio, plus the amount of capital available to cover the capital requirements of the trading portfolio (including foreign exchange and commodities risks). The amount of capital allocated to cover the banking portfolio is required to be equal to 8% of the risk-weighted value of the assets and off balance sheet items in the banking portfolio. As the amount of capital available to cover the trading portfolio and foreign exchange and commodities risks depends on the availability of capital to cover the banking portfolio in excess of the related capital requirements, no capital will be available to cover the trading portfolio and foreign exchange and commodities risks if the capital available to cover the banking portfolio is insufficient to cover such requirements.

The amount of capital available to cover the capital requirements of the banking portfolio is equal to the aggregate amount of Tier 1 and Tier 2 capital, except that (A) Tier 2 capital is included in the calculation only to the extent that it does not exceed Tier 1 capital and (B) Lower Tier 2 capital is included in the calculation only to the extent that it does not exceed 50% of Tier 1 capital (the limitations described in clauses (A) and (B) are referred to as the "Tier 2 Caps"). The resulting amount is reduced by deductions equal to the amount of equity (including certain hybrid instruments) owned by the institution in non-consolidated credit institutions in which the institution holds at least a 10% interest or exercises control, or as to which the institution's holdings represent more than 10% of its total capital before deductions, as well as the balance sheet equivalent of certain credit support obligations in respect of securitization transactions. These amounts are first deducted from Tier 2 capital (after application of the Tier 2 Caps), and then from Tier 1 capital.

The amount of capital available to cover the capital requirements of the trading portfolio is equal to the aggregate amount of Tier 1 capital and Tier 2 capital not used to cover the banking requirement, as described above, plus the aggregate amount of Tier 3 capital, except that the amount of Tier 2 capital and Tier 3 capital included in the calculation may not exceed 250% of the amount of Tier 1 capital included in the calculation.

The CAD Ratio of a credit institution is equal to the quotient (expressed as a percentage) obtained by dividing (i) the total amount of capital available to cover the credit institution's capital requirements, by (ii) the capital requirements of the banking portfolio, the trading portfolio and foreign exchange and commodities risks. If the CAD Ratio is equal to 100% or more, then the bank is in compliance with the CAD Regulation.

Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at December 31, 2006.

	At December 31, 2006
	(in billions of € except percentages)
Total Capital:	
Tier 1	33.3
Tier 2	18.3
Deductions	-3.8
Tier 3	<u>1.5</u>
	49.4
Calculation of commercial banking portfolio capital requirement	
Risk-weighted value	445.2
Capital requirement	35.6
Calculation of trading portfolio capital requirement	
Risk-weighted value	12.0

Capital requirement	1.0
Total capital requirement	36.6
CAD Ratio.....	135%

Planned Changes to the BIS Capital Standards

On July 4, 2006, the Basel Committee issued a final comprehensive version of the International Convergence of Capital Measurement and Capital Standards (commonly referred to as the “Basel II Accord”). Earlier versions of the proposed Basel II Accord were issued by the Basel Committee in November 2005, June 2004, April 2003, January 2001 and June 1999. The Basel Committee has also released numerous discussion papers, conducted several quantitative impact studies and established several working groups to address various issues under the proposed Accord. The Accord Implementation Group, for example, serves as a means for supervisors to share information and seeks to promote consistent implementation as participating countries move forward with adopting and interpreting the new Accord.

The Basel II capital framework consists of three “pillars”: minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline. Under the first pillar, minimum capital requirements 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 “standardized” approach, and two “internal ratings based” (IRB) approaches (“foundation” and “advanced”). The standardized approach is an updated and expanded version of the existing risk weight categories, with risk weights based, in many cases, on credit ratings from *external* sources (such as credit rating agencies), with a greater range of risk weights available (some of the new risk weights would exceed 100% for low quality exposures), and with greater recognition of credit risk mitigation techniques such as the use of collateral, guarantees and credit derivatives. Under either of the two internal ratings based approaches, banks 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 for each of several different types of assets or credit exposures. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modeling systems must be reviewed and approved by its banking supervisory authority.

Capital requirements for market risk 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 adopted in July 2005.

The Basel II Accord also introduces a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge would be determined by one of three alternative approaches. The two simpler approaches apply multipliers to gross income by institution or business line. The more sophisticated third approach, known as the “Advanced Measurement Approach” (AMA), 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, systems and other factors.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank’s capital position is consistent with its overall risk profile and strategy. Banking institutions will be expected to maintain capital at some level in excess of the mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in the first pillar (such as interest rate risk in the banking book and credit concentrations). Supervisors 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 emphasizes public disclosures to enhance market discipline. The new framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies.

The Basel Accords have no legal force and must be transposed into national banking regulations. On September 28, 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. This Directive is being turned into banking regulations by each member state. The implementation date of the EU Capital Requirements Directive—which applies to all credit institutions and investment firms in the European Union—was January 1, 2007, for those wishing to adopt the most simple approaches and January 1, 2008, in all other cases, although institutions are permitted to continue to use existing rules to determine their capital requirements until and including year-end 2007. The Bank expects that it will be granted authorization to use the advanced approaches for a large part of the Group at the earliest possible date, which is January 1, 2008. Specific implementation procedures will be carried out in respect of certain subsidiaries, mostly operating in the retail banking segment where regulatory and operational host country considerations are particularly important. Where appropriate, including for BNL and Bancwest, the Bank will prepare a specific migration and validation plan for their transition to the advanced approaches, which will be submitted to the appropriate banking authorities for review and approval.

The Basel Committee has said it will continue to review the calibration of the capital requirements as it monitors the results of the parallel calculations submitted by banks during the implementation and transition period. The European Parliament has also authorized technical amendments to the EU Capital Requirements Directive without need for further parliamentary vote.

The Bank cannot currently predict what additional changes may be adopted in the Basel II framework or what specific capital charges may be required as a result of banking supervisors' implementing measures, or, more generally, what effect the Basel II Accord may have on the Bank's regulatory capital ratios, financial condition or results of operations.

Differences in the application of Basel II between the various jurisdictions in which the Bank operates could represent challenges in implementation. The Basel II Accord allows significant scope for interpretation by supervisors in participating countries. For example, the European Union and U.S. approaches to the implementation of Basel II are expected to differ in a number of respects. Among other things, the U.S. federal banking agencies have announced that many, generally small and medium-sized U.S. banking institutions will continue to be subject to the existing BIS accord (updated in certain respects), while large internationally active banks and others that "opt in" voluntarily will be subject to the advanced approaches of Basel II. BNP Paribas is currently considering "opting in" to the advanced approaches at its depository institution subsidiaries in the United States, although the targeted timing for such an opt-in approach has yet to be definitively determined. The implementation date of Basel II in the United States is currently targeted for January 1, 2009, one year later than for Europe. Guidelines for the U.S. implementation of Basel II are still in development. The Bank is unable to predict how the delayed implementation and other differences in application of Basel II in the United States may affect the Bank's consolidated capital adequacy ratio once the EU Capital Requirements Directive becomes effective.

RECENT DEVELOPMENTS

Cardif Strategic Partnership with Vietcombank and Seabank

On January 30, 2007, Cardif announced the signature of a tripartite agreement in Hanoi with Vietcombank, the leading bank in Vietnam, and Seabank, to sell life insurance, contingency and savings products in Vietnam. This strategic partnership will lead to the creation of a joint venture, held 43 percent by Cardif, 45 percent by Vietcombank and 12 percent by Seabank. The partners have applied 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 the country's leading bank. It operates throughout Vietnam 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 at a rate of 7 percent a year, a population of 80 million and a banking penetration rate that is still low, the Bank believes that 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 transaction is in line with 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 in India, Thai Life in Thailand and Shinhan Financial Group in South Korea.

Acquisition of Dexia Banque Privée France

On February 19, 2007, BNP Paribas agreed to acquire Dexia Banque Privée France. The addition of Dexia Banque Privée France, with its EUR 3 billion asset base and recognized client base among organizations, will enable BNP Paribas to strengthen its position as leader in the private banking market in France. The transaction remains subject to antitrust clearance.

Dexia Banque Privée France offers asset management services to private clients and organizations. It results from the 2002 merger of BIMP (Banque Industrielle et Mobilière Privée) and Banque Vernes. As of December 31, 2006, its stockholder's equity stood at EUR 117 million and it had nearly 200 employees.

Acquisition of 27% Interest in Indian Financial Services Firm

On March 13, 2007, BNP Paribas acquired a 27% interest in Geojit Financial Services Ltd through a reserved capital increase. The capital increase will be effected in two steps and BNP Paribas's shareholdings in Geojit will increase to at least 34.35% in the coming weeks. The capital increase allotted to BNP Paribas will mainly finance the continued development of the company in India and to enable the company to bolster its presence in the Gulf countries, primarily through the opening of a new joint-venture in Saudi Arabia.

Based in Kochi, Kerala, Geojit is a brokerage firm and distributor of financial savings products, with approximately 250,000 clients, a network of 400 branches throughout India, and over 2,000 employees. Geojit also operates in the United Arab Emirates through the joint-venture Barjeel Geojit Securities. Geojit offers brokerage services for equities, derivatives and commodities, financial savings products (funds, life insurance, programmed savings plans) and a portfolio management service, mainly to private customers. Created in 1987, Geojit is listed in India on the National Stock Exchange and the Bombay Stock Exchange.

Already present in India through its Investment Banking, Private Banking, Insurance (joint-venture SBI Life) and Asset Management (joint-venture Sundaram BNP Paribas, etc.) activities, BNP Paribas sees Geojit as a strong trading and distribution platform in a fast growing market.

Acquisition of Exelbank

On March 21, 2007, BNP Paribas agreed to acquire Exelbank from Banco Sabadell. Following the acquisition, Exelbank will be integrated into BNP Paribas Securities Services once the necessary approvals are obtained from the appropriate regulators.

Exelbank provides custody and settlement related services to Spanish and international financial institutions, depositary bank services to mutual and pension funds and outsourcing services related to investment operations and private banking. The subsidiary, with origins in Banco Urquijo, is more than 40 years old, and is a recognized participant within the Spanish custody market. Currently, it has approximately EUR 18 billion in assets under custody and serves more than 150 funds managed by approximately 25 investment managers.

The Bank expects this acquisition to consolidate BNP Paribas Securities Services' position among the leading players in the Spanish market, where it already serves a large portfolio of domestic and international clients. It will enable BNP Paribas to add both significant scale to its Spanish custody operations and further strengthen its presence in one of Europe's important investor markets.

Transfer of private banking activities from KAS BANK to Nachenius Tjeenk

On April 1, 2007, KAS BANK and Nachenius Tjeenk completed the transfer of the private banking activities of KAS BANK to BNP Paribas' subsidiary Nachenius Tjeenk. The transaction involved the transfer to Nachenius Tjeenk of about EUR 750 million currently managed by KAS BANK. As part of the transaction, Nachenius Tjeenk also acquired Associatie Cassa, the company within KAS BANK providing fiduciary services to the private banking clientele.

For Nachenius Tjeenk, the acquisition represents an important step in its development strategy, enabling it to reach EUR 2.5 billion in assets under management, compared to the EUR 1.3 billion that it managed at the time of its acquisition by BNP Paribas Private Bank in mid 2005. With the acquisition of the private banking activities of KAS BANK, the Bank believes that Nachenius Tjeenk has strengthened its position as one of the leading platforms in the Netherlands exclusively dedicated to private banking services.

Acquisition of RBS International Securities Services

On April 3, 2007, BNPP announced that it had agreed to acquire RBS International Securities Services (Holdings) Limited, a 70-30 joint venture between the Royal Bank of Scotland International and The Bank of New York.

RBS International Securities Services is a market leader in the provision of securities related services in the UK offshore markets of Jersey, Guernsey and the Isle of Man. It provides global custody services, fund administration and corporate trustee services to fund managers and to managers of private wealth clients. With 176 employees in its 3 locations, it holds in excess of £30 billion of assets under custody and £6.2 billion of assets under administration.

Upon closing of the transaction, BNP Paribas Securities Services, the leading European headquartered provider, will have strengthened capabilities in servicing offshore funds, while completing their coverage of the European offshore markets.

BNPP Asset Management Strategic Relationship with The Saudi Investment Bank

On April 2, 2007, BNP Paribas Asset Management and The Saudi Investment Bank announced the signature of a protocol setting forth the principles of a strategic relationship for asset management in Saudi Arabia. The transaction will be subject to the drafting and execution of definitive agreements and regulatory approvals. The protocol contemplates that BNPP Asset Management will make an equity investment in a company to be incorporated under the laws of Saudi Arabia, following the transfer of The Saudi Investment Bank's asset management operations to this company.

This strategic cooperation would combine The Saudi Investment Bank's established record in asset management in Saudi Arabia and its thorough knowledge of local and regional markets and BNPP Asst Management's global experience, management style and reach as a major world player in this domain. With this alliance, the parties will be well-positioned to leverage their respective expertise, and to capitalize on the significant potential of the asset management market in Saudi Arabia and in the region. Both institutions have outstanding experience in managing and developing successful joint-ventures.

RISK MANAGEMENT

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

The Role and Organization of GRM

While primary responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for ensuring that the risks taken by the Bank are compatible with its risk policies and its profitability and credit rating objectives. GRM performs continuous and *ex ante* controls that are fundamentally different from the periodic, *ex-post* examinations of the internal auditors. GRM reports regularly to the Board of Directors' Internal Control and Risk Management Committee with respect to its main findings concerning risks, as well as with respect to the methods it uses to measure and consolidate these risks on a Group-wide basis.

GRM operates broadly and is responsible for managing 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. GRM's mission includes formulating recommendations concerning risk policies, analyzing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of risk monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all of the consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the business line in question and all of the specific departments concerned (legal, compliance, tax, information systems, general and management accounting). GRM's role is to assess the quality of the evaluations by analyzing the list of identified risks and the proposed methods of minimizing them, and determining the essential prerequisites for the sound development of the business.

GRM's organizational structure is tailored to reflect the different types of risk. There are three departments within GRM: one manages credit and counterparty risks (comprised of three units, France, International, Banks and Financial Institutions), one manages market and liquidity risks and one manages operational risks. GRM also has specialist departments that are involved in analyzing, summarizing and reporting various data.

Credit Risk

Global Credit Policy

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, headed by the Chief Executive Officer. The purpose of the committee is to determine the Group's risk management strategy. The key principles governing the Global Credit Policy include compliance with the Group's ethical standards, a clear definition of responsibilities and strict application of risk analysis procedures. The Global Credit Policy is applied throughout the Group in the form of specific policies tailored to each type of business or counterparty.

Decision-making procedures

A system of discretionary lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management Department. 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, sovereigns and customers operating in certain industries, are required to be referred to a higher level for approval. In addition,

the loan application may require consultation of an industry expert or designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making tools.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies applicable to the business line or the type of facility requested. To be considered, all loan applications must comply with applicable laws and regulations. In particular, before making any commitments, BNP Paribas carries out an in-depth review of any known business plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

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

Monitoring procedures

The Group maintains a comprehensive risk monitoring and reporting system, covering all Group entities. The system is organized around control and reporting units responsible for ensuring that lending commitments comply with the loan-approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks.

Monitoring is carried out at different levels, generally reflecting the organization of discretionary lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. The Group Debtor 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. In Retail Banking, the Group employs a monitoring system more specifically tailored to the needs of this business line.

Impairment procedures

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

GRM reviews all customer loans in default at monthly intervals in order to determine the amount of any impairment loss to be recognized, either by reducing the carrying value 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 value of any collateral.

Where possible or desirable, due to the specific nature of the relevant lending activities (for example, consumer loans) case-by-case provisions are replaced by statistical provisions. In addition to these specific or statistical provisions, the Bank may also set aside general provisions to cover a probable increase in risks, relating, for example, to a specific industry, country or rating category.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the Group Risk Director meets quarterly to determine the amount of this portfolio provision. The amount is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but with respect to which the customers in question have not been identified as in default (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 already complies with future requirements under consideration by regulatory authorities for the determination of risk-weighted assets used to compute capital

adequacy ratios. For a summary of the new standards under consideration, see “Capital Adequacy of the BNP Paribas Group – Planned Changes to the BIS Capital Standards”. 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 its 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, under the regulatory definition. 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 final decision-making authority. Tailored quality tools have been developed to support the rating process, including analytical aids and credit scoring systems. The decision to use these tools and the choice of technique depend on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio Policy

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

Risk Reduction Techniques

Structuring of transactions

The BNP Paribas Global Credit Policy sets forth guidelines for structuring transactions in order to reduce risk. Collateral and other security are taken into account at value in use, 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 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 collateralized 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 relevant transactions are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within this organization.

Purchases of credit protection

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks. As part of this process, the protected loans remain on the consolidated balance sheet and are hedged by credit derivatives. BNP Paribas is exposed to counterparty risk in relation to the sellers of the credit protection. This risk is subject to the same decision-making and management process as that applicable to derivatives used for other purposes.

For portfolio transactions, BNP Paribas retains part of the risk in the form of tranches that are generally junior or mezzanine.

Credit Risk Exposure

The table below shows the credit risk exposure of all financial assets held by the BNP Paribas Group. Credit risk exposure, determined without taking into account unrecognized netting or collateral, equals the carrying amount of financial assets on the balance sheet net of impairment.

In millions of euros	December 31, 2006	December 31, 2005
Financial assets at fair value through profit or loss (excluding variable-income securities)	607,541	582,201
Derivatives used for hedging purposes	2,803	3,087
Available-for-sale financial assets (excluding variable-income securities)	78,033	77,6080
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	235,736	209,679
Guarantee commitments given	80,945	67,154
Provisions for off balance sheet commitments	(238)	(244)
Off balance sheet commitment exposure, net of provisions	316,443	276,589
Total net exposure	1,488,272	1,301,135

The exposure above does not take into account the effect of master netting agreements in force at December 31, 2006 or collateral on over-the-counter forward financial instruments, which (based on calculations prepared using the prudential method) would reduce the Group's credit risk exposure at December 31, 2006 by approximately EUR 123 billion (approximately EUR 133 billion at December 31, 2005). Nor does this exposure take into account guarantees and collateral obtained by the Group in connection with its lending activities or purchases of credit protection.

Due to its size, the Group may have substantial exposure in absolute terms to certain counterparties, geographic areas or industries. However, the Group believes that its 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 specific geographic area or industry.

Market and Liquidity Risks

Market Risks Related to Financial Instruments

These risks relate mainly to 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:

- **Interest rate risk**, which relates to 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**, which 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**, which 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.

Controlling risk

The market and liquidity risk control structure is based on:

- *General Exposure Limits*. These consist of Gross Earnings at Risk (GEaR) limits or “nominal” limits and cover trading positions by country and by issuer as well as sensitivities, in order to specifically limit certain risks that are not fully captured by GEaR calculations and stress tests.
- *Rolled Down Exposure Limits*. The Chief Executive Officer has overall responsibility for setting market risk exposure limits, in the same way as for credit limits. The Market Risk Committee is responsible for rolling down these limits to the various levels in the organization. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, limits are set according to counterparty credit strength.
- *Decision-Making Rules*. Risk-acceptance decisions are based on a two-dimensional process. The first dimension corresponds to the approval of new businesses or risks. The second concerns the approval of transactions proposed in the normal course of business. Transactions involving large amounts or which are unusually complex must be approved by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects. Responsibility for analyzing credit risk on trading activities lies with the Group Credit Committee.
- *Risk Monitoring*. This system is based on: daily calculation of the risk and value of the Group’s trading positions; daily monitoring of accidental or authorized 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; weekly reporting of the aggregate amount of significant positions by business line; monthly meetings of the Market Risk Committee to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

Market risk on trading activities is measured and assessed using a detailed sensitivity analysis of each type of position, as well as 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 analyzed 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 authorities to estimate the potential loss arising from an unfavorable change in market conditions – the key element in market risk measurement.

Potential losses are measured using 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 regularly refined in order to better reflect the specific features of each business line, in particular with respect to unusual products. The accuracy of the model is continuously tested by comparing any daily losses with 1-day GEaR.

Banking 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 ended December 31, 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 account of the effect of netting the different types of risk (EUR 58 million). These amounts break down as follows:

	Year to 31 Dec. 2006			31 December 2006	31 December 2005
	Average	Minimum	Maximum		
Interest rate risk	42	27	69	45	48
Credit risk	55	28	87	70	63
Currency risk	7	2	17	8	13
Equity price risk	55	29	135	66	43
Commodity price risk	16	11	34	17	17
<i>Effect of netting</i>	<i>(104)</i>			<i>(142)</i>	<i>(94)</i>
TOTAL	71	48	116	64	90

Market Risks Related to Banking Intermediation Activities and Investments

These risks relate mainly to retail banking activities in France and abroad, the specialized financing subsidiaries and investments made by the Group. They are managed centrally by the Asset/Liability Management Department, which is part of the Asset/Liability Management & Treasury Department (ALM Treasury). ALM Treasury, which is part of Corporate & Investment Banking, reports to two committees, each headed by the Group Senior Advisor or a Chief Operating Officer. The ALM Commercial Banking Committee is responsible for decisions concerning mismatch and match-funding principles applicable to the balance sheet of the commercial banking business and for managing the related interest rate risks. The ALM Investment Banking Committee is responsible for establishing funding and liquidity management policies, managing solvency ratios and structural currency risks and monitoring market risks related to Treasury transactions.

Management of interest rate risk on the banking book

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialized 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 each month, with embedded behavioral options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behavior. For retail banking products, behavioral models are based on historical data and econometric studies. The models take into account early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal

assumptions. 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, BNP Paribas' structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioral options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

A specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

The banking book interest rate gap, structural interest rate risk and specific option risk indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risks involved.

In 2006, the Market Risk Department continued to perform controls over risks arising from the use of behavioral and other models for Asset/Liability Management purposes. Its conclusions on these controls are presented on a quarterly basis to a specialist committee for review.

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 among the various parameters. The limit is based on annual revenues, in order to set limits on future fluctuations in net banking income caused by changes in interest rates.

The primary 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 specialized financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralization 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 December 31, 2006, compared with approximately EUR 460,000 at December 31, 2005.

Interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

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

In thousands of euros	31 December 2005					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	98	(1,005)	(1,174)	447	(201)	(1,835)
USD	79	96	(391)	588	1,182	1,554
GBP	(1)	5	(122)	(37)	(20)	(175)
Other currencies	1	(9)	(34)	12	26	(4)
TOTAL	177	(913)	(1,721)	1,010	987	(460)

Management of structural 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 department 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 department.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests expressed in foreign currencies, financed by purchasing the currency in question. Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

However, for most soft currencies, the investment is financed by purchasing the currency in question.

Hedging of interest rate and currency risks

The hedging relationships initiated by the Group are mainly intended to hedge interest rate or currency risk, in the form of swaps, options, forwards or futures.

Depending on the objective of 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 recognized 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 behavior (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 facto 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 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 the forecast date of realization:

In millions of euros	31 December 2006				31 December 2005			
	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

For the year ended December 31, 2006, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

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 consists of management principles designed to apply both in normal conditions and during a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning indicators and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the liquidity management policy are to secure a balanced financing mix to support the Group's 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 liquidity crises.

Roles and responsibilities in liquidity risk management

The ALM CIB Committee, acting on recommendations from ALM Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programs. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

ALM Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM CIB Committee, ALM Treasury is responsible for implementing the policy at both the 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. The Risk Department ensures oversight over the models, with indicators, limits and market parameters used.

Core principle of the Group's liquidity policy: centralization of liquidity management, from intra-day to long-term, within ALM Treasury

ALM Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium/long-term financing. The Treasury department is responsible for refinancing and short-term issues (certificates of deposit, commercial paper, etc). The ALM department is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, covered bonds etc.), preferred share issues, and loan securitization programs for the retail banking business. ALM Treasury is also responsible for providing finance to core businesses and business lines, and reinvesting their surplus cash.

Day-to-day liquidity management is based on a full range of internal standards and warning flags at various maturities

An overnight cap is set for each Treasury function, limiting the amount raised on interbank overnight markets. This applies to all the currencies in which the Group does business.

The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at the 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 the Group level:

- the one-year ratio for outstanding loans that have contractually matured represents the maturity gap, at one year plus, of outstanding loans as compared with applications of funds of the same type. The gap represents the shortfall in outstanding loans relative to applications of funds with the same maturity;
- The one-year internal liquidity ratio on total outstanding loans is defined as the total maturity gap, at one year plus, of outstanding loans with a residual maturity of more than one year. The gap represents the shortfall in outstanding loans relative to applications of funds with the same maturity carried on- and off-balance sheet in the form of contractual commitments with no maturity. The cap, which was set at 25% for up to 2006, has been reduced to 20% for 2007;
- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year plus gap on outstanding loans 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 behavior: prepayments in the case of loans, behavior modeling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

The Group's consolidated liquidity position by maturity (1 month, 3 months, 6 months, then annually to 10 years, then 15 years) is measured regularly by business line and currency.

Regulatory ratios: an element of the liquidity risk management system

The 1-month regulatory liquidity coefficient and regulatory observation ratio are calculated monthly. These ratios cover the parent company BNP Paribas SA (French operations and branches). Group subsidiaries required to comply with these ratios calculate them independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all of the Group's French credit institutions, but only covers euro-denominated assets and liabilities with maturities of more than 5 years.

Foreign subsidiaries and branches may be subject to local regulatory coefficient requirements.

Liquidity risk reduction techniques

As part of the day-to-day management of liquidity, and in the event of a one-off liquidity crisis, the Group's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling under repurchase agreements 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 securitization 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. For example, in the last quarter of 2006, BNP Paribas set up a covered bond program with a total issuance capacity of EUR 25 billion, of which EUR 2.5 billion was issued in December.

Insurance Underwriting Risk

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.

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. Catastrophe risk in respect of policies granted in vulnerable areas or those in France presenting a high concentration risk are covered by specific reinsurance policies.

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 "Hedging strategies" 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.

Product Development

BNP Paribas Assurance's actuaries based in the head office or in local branches apply consistent 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 bases of experience used to price policies are developed locally and validated by the central team. This is designed to ensure 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 bases of experience used for pricing policies are regularly enhanced and adjusted to reflect changes in the various statistical, behavioral or macro-economic risk to which the business is exposed. The process also helps to provide a consolidated view of the Group's exposure to certain underwriting risks.

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; anti-money laundering procedures, combating corruption and the financing of terrorism; and respecting financial embargoes.

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

The function includes a central structure in Paris responsible for overseeing and supervising all compliance issues, and local teams within the various divisions and business lines acting under delegated authority from the central teams. All Group entities able to support such a structure 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 (excluding the impact of changes in Group structure).

Management of compliance risks is based on a system of permanent controls built around the elements described below:

An internal procedures manual describing general and specific procedures is regularly updated to take into account new regulatory banking or financial requirements. 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. The procedures address:

- the avoidance of conflicts of interest and the establishment of “Chinese walls” to prevent the unauthorized disclosure of sensitive information;
- supervision of customer transactions in order to detect any market abuse based on specific control definitions and trigger points, or any transactions related to money laundering, the financing of terrorism or breach of financial embargos; and
- controls over transactions carried out by staff, particularly on the stock market.

In 2006, the Group enacted general guidelines relating to compliance risks, including conflicts of interest management. The Group has also updated its procedures for authorizing exceptional transactions and new products and business streams. This represents one of the lynchpins of the Group’s permanent control framework, and is therefore an essential part of its permanent controls over compliance risk. It includes:

- 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 over compliance issues; and
- Training and awareness-raising 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 activity 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 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;
- computerized 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; and
- training and awareness-raising initiatives focusing on the combat against money laundering, the financing of terrorism and corruption.

The European Market Abuse Directive, aimed at safeguarding the integrity of the financial markets and protecting client interests, came into force in 2006. The Group is currently preparing for the new European Markets in Financial Instruments Directive (MiFID), which will be applicable as from November 2007. MiFID introduces far-reaching changes in European financial markets and contains important provisions on compliance, particularly as

regards the alignment 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 part of the requisite system, for example as regards outsourcing practices and avoidance of conflicts of interests.

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 risk events and their impact.

Specific policies, methodologies and procedures for managing operational risk are applied across all of the Group's divisions and functions.

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; analysis of key processes;
- analysis of the cause – event – effect chain, with the main focus on the “event”. The analysis is designed to identify and monitor potential or known risk events and assess the causes in order to prevent the event from materialising or recurring, and mitigate the impact for the organisation;
- monitoring of 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 determining risk profiles in view of the tolerance levels set;
- definition and supervision of responsibilities: it is vital that managers and staff take individual responsibility for operational risk.

Operational Risk Management Process

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

The information originates in the entities managing the process. The data compiled for management purposes are then analysed and transferred upwards 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 refuse the exposure, which are then transferred downwards to the relevant line of management.

In the descending information loop, the relevant risk managers are responsible for communicating on the principles and standards regarding their particular business area that are to be applied by the divisions, 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 meet three times a year at all levels of the organization. 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 members of the Executive Committee.

These committees are tasked with supervising the Group's management of operational risk and implementing the risk infrastructure within their particular business area. The committees are also responsible for formally validating the quality and consistency of management 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 the committee meetings.

Resources

In accordance with regulatory requirements, BNP Paribas ensures that internal audit teams are wholly independent of operational risk management personnel within its divisions 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 divisions, 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 remit and implementing the standard operational risk management policy as well as the associated methodologies and tools.

Data Compilation 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 businesses 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 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 action.

Legal Risk and Special Regulations

BNP Paribas is bound by regulations applicable to financial institutions in all countries where it does business, including banking, insurance and financial services regulations. The Group is required to respect the integrity of the markets and safeguard clients’ interests.

Group Legal Affairs has established and regularly updates an internal control system designed to anticipate, detect, measure and manage legal risks.

The system is organized 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 analyzes, 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 department 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's intranet and made accessible to 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 play a part in the analysis of operational risk.

This system enables active monitoring of new legal developments, both in France and abroad.

Tax Risk

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

Group Tax Affairs is a global department, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor the overall tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable 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 does business, backed by local tax specialists in 12 countries;
- a qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws;
- a reporting system 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 divisions and the Compliance function. The committee is responsible for analyzing key tax issues and making appropriate decisions. Group Finance and Development is required to consult Group Tax Affairs on tax issues that affect financial or accounting information.

Group Tax Affairs has also established procedures covering all divisions, designed to ensure that tax risks have been identified and are being managed appropriately. Tax risks may arise for the entire Group 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 divisional heads with regard to entities that do not have their own tax manager. The tax risk charter is revised regularly to reflect changes in the charter applicable to Territory Chief Executives;
- validation procedures by Group Tax Affairs for all new products featuring a significant 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; and
- 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 the increasing external exposure of information systems (internet, open source software, network interconnections between different economic players, etc.) present a distinct 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' businesses is exposed to some form of information systems security risk, and some risks are found in all businesses. The Group's policy for managing IT risks takes into consideration the specific nature of the business, often rendered more complex by local regulations in the different countries in which the Group does business.

Like most global banking organizations, the Group's online banking businesses suffered a number of phishing/pharming attacks in 2006. All of these attacks were addressed – with no harm to our customers – thanks to the measures put in place by BNP Paribas to anticipate 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.

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 a better awareness of extreme risk scenarios (flu pandemic, natural disasters or other catastrophes).

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

- regularly updating and distributing information security procedures at Group and divisional level, and continually raising the awareness of its staff to these security imperatives;
- requiring all divisions to formally document the risks to which they are exposed along with their strategies for managing such risks, and to develop progress trackers and a multi-year action plan in step with their strategy; and
- monitoring incidents and keeping abreast of technological developments in the area of IT security.

Risk Exposure in 2006

Credit Risk

2006 saw an 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 Division.

Outstanding commercial loans at December 31, 2006 totalled EUR 715 billion. The 24% growth compared to the previous 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 retail banking in France.

The change in provisions for credit risks and country risks is shown in the following table:

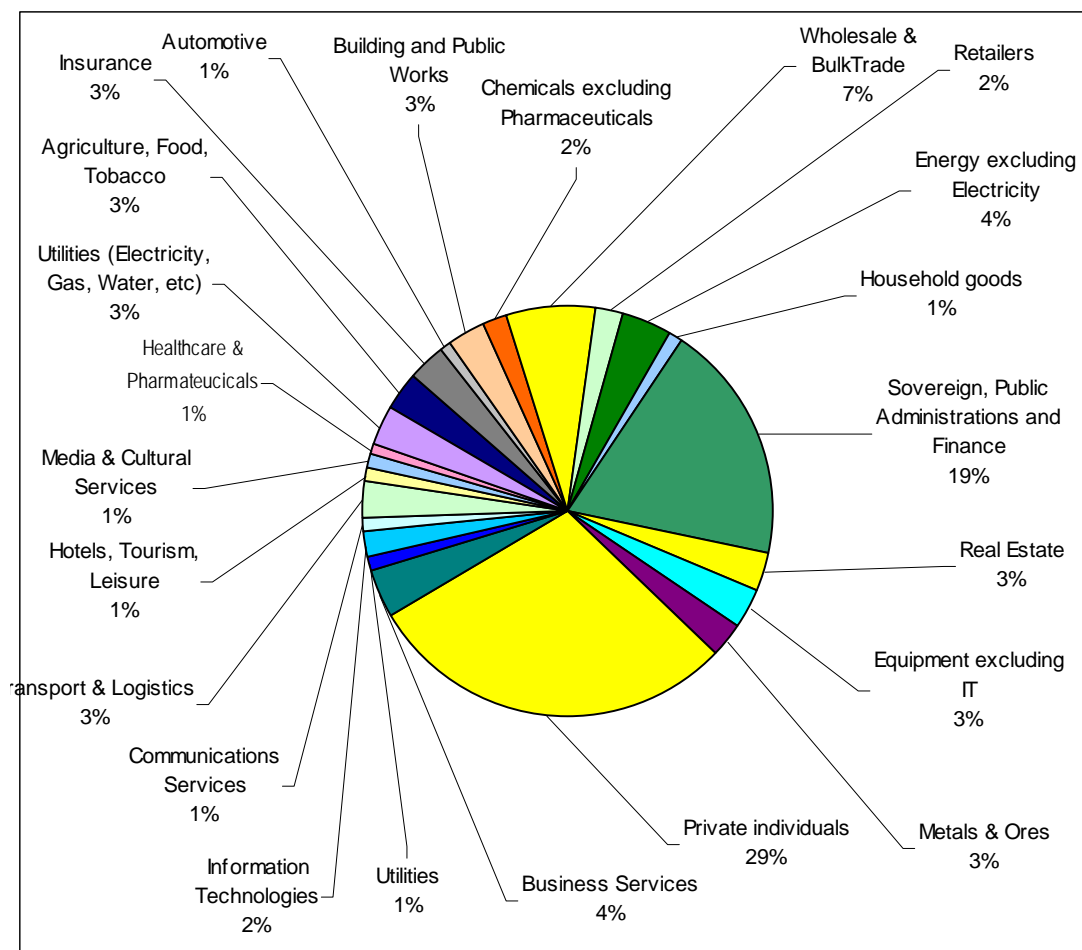
In millions of euros	French Retail Banking	Inter- national Retail Financial Services	Asset Management and Services	Corporate & Investment Banking	Group Total
Net additions to provisions for credit risks and country risks –2005	194	559	8	(130)	610
Net additions to provisions for credit risks and country risks –2006	153	708	2	(253)	783

Diversification by Counterparty

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

Industry Diversification

The following chart presents a breakdown of the Group's commercial loans and commitments by industry at December 31, 2006:



Industry diversification remained 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. Growth industries such as “Finance, sovereign and local government”, do not represent significant risks. Commitments also increased towards the energy & commodities sector, corresponding mainly to financing granted in respect of commodity trading, which is usually highly structured and secured by collateral.

- Our automobile industry portfolio, which has traditionally been an important sector for the Bank, remains principally focused on the financial data of leading car makers. This industry has been regularly monitored in 2006, particularly in the US which is considered to be more exposed. Total loans and commitments in this sector are down from 2005.
- The airline industry, which has also been closely monitored, represents only a very small portion of loans and risks.
- 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 private individuals 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 (i.e., 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 market participants.
- Commodity financing commitments (production and international trade) are also reviewed on a regular basis.

Geographic Diversification

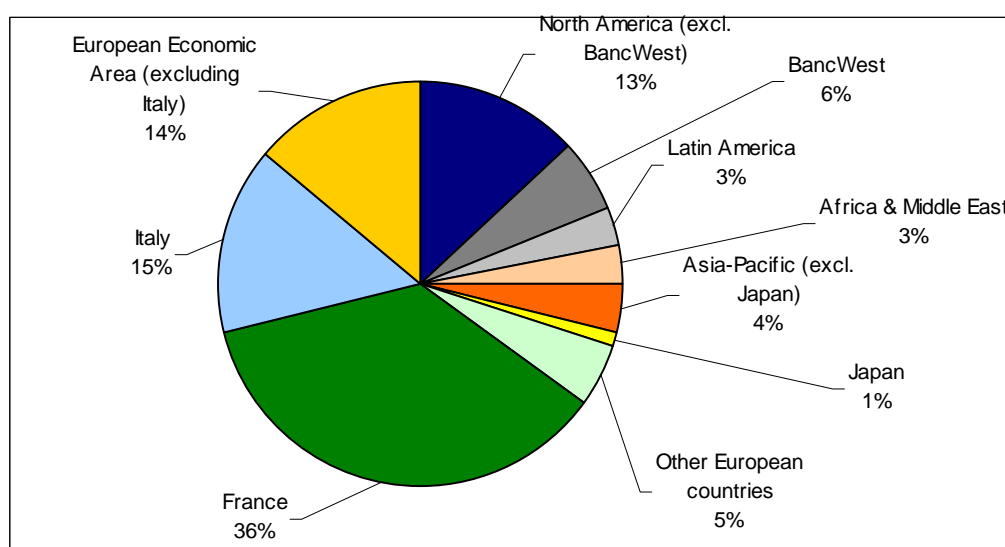
The Bank's commitments remain fairly evenly balanced geographically, after a period of changes observed mainly in Europe. France now accounts for only 36% of commitments, due to the 29% increase in business in other European countries. This is mainly attributable to the integration of BNL.

North America (including BancWest) remains BNP Paribas' second-largest region in terms of lending business. 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 approach to new business.

Commitments in countries considered by the Group to be "high risk" 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 be based primarily on export credit and short-term commercial commitments. Longer term financing is generally secured and, in most cases, highly structured.

The following chart presents a geographic breakdown of the Group's commercial loans and commitments at December 31, 2006:



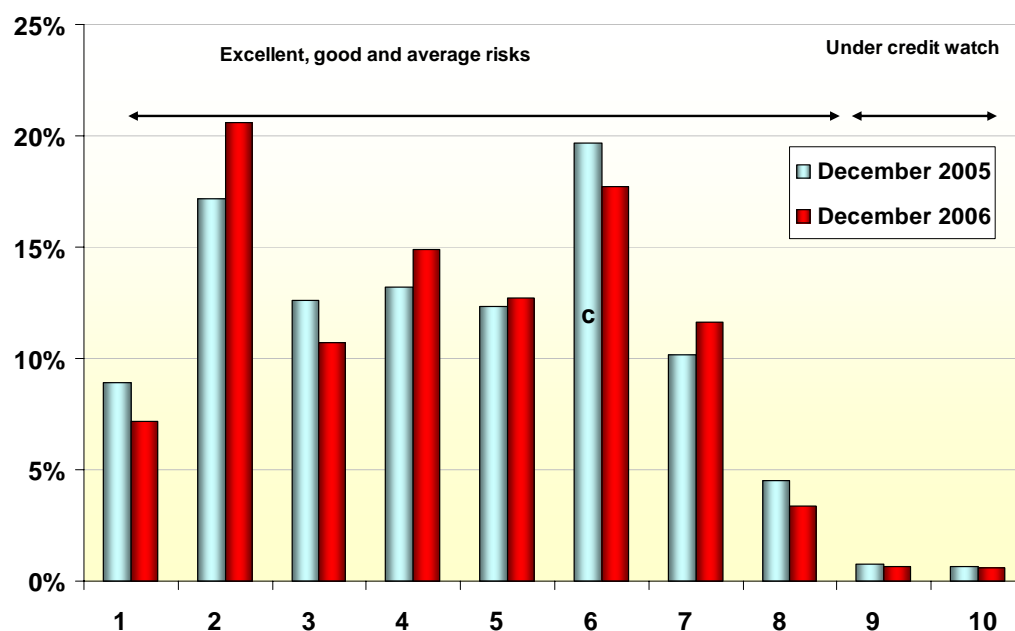
Portfolio Quality

Based on the internal corporate rating policy that is being successfully rolled out across the Group and covers all of the Corporate & Investment Banking and French Retail Banking "corporates" portfolios (companies, government agencies, banks and institutions) portfolios, as well as a significant part of other divisions, the Group considers these portfolios to be of a high quality. The 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 secured by high quality guarantees. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

The Bank's commitments in terms of portfolio quality are fairly evenly balanced from one year to the next, with a 6 basis-point rise in 2006 in the proportion of commitments towards counterparties awarded the highest credit rating.

The following chart presents a breakdown of sound commitments of the Corporate & Investment Banking and French Retail Banking Divisions (excluding private individuals) by internal credit rating:



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.

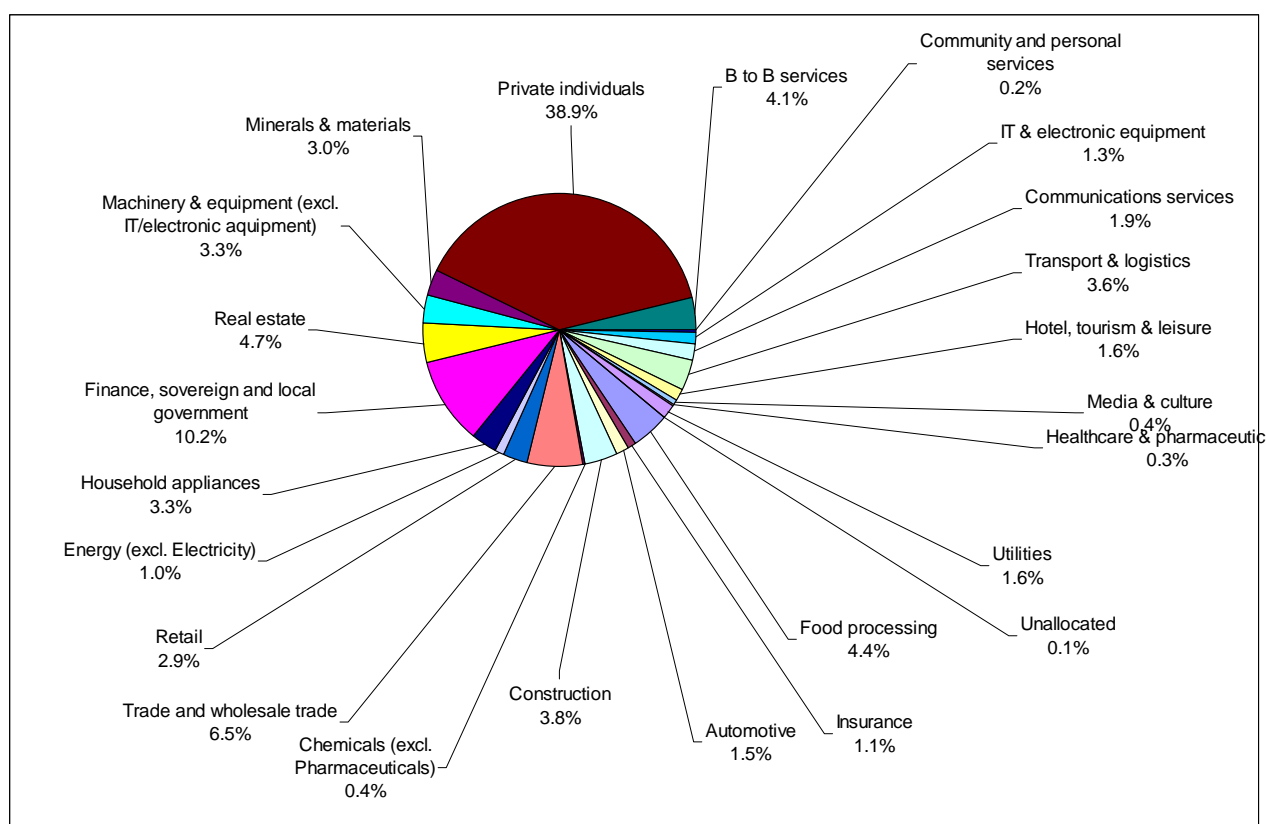
The following table presents the Group's provision rate:

<i>In billions of euros</i>	December 31, 2005	December 31, 2006
Doubtful commitments	12.7	15.7
Provisions	11.1	13.9
Provision rate	87%	89%

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

<i>At December 31, 2006</i>	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 reported on the balance sheet at December 31, 2006



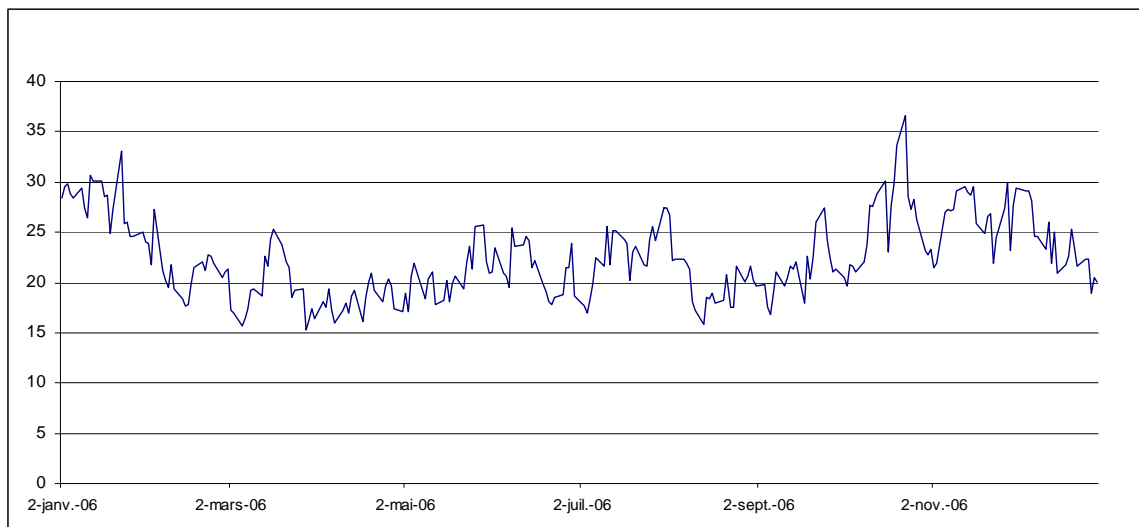
Market and Liquidity Risk

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.

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

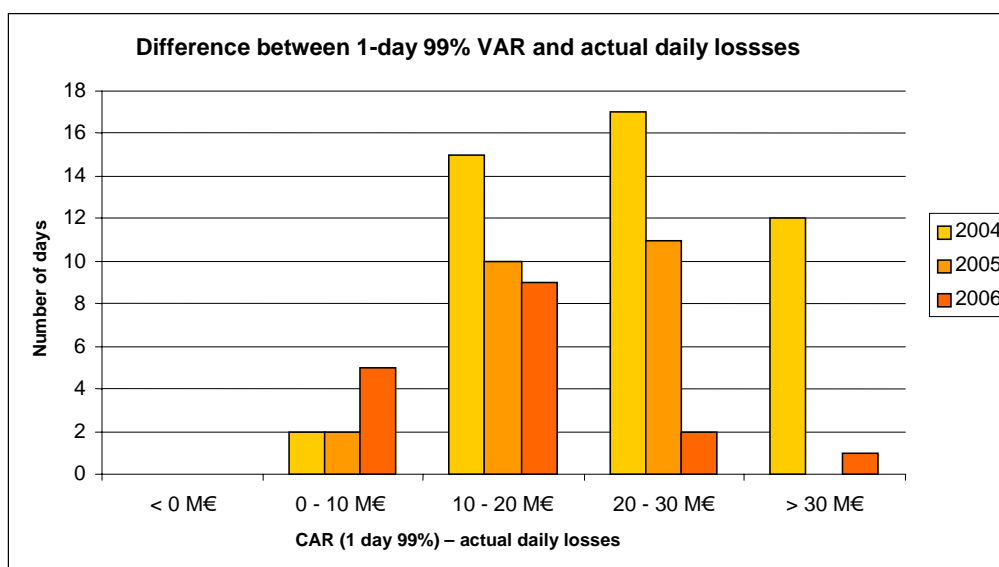
Changes in 1-day 99% VaR in 2006 (*in millions of euros*):



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 impacts between the different risks. 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 quality of its model through a variety of techniques including that of regularly comparing over a long-term horizon actual daily losses, if any, from capital market transactions with the 1-day VaR. A 99% confidence level means in theory that the Bank will not incur daily losses in excess of VaR more than two or three times during the year. The chart below reflects the quality of the valuation model and its rigorous implementation.

In 2006, daily losses from capital market activities were never in excess of VaR; losses were only reported 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.



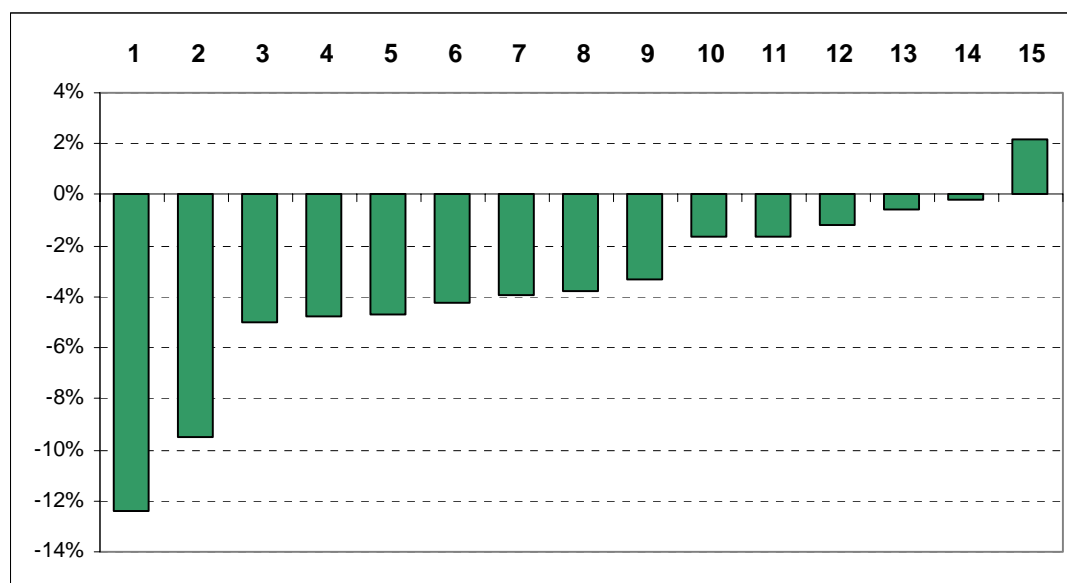
Stress Tests

The 15 scenarios considered capture the impact of situations in which all risk parameters (interest rate, equities, credit, volatility, currency, etc.) are suddenly (within the space of one day) subject to severe but improbable stress. The resulting level of potential losses confirms the Group's strong resistance to market risks, since none of the scenarios 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 pandemic such as post-war Spanish influenza.
-

The following chart simulates a fall in capital markets revenues for 15 extreme stress scenarios at December 31, 2006 (as a percentage of 2006 capital markets revenues):



Asset Liability Management Risk

Interest Rate Risks

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 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 expense of approximately EUR 315,000 at December 31, 2006, compared with an expense of approximately EUR 460,000 at December 31, 2005.

The following table shows the interest rate sensitivity of the value of the Group's customer banking and equity intermediation books:

Thousands of euros	December 31, 2006, under IFRS-EU					Total
	< 3 months	3 to 12 months	1 to 3 years	3 to 5 years	> 5 years	
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 outstanding loans of EUR 1,440 billion at December 31, 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 was generated as a result of the rise in net trading book derivatives over the period.

Change in Off-Balance Sheet Financing Commitments

At December 31, 2006, outstanding financing commitments 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 advancing 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 advancing EUR 16 billion and EUR 4 billion, respectively.

On a net basis, commitments with credit institutions advanced 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

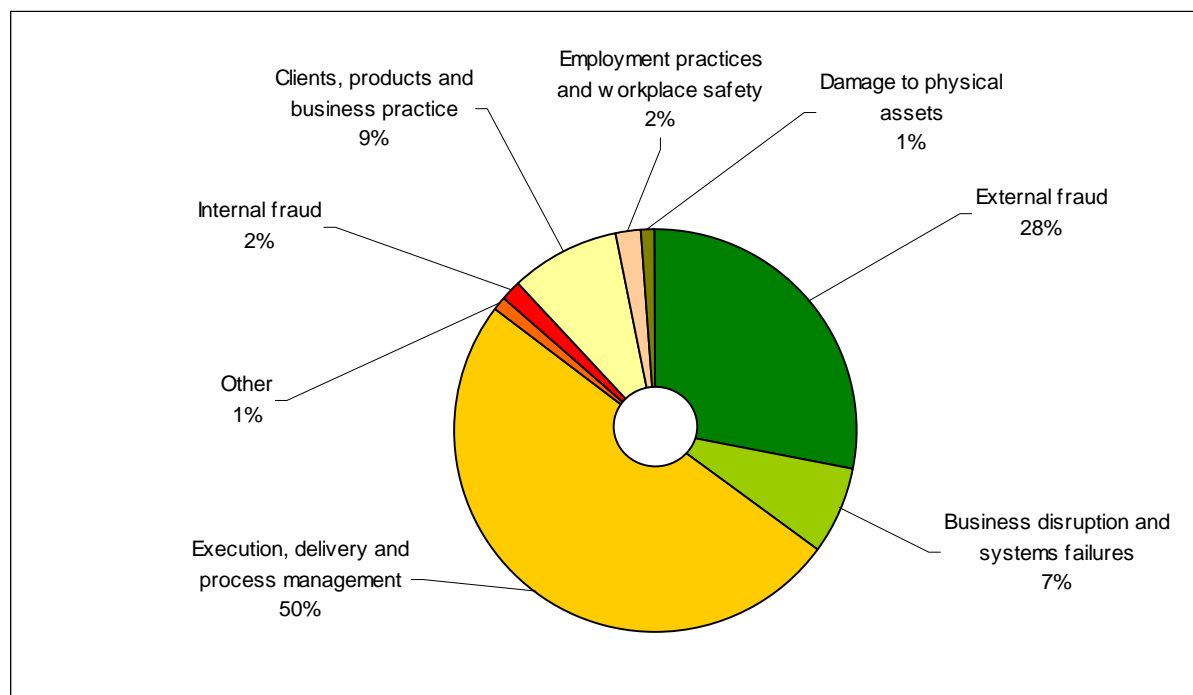
The maturity gap, at one year plus, of outstanding loans compared with applications of funds with the same maturity was 12.9% at end-2006¹ for the entire BNP Paribas Group, versus 17.9% one year earlier. The permanent funds coefficient came to 94% at end-2006¹, versus 92% at end-2005.

Insurance Underwriting Risk

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.

Operational Risk

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



At December 31, 2006, most of the 2,500 loss events reported across the Group had a minor impact on the organization. The loss events mainly related to execution errors and external fraud relating chiefly to the credit card business.

¹

Estimate. The liquidity position at end-December 2006 will be available at the end of April 2007.

Hedging Strategies

Credit Risk

For a description of certain hedging strategies employed by the Group, see “—Credit Risk—Risk Reduction Techniques”.

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 securitizations, as illustrated by the following table:

	Dec 31-05		Dec 31-06		Average maturity At December 31 2006 (years)
	Face value	Tranches retained (o/w "investment grade")	Face value	Tranches retained (o/w "investment grade")	
(in billions of euros)					
Consolidated SPVs (Euroliberté and Global Liberte 3, 4, & 5)	2,0	0,2 0,1	20,4	0,9 0,2	4,3
Non-Consolidated SPVs (Global Liberte 1 & 2)	10,5	0,5 0,1	9,5	0,5 0,1	3,6
Other securitizations (RCT 1 through 7, Condor)	19,4	0,6 0,0	21,2	0,6	2,2
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 business.

BNP Paribas set up a large-scale securitization 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 to maintain the hedging relationships set up through the previous contracts that had expired.

As the bulk of the Bank’s credit protection was contracted in US dollars, the face amount of assets protected at December 31, 2006 (EUR 55.2 billion) was affected by currency movements (negative impact of EUR 5.9 billion between end-2005 and end-2006). Savings achieved in terms of risk-weighted assets through the hedging strategy jumped 72% year-on-year to EUR 25.3 billion at December 31, 2006, and relate mainly to hedges of CIB exposures.

At December 31, 2006, the residual average maturity of the entire hedging portfolio was 3.2 years.

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 advanced by only 3%. This is mainly attributable to an 8% fall in home savings plans 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 led to extended terms of credit protection and a wider use of options.

To cover the net position generated by these new fund movements, 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 always reported as fair value hedges (pursuant to the EU IAS 39 carve-out) or as cash flow hedges. Government securities are chiefly recorded in the “Available for sale” category. No hedging relationship was disqualified from hedge accounting in 2006.

Currency Risks

Currency hedges are contracted by Group ALM in respect of the Group’s investments in foreign operations 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.

Hedging documentation is compiled for investments financed by foreign currency loans so that the impacts of movements in exchange rates are recorded in a symmetrical fashion and do not impact the profit and loss account. The instruments used are designated as net investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of consolidated subsidiaries and branches. Fair value hedges are used to hedge the currency risk on 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 revenues expected to be generated on highly probable forecast transactions (mainly interest and external commission fees) denominated in currencies other than the euro relating to the Group’s main businesses, subsidiaries or branches.

No hedges of forecast transactions were disqualified from hedge accounting in 2006 on the grounds that the future transaction 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 depositor base and limit interbank borrowings. This strategy aims to dilute the impact of a fall in deposits that may be triggered by an abrupt change in the Bank’s rating.

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

Senior Debt

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

Issues with an economic life of more than one year (after statistically modelling issues redeemable in advance by the issuer), amounted to EUR 38 billion, also a rise of 30% over 2005 the previous year.

Issues with an economic life of one year or less due to the exercise of a call provision amounted to EUR 4.5 billion, or 20% more than in 2005, essentially due to the Equity Linked Notes issued 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.

Outstanding issues backed by receivables 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 amounting to EUR 2.0 billion and four undated super subordinated notes (two denominated in euros and two in pounds sterling) amounting to EUR 2.0 billion.

Securitization

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 securitization of loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers.

Total funds of EUR 4.5 billion (attributable to the Group) were raised from securitizations in 2006, relating to UCI (UCB's Spanish subsidiary) amounting to EUR 1.6 billion (attributable to the Group) and to BNL amounting to EUR 2.9 billion.

At December 31, 2006, loans totalling EUR 15.2 billion had been refinanced through securitizations, including EUR 7.0 billion for the Financial Services business and EUR 8.2 billion for BNL (EUR 7.4 billion and EUR 5.8 billion, respectively, at end-2005).

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. All registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) is chaired by the Governor of the *Banque de France*. It makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations.

The Banking Commission (*Commission bancaire*), which is chaired by the Governor of the *Banque de France*, is responsible for the supervision of credit institutions and investment firms. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions and investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the *Commission bancaire* concerning the principal areas of their activity. The *Commission bancaire* may also request additional information that it deems necessary and may carry out on-site inspections. These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. Where regulations have been violated, the *Commission bancaire* may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its winding-up. The *Commission bancaire* also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. These decisions of the *Commission bancaire* may be appealed to the French Administrative Supreme Court (*Conseil d'état*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the *Commission bancaire*.

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See “Capital Adequacy of the BNP Paribas Group”. In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments

and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100%.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. In addition, the aggregate amount of individual exposures exceeding 10% of the credit institution's regulatory capital may not exceed eight times such regulatory capital.

An equity and permanent resources ratio (*coefficient de fonds propres et de ressources permanentes*) requires French credit institutions to maintain, as of each year-end, a minimum ratio of 60% between amounts representing equity and related items and amounts representing certain long-term assets denominated in euros.

French credit institutions are required to maintain on deposit with the European Central Bank a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France*. Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

The principal means used by the *Commission bancaire* to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements and other documents that these banks are required to submit to the *Commission bancaire*. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The *Commission bancaire* may also inspect banks on an unannounced basis.

Reporting Requirements

In addition to furnishing to the *Commission bancaire* the detailed monthly report mentioned above, credit institutions must also report monthly (and, with respect to lease financings, quarterly) to the *Banque de France* the names and related amounts of certain customers (only for companies and individuals engaged in commercial activities) having loan utilization exceeding approximately €25,000. The *Banque de France* then returns to each credit institution a list stating, as to that credit institution's customers, total loan utilizations from all reporting credit institutions.

Credit institutions must make periodic reports, collectively referred to as *états périodiques*, to the *Commission bancaire*. The *états périodiques* comprise principally (a) a statement of the activity of the concerned institution during the relevant period (*situation*), to which is attached exhibits that provide a more detailed breakdown of the amounts involved in each category, (b) a statement of income, together with exhibits and (c) certain additional data relating to operations (*indicateurs d'activité*) such as the number of employees, client accounts and branches.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund (*Fonds de Garantie*), except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €70,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

The Governor of the *Banque de France*, as chairman of the *Commission bancaire*, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Money Laundering

French credit institutions are required to report all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, as well as unusual transactions in excess of certain amounts, to a special government agency (*TRACFIN*) placed under the authority of the Minister of the Economy.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 12 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2006 was €0.5 million.

The following table sets forth the names of the members of the Board of Directors as of December 31, 2006, their current function at the Bank, their business address and their principal business activities* outside of the Bank as at December 31, 2006:

Name	Function	Business Address	Principal Outside Activities
Michel Pébereau	Chairman, BNP Paribas	3, rue d'Antin, 75002 Paris, France	Director of: <ul style="list-style-type: none"> • Lafarge • Compagnie de Saint-Gobain • Total • <i>Pargesa Holding SA, Switzerland</i> Member of the Supervisory Board of: <ul style="list-style-type: none"> • Axa • <i>Banque Marocaine pour le Commerce et l'Industrie, Morocco</i> Non-voting director of: <ul style="list-style-type: none"> • <i>Société Anonyme des Galeries Lafayette</i> Chairman of: <ul style="list-style-type: none"> • <i>Fédération Bancaire Européenne</i> • <i>Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française</i> • <i>Conseil de Direction de l'Institut d'Études Politiques de Paris</i> • <i>Conseil de Surveillance de l'Institut Aspen France</i> • <i>Institut de l'Entreprise</i> Member of: <ul style="list-style-type: none"> • <i>Executive committee of Mouvement des Entreprises de France</i> • <i>European Financial Round Table</i> • <i>Institut International d'Études Bancaires</i> • <i>International Advisory Panel of the Monetary Authority of Singapore</i> • <i>International Capital Markets Advisory</i>

* The directorships shown in italics are not governed by provisions of the French Commercial Code (*Code de Commerce*) concerning multiple directorships.

Name	Function	Business Address	Principal Outside Activities
			<i>Committee of the Federal Reserve Bank of New York</i> <ul style="list-style-type: none"> • <i>International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)</i>
Patrick Auguste	Executive, BNP Paribas (elected by employees)	14, rue Bergère, 75009 Paris, France	
Claude Bébéar		25, avenue Matignon, 75008 Paris, France	<p>Principal function: Chairman of the Supervisory Board of Axa Chairman and Chief Executive Officer of Finaxa (merged with AXA on 12/16/05) Director of:</p> <ul style="list-style-type: none"> • <i>Axa Assurances Iard Mutuelle</i> • <i>Axa Assurances Vie Mutuelle</i> <p>Member of the Supervisory Board of:</p> <ul style="list-style-type: none"> • <i>Vivendi</i> <p>Non-voting director of:</p> <ul style="list-style-type: none"> • <i>Schneider Electric</i> <p>Chairman of:</p> <ul style="list-style-type: none"> • <i>Institut du Mécénat de Solidarité</i> • <i>Institut Montaigne</i> <p>Member of:</p> <ul style="list-style-type: none"> • <i>International Advisory Panel of the Monetary Authority of Singapore</i> • <i>International Advisory Board of the Tsinghua's School of Economics and Management, Beijing</i>
Jean-Louis Beffa	Vice-Chairman	“Les Miroirs” 18, avenue d'Alsace 92096 La Défense, France	<p>Principal function: Chairman and Chief Executive Officer of Compagnie de Saint-Gobain Vice-Chairman of the Board of Directors of BNP Paribas Chairman of Claude Bernard Participations Director of:</p> <ul style="list-style-type: none"> • <i>Gaz de France</i> • <i>Groupe Bruxelles Lambert, Belgium</i> • <i>Saint-Gobain Cristaleria SA, Spain</i> • <i>Saint-Gobain Corporation, United States</i> <p>Permanent representative : <i>Saint-Gobain PAM</i> Chairman of the Supervisory Board of:</p> <ul style="list-style-type: none"> • <i>A.I.I (Agence de l'Innovation Industrielle)</i> <p>Member of the Supervisory Board of:</p> <ul style="list-style-type: none"> • <i>Le Monde SA</i> • <i>Le Monde Partenaire AS (SAS)</i> • <i>Société Editrice du Monde (SAS)</i>

Name	Function	Business Address	Principal Outside Activities
Gerhard Cromme		August-Thyssen-Strasse 1 Postfach 10 10 10 40001 Düsseldorf, Germany	Principal function: <i>Chairman of the Supervisory Board of ThyssenKrupp AG</i> Member of the Supervisory Board of: <ul style="list-style-type: none"> • Allianz AG, Germany • Axel Springer AG, Germany • Deutsche Lufthansa AG, Germany • E.ON AG, Germany • Siemens AG, Germany Director of: <ul style="list-style-type: none"> • Compagnie de Saint-Gobain • Suez Chairman of: <ul style="list-style-type: none"> • German Governmental Commission on Corporate Governance Member of: <ul style="list-style-type: none"> • European Round Table of Industrialists (ERT)
Jean-Marie Gianno	Employee, BNP Paribas (elected by employees)	21, avenue Jean Medecin, 06000 Nice, France	Member of: <ul style="list-style-type: none"> • Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI) • European think tank "Confrontation"
François Grappotte		128, avenue de Lattre de Tassigny 87045 Limoges, France	Principal function: Honorary Chairman of the Board of Directors of Legrand Member of the Supervisory Board of: <ul style="list-style-type: none"> • Michelin Director of: <ul style="list-style-type: none"> • Legrand • Legrand France • Valeo Member of: <ul style="list-style-type: none"> • Conseil consultatif de la Banque de France
Alain Joly		75, quai d'Orsay 75007 Paris, France	Principal function: Director of Air Liquide Director of: <ul style="list-style-type: none"> • Lafarge
Denis Kessler		1, av. du Général de Gaulle 92074 Paris La Défense, France	Principal function: Chairman and Chief Executive Officer of Scor Chairman of: <ul style="list-style-type: none"> • Scor Global Life • Scor Italia Riassicurazioni S.p.a., Italy • Scor Life US Re Insurance, United States • Scor Reinsurance Company, United States • Scor US Corporation, United States Director of: <ul style="list-style-type: none"> • Bolloré Investissement SA • Dassault Aviation

Name	Function	Business Address	Principal Outside Activities
			<ul style="list-style-type: none"> • <i>Amvescap Plc, United Kingdom</i> • <i>Cogedim SAS</i> • <i>Dexia SA, Belgium</i> • <i>Scor Canada Reinsurance Company, Canada</i> <p>Member of the Supervisory Board of:</p> <ul style="list-style-type: none"> • <i>Scor Deutschland, Germany</i> <p>Permanent representative of:</p> <ul style="list-style-type: none"> • <i>Fergascor</i> on the Board of SA Communication & Participation <p>Non-voting director of:</p> <ul style="list-style-type: none"> • <i>FDC SA</i> • <i>Gimar Finance SCA</i> <p>Member of:</p> <ul style="list-style-type: none"> • <i>Commission Économique de la Nation</i> • <i>Conseil Économique et Social</i> • <i>Conseil d'administration du Siècle, Association de Genève</i> • <i>Comité des Entreprises d'Assurance</i> <p><i>Global Counsellor of Conference Board</i></p>
Jean-François Lepetit		24, rue St Nom 78112 Fourqueux, France	<p>Associate professor at EDHEC</p> <p>Member of the Board of <i>QFCRA (Qatar Financial Center Regulatory Authority, Doha)</i></p> <p>Director of:</p> <ul style="list-style-type: none"> • <i>Smart Trade Technologies S.A.</i> • <i>Shan SA</i> <p>Chairman of Advisory Board of <i>EDHEC Desk and Asset Management Research Center</i></p>
Laurence Parisot		6/8, rue Eugène-Oudiné 75013 Paris, France	<p>Principal function: Chairman of Mouvement des Entreprises de France (MEDEF)</p> <p>Chairman of the Board of Directors: IFOP SA</p> <p>Member of the Supervisory Board : Michelin</p>
Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	<p>Principal function: Chairman of <i>Pechel Industries SAS</i> and <i>Pechel Industries Partenaires SAS</i></p> <p>Director of:</p> <ul style="list-style-type: none"> • <i>Lafarge</i> • <i>Boots Group Plc, United Kingdom</i> • <i>Ferring SA, Switzerland</i> <p>Member of the Supervisory Board of:</p> <ul style="list-style-type: none"> • <i>Publicis</i> <p>Representative of Pechel Industries for:</p> <ul style="list-style-type: none"> • <i>Aquarelle.com Group</i> • <i>CAE International</i> • <i>CVBG-Dourthe Kressman</i> • <i>Pechel Service SAS</i> • <i>Quinette Gallay</i> <p>Representative of Pechel Industries</p>

Name	Function	Business Address	Principal Outside Activities
			Partenaires SAS for: <ul style="list-style-type: none"> • <i>Board of Directors of SVP Management et Participations</i> Legal Manager of: <ul style="list-style-type: none"> • <i>Hélène Ploix SARL</i> • <i>Hélène Marie Joseph SARL</i> • <i>Sorepe, Société civile</i> Member of the Investment Committee for the United Nations Personnel Pension Fund
Baudouin Prot	Chief Executive Officer, BNP Paribas	3, rue d'Antin 75002 Paris, France	Director of: <ul style="list-style-type: none"> • Accor • Pinault-Printemps-Redoute • Veolia Environnement • <i>Banca Nazionale del Lavoro, Italy</i> • <i>Erbé SA, Belgium</i> • <i>Pargesa Holding SA, Switzerland</i> Chairman of the French Banking Association
Louis Schweitzer		860, quai de Stalingrad 92109 Boulogne Billancourt, France	Principal function: Chairman of the Board of Renault Chairman of the Board of Directors of: <ul style="list-style-type: none"> • <i>AstraZeneca Plc, United Kingdom</i> Vice-Chairman of the Supervisory Board of: <ul style="list-style-type: none"> • <i>Philips, Netherlands</i> Director of: <ul style="list-style-type: none"> • Électricité de France • L'Oréal • Veolia Environnement • <i>AB VOLVO, Sweden</i> Chairman of: <ul style="list-style-type: none"> • <i>Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)</i> Member of the Board of: <ul style="list-style-type: none"> • <i>Fondation Nationale des Sciences Politiques</i> • <i>Institut Français des Relations Internationales</i> • <i>Musée du Louvre</i> • <i>Musée du Quai Branly</i> Member of the Consultative Committee of: <ul style="list-style-type: none"> • <i>Banque de France</i> • <i>Allianz, Germany</i>

On March 8, 2007, the Board of Directors of BNP Paribas appointed Ms. Suzanne Berger as Director upon the proposal of the board's Corporate Governance and Nominations Committee. Her appointment will be submitted for approval to the Shareholders' General Assembly of BNP Paribas which will be held on May 15, 2007 in Paris. Ms. Berger is a Professor of political science at the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts and a Director of the MIT International Science and Technology Initiative. She is a Fellow of the American Academy of Arts and Sciences.

Conflicts of Interests

To the knowledge of the Bank, the duties owed by the members of the Board of Directors of the Bank do not give rise to any potential conflicts of interest with such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. Until the end of 2006, these committees consisted of the Financial Statements Committee, the Internal Control and Risk Management Committee and the Compensation and Nominations Committee. In 2006, the latter committee was separated into two distinct committees: the Compensation Committee and the Corporate Governance and Nominations Committee.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and H       Ploix.

Internal Control and Risk Management Committee

This Committee's duties involve, among other things, (i) reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection department and their main findings, and correspondence with the French banking regulator (*Commission bancaire*), (ii) reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues, (iii) holding discussions, occasionally outside the presence of executive management, with the heads of the General Inspection and Internal Audit departments, Ethics and Group Risk Management, and (iv) presenting to the Board of Directors the Committee's assessment of the Group's methods and procedures. Its current members are Fran       Grappotte (Chairman), Jean-Marie Gianno, Jean-Fran       Lepetit.

Compensation Committee

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. The Committee's current members are Alain Joly (Chairman), Jean-Louis Beffa and Gerhard Cromme.

Corporate Governance and Nominations Committee

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of

Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Alain Joly (Chairman), Claude Bébéar and Gerhard Cromme.

Executive Committee

The Executive Committee of BNP Paribas currently consists of the following members:

Baudouin Prot	Chief Executive Officer
Georges Chodron de Courcel	Chief Operating Officer
Jean Clamon	Chief Operating Officer
Jean-Laurent Bonnafé	Head of French Retail Banking and BNL banca commerciale
Philippe Bordenave	Head of Group Development and Finance
Jacques d'Estais	Head of Corporate and Investment Banking
Alain Marbach.....	Head of Group Information Systems
Frédéric Lavenir	Head of Group Human Resources
Vivien Lévy-Garboua.....	Head of Compliance
Pierre Mariani	Head of International Retail Banking and Financial Services
Alain Papiasse	Head of Asset Management and Services

TAXATION

This summary is based on laws, regulations and administrative circulars now in effect, all of which are subject to change, possibly with retroactive effect, or different interpretations. Investors should consult their own tax advisors in determining the tax consequences to them of purchasing, holding and disposing of Notes, including the application to their particular situation of the French tax considerations discussed below.

EU Directive on the Taxation of Savings Income

On June 3, 2003, the European Council of Economics and Finance Ministers adopted a Directive (in this section “Taxation”, the “**Directive**”) on the taxation of savings income under which EU Member States are required from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, provided however that the relevant beneficial owner of the payment may instead elect for the disclosure of information method or for the tax certificate procedure, as applicable. The rate of such withholding tax equals 15% for the first three years after the date of implementation of the Directive, this rate being increased to 20% for the subsequent three years and 35% thereafter. The ending of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries.

In relation to French taxation, the Directive has been implemented in French law under Article 242 *ter* of the *Code général des impôts* and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to the *Code général des impôts* (General Tax Code).

The Directive, as well as several agreements concluded between Luxembourg and certain dependant territories of the European Union, have been implemented in Luxembourg by the laws dated June 21, 2005 (the “**Laws**”).

French Taxation

Payments on the Notes issued by the Bank

Because the Notes constitute *obligations* under French law, are denominated in euro and accordingly are deemed to be issued outside of France for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France and who are not concurrently shareholders of the Issuer benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

Taxation on sale, disposal or redemption of Notes

Non-French resident holders of Notes who do not hold the Notes in connection with a business or profession conducted in France will not be subject to any French income tax or capital gains tax on the sale, disposal or redemption of Notes. Transfers of Notes made outside France will not be subject to any stamp duty or other transfer taxes imposed in France.

Luxembourg Taxation

Luxembourg non-residents

BNP Paribas has been advised that, under Luxembourg tax law currently in effect and subject to the provisions of the Laws implementing the Directive and several agreements concluded between Luxembourg and

certain dependent or associated territories of the European Union (i.e. Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat, and Netherlands Antilles collectively the “**Dependent Territories**”), there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident Noteholders.

Under the Laws, a Luxembourg based paying agent (within the meaning of the Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity (“**Residual Entity**”) within the meaning of article 4.2. of the Directive (i.e. an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognized in accordance with Council Directive 85/611/EEC) resident or established in another Member State of the European Union, unless such individual or Residual Entity elects for the disclosure of information method. The same regime applies to payments made by a Luxembourg based paying agent to an individual or Residual Entity resident in one of the Dependent Territories.

The withholding tax rate is initially 15 per cent, increasing steadily to 20 per cent and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg resident individuals

Pursuant the law dated December 23, 2005, a 10 per cent withholding tax is levied as from January 1, 2006 on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg individual residents. Only interest accrued after July 1, 2005 falls within the scope of this withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

There is no Luxembourg withholding tax payable on payments received by resident or non-resident Noteholders upon repayment of the principal or upon redemption of the Notes at their nominal value.

Prospective purchasers of the Notes should consult their own tax advisers as to the applicable tax consequences of the ownership of the Notes, based on their particular circumstances. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Notes. It is included herein solely for preliminary information purposes and is not intended to be, nor should it construed to be, legal or tax advice.

SUBSCRIPTION AND SALE

BNP Paribas UK Limited (the “**Lead Manager and Sole Bookrunner**”), as well as Barclays Bank PLC, HSBC Bank plc and ING Belgium SA/NV (the “**Senior Co-Lead Managers**”) and Banca IMI S.p.A., Caja de Ahorros de Valencia, Castellón y Alicante, BANCAJA, Commerzbank Aktiengesellschaft, Banque Fédérative du Crédit Mutuel, Danske Bank A/S, Erste Bank der oesterreichischen Sparkassen AG, Fortis Bank nv-sa and Bayerische Hypo-und Vereinsbank AG (the “**Co-Lead Managers**”, and together with the Lead Manager and the Senior Co-Lead Managers, the “**Managers**”) have, pursuant to a subscription agreement dated April 12, 2007 (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at a price equal to 100% of their Original Principal Amount. The Issuer and the Managers have, in the Subscription Agreement, reached an agreement in relation to commissions and expenses, with the combined underwriting and management commission being 0.75% of the Original Principal Amount of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the AMF or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the AMF. Each of the Managers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors, in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D. 411-1, D.411-2, D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*. The direct or indirect distribution to the public in France of any Notes so acquired may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or the securities law of any U.S. state, and may not be offered or sold, directly or indirectly, in the United States of America or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws.

Each Manager has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons; and

- (ii) it will send to each distributor or dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Notes which are the subject of the offering contemplated by this Prospectus (the “**Securities**”) in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Italy

Each Manager has acknowledged and agreed that no prospectus has been nor will be published in Italy in connection with the offering of the Notes and that such offering has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the “CONSOB”) pursuant to Italian securities legislation and, accordingly, has represented and agreed that the Notes may not and will not be offered, sold or delivered, nor may or will copies of the Prospectus or any other documents relating to the Notes be distributed in Italy, except (i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, (the “Regulation No. 11522”), or (ii) in other circumstances which are exempted from the rules on investment solicitation pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Italian Finance Law”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Each Manager has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Finance Law, Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Law”), Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

The Prospectus and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules on investment solicitation pursuant to Article 100 of the Italian Finance Law and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as

amended, is not to be distributed, for any reason, to any third party resident or located in Italy. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive in Italy, such requirements shall be replaced by the applicable requirements under the relevant implementing measures of the Prospectus Directive in Italy.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear. The Common Code number for the Notes is 029499519. The International Securities Identification Number (ISIN) for the Notes is FR0010456764.

2. Listing and admission to trading on the EU-Regulated Market of the Luxembourg Stock Exchange

Application has been made for the Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the EU-regulated market of the Luxembourg Stock Exchange.

3. Authorization

The issuance of the Notes was authorized pursuant to a decision of the Chief Executive Officer (*Directeur Général*) of the Issuer dated March 29, 2007 and acting pursuant to a resolution of the board of directors (*conseil d'administration*) of the Issuer dated May 23, 2006.

4. Documents on Display

Copies of:

- (i) the *statuts* of BNP Paribas and the Fiscal Agency Agreement relating to the Notes, and
- (ii) the most recently published audited annual report in French (incorporating the audited accounts) of BNP Paribas, called the “*Document de Référence*”, which has been filed with the AMF under the number D.07-0151 dated March 7, 2007,

will be available for inspection during the usual business hours on any weekday (except Saturdays and public holidays) at the specified offices of the Paying Agents. In addition, the *Document de Référence* is available on the Issuer's website: “www.invest.bnpparibas.com”. The BNP Paribas Group's principal subsidiaries and associated companies (whose book value exceeds 1% of the Group's share capital) are listed on pages 204-207 of the *Document de Référence*. A copy of this Prospectus is also available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Further, as long as any Notes remain outstanding, copies of the audited consolidated and unconsolidated annual financial statements, the semi-annual consolidated interim financial statements (and related reports) and the quarterly results' press releases of BNP Paribas for the most recent financial period will be available in the English language, free of charge, at the specified offices of the Paying Agents. The Issuer will not provide any post-issuance information other than as set forth herein or except if required by any applicable laws and regulations.

5. Trend Information

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

6. Legal and Arbitration Proceedings

Save as disclosed in this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

7. Significant Change

Save as disclosed in “Recent Developments” above, no significant change has occurred in the financial or trading position of the Group since December 31, 2006 (being the end of the last financial period for which financial information has been published).

8. Material Contracts

The Issuer has not entered into contracts outside the ordinary course of the Issuer’s business, which could result in the Issuer or any member of the Group being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligation to holders of the Notes.

9. Third Party Information

Information contained in this Prospectus which is sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information.

10. Auditors

Deloitte & Associés (represented by Pascal Colin), PricewaterhouseCoopers Audit (represented by Etienne Boris), and Mazars & Guérard (represented by Hervé Hélias) have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2006. PricewaterhouseCoopers Audit (represented by Etienne Boris), Barbier Frinault & Autres (represented by Radwan Hoteit) and Mazars & Guérard (represented by Hervé Hélias) have audited the consolidated financial statements of the Group as of and for the years ended December 31, 2005 and 2004 incorporated by reference herein.

At the shareholders’ meeting of BNP Paribas of May 23, 2006, Deloitte & Associés (represented by Pascal Colin) were appointed to replace Barbier Frinault & Autres as independent statutory auditors.

PricewaterhouseCoopers Audit, Deloitte & Associés and Mazars & Guérard are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*) and regulated by the *Haut Conseil du Commissariat aux Comptes*.

11. Interest of Persons involved in the Issue

Save as disclosed in “Subscription and Sale” above, no person involved in the offer of the Notes has an interest material to the offer.

THE ISSUER

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FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

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LUXEMBOURG PAYING AGENT AND LISTING AGENT

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