The European Banking Crisis and BNP Paribas

This summer's fall in financial markets has particularly impacted the market value of European banks: because of Government debt (notably in Greece), because of the uncertainties that have hovered over the Euro zone, and because of the global macro-economic scenario in developed countries.

BNP Paribas, the Euro zone's leading deposit bank, was also impacted by this situation. However, **the movements in BNP Paribas' stock price have no impact on the Group's activity, nor its solidity**. Here is a short review of BNP Paribas:

What is the solvency situation at BNP Paribas?

BNP Paribas has been profitable since the beginning of the crisis[1] and is as committed as ever to financing the economy via both its individual and professional clients.

The bank continually reinforces its shareholders' equity, retaining 2/3 of its profits. As a result, **BNP Paribas' shareholders' equity has now risen to 70.6 billion Euros**[2] in comparison to 39.2 billion Euros in 2007, the highest level amongst French banks. Today, **BNP Paribas has a solvency ratio** (basic capital compared with liabilities) **of 9.6%**[3].

Since the crisis, the authorities have adopted new solvency rules and have put into place criteria corresponding to Basel III, rules and criteria that must be adopted by all banking establishments by 2019. BNP Paribas immediately began to reinforce its solidity to **meet these regulatory requirements by January 2013**, six years in advance.

Is BNP Paribas encountering any difficulty in funding itself?

The funding of the bank is widely covered, both in Dollars and in Euros.

In the short-term:

The Group's short-term Euro liquidity is abundant and comes from diversified sources, notably thanks to its deposit activity in its principal domestic markets (Belgium, France, Italy, and Luxembourg)[4].
The Group's short-term Dollar liquidity is widely covered thanks to well-diversified funding sources (client deposits, private placements, both mid-and-long-term issuances, etc.).
BNP Paribas has at its disposal 135 billion Euros of assets eligible to central banks, 30 billion Dollars of which is with the United States Federal Reserve.

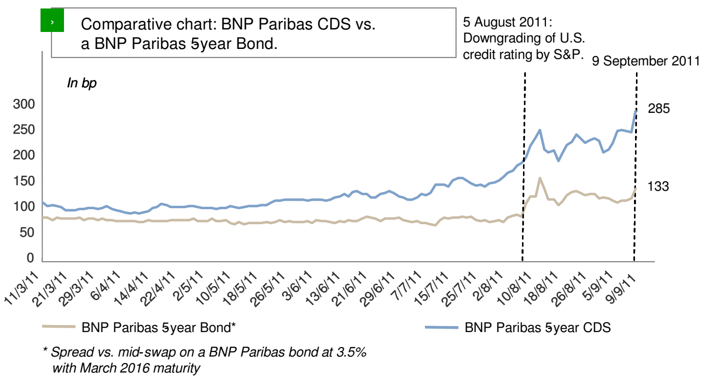
In the mid-and-long-term:

By July, BNP Paribas had completely satisfied its 2011 mid-and-long-term funding programme, **totaling 35 billion Euros**, of which 40% was in Dollars. In addition, BNP Paribas benefits from diversified sources of finance. During the summer, in anticipation of its 2012 funding programme, the bank issued a supplementary **3 billion Euros in private placements** with the same average maturity of 6 years.

How can BNP Paribas funding costs be evaluated?

BNP Paribas' funding costs can be seen in the market prices of bonds issued by BNP Paribas, and not in its CDS figures.

CDS (Credit Default Swaps) are credit derivative products and are not funding tools. Their pricing therefore does not reflect funding costs as can be seen in the inset chart[5].



---

1 +3 billion Euros in 2008, +5.8 billion Euros in 2009, +7.8 billion Euros in 2010, and +4.7 billion Euros in the first half of 2011.
2 "Tier One" as at 30 June 2011 using current solvency rules (Basel II).
3 "Common Equity Tier One" capital ratio as at 30 June 2011 using current solvency rules (Basel II).
4 These countries have in common strong household savings rates (three times higher than the U.S.) and low debt (half of that of the U.S.).
5 As at 9 September 2011

What is BNP Paribas' exposure to European government debt?

It is important to distinguish between the different situations amongst Euro zone economies:

- **Three countries are subject to plans put in place by the European Union and International Monetary Fund:**

  Greece is having great difficulty in restoring its public finances and in boosting its economy. BNP Paribas' exposure to Greek government debt is 3.5 billion Euros, after a provision of 0.5 billion Euros. This amount is put into perspective by the 7.4 billion Euros in profit-before-tax earned by BNP Paribas during the first six months of 2011. The Group has virtually no exposure to the Greek banking sector.
  The impact of a further worsening of the situation in Greece will thus be perfectly manageable in light of the Group's half-year 2011 net profits; it will not compromise the Group's solvency.

  Ireland and Portugal: the deficit-reduction undertakings made by these countries are well underway. The exposure of BNP Paribas to Irish and Portuguese government debt is 0.4 and 1.4 billion Euros respectively. In total, these exposures represent only 0.1% of the Group's total commitments.

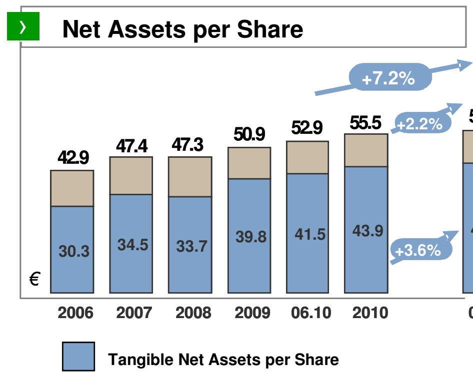
- **The other Euro zone countries** have solid economic fundamentals and have embarked on objectives that seek to reduce their budget deficits.
  In particular, BNP Paribas' exposure to Italian government debt is at 20.8 billion Euros. Italy's economic situation is totally different from Greece (it has a robust banking system, high bank deposits and low credit risk) and it is the only large country that foresees a balanced budget between now and 2013.

What is the effect of the stock market drop on BNP Paribas' activity?

The movements in BNP Paribas' stock price do not at all affect its solidity, nor its equity capital, nor its ability to give loans and protect its deposits.

As previously mentioned, BNP Paribas has no problem with its solvency, its funding, or its liquidity. Its exposure to European government debt is completely manageable in light of the Group's profitability.

Its net asset per share (as at June 2011) is 56.7 Euros, up by 7.2% over one year, and steadily growing as can be seen in the inset chart.



What is BNP Paribas' rating compared to other banks?

Ratings of Principal Banking Groups
as at 11 September 2011

AAA	Rabobank (negative)	
AA	HSBC Bank Plc (stable) Banco Santander (negative) BBVA (negative)	BNP Paribas (negative) Wells Fargo Bank N.A. (negative)
AA-	JPMorgan Chase Bank (stable)	Barclays Bank Plc (negative)
A+	Crédit Suisse (stable) Société Générale (stable) Deutsche Bank (stable) UBS (stable) RBS Plc (stable)	Crédit Agricole (stable) Intesa Sanpaolo (negative) Bank of America N.A. (negative) Citibank N.A. (negative)

Moody's decided to lower by one notch the ratings of two French banks (Société Générale, from Aa2 to Aa3; Crédit Agricole, from Aa1 to Aa2). The rating of BNP Paribas, while under review, remains unchanged. These three banks are each under review with a negative outlook.

The comparison of ratings clearly shows that BNP Paribas remains amongst the best-rated banks in the world, and in its peer group: AA by Standard & Poor's, Aa2 by Moody's, and AA- by Fitch.

For any further information, your Relationship Manager is at your disposal.
He is committed to being at your side to respond to your investment and financing needs.