84,033,110 Ordinary Shares

BNP Paribas (the "Issuer" or the "Bank") is offering 84,033,110 new shares of €2 nominal value per share in a global offering. The new shares will initially be offered by way of transferable preferential subscription rights ("rights") issued to the Bank's existing shareholders. Any new shares not subscribed for in the initial rights offering may be subsequently offered in an underwritten international private placement. The global offering consists of a public offering in France and a private placement to institutional investors outside of France, including in the United States. The number of new shares comprising the offering may increase to 86,500,266 if the holders of all of the Bank's currently exercisable, outstanding stock options exercise their options prior to March 14, 2006 and the holders of the underlying shares exercise their rights.

Each existing share will entitle its holder to receive one right. Ten rights will entitle their holder to subscribe for one new share at the subscription price. Rights holders will be able to sell all or a part of these rights if they decide not to subscribe, or to subscribe in part, for new shares, subject, as applicable, to the restrictions on transfers described in this offering circular. Rights holders may also subscribe for additional new shares subject to *pro rata* reduction as described in this offering circular. The Bank's existing shares will trade ex-rights beginning on March 7, 2006. Rights holders must exercise their rights on or before March 20, 2006. Rights not exercised by that time will lapse.

The Bank's shares are listed on the Eurolist market of Euronext Paris ("Euronext Paris") under the symbol "BNP". On March 2, 2006, the closing price of the Bank's shares on Euronext Paris was €77.40 per share.

Subscription Price: €65.40 per new share

The offering price in the underwritten international private placement, if any, may be different from the subscription price in the rights offering.

Investing in the Bank's shares involves risks. In making an investment decision, you must rely upon your own examination of the BNP Paribas Group and the terms of this offering, including the risks involved. See "Risk Factors" beginning on page 10 for a discussion of risks to consider before buying the Bank's shares.

The new shares and the rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the rights may only be exercised and the new shares may only be offered and sold in transactions that are exempt from registration under the Securities Act. In the United States, the new shares are being offered only to qualified institutional buyers as defined in Rule 144A under the Securities Act. Prospective purchasers are notified that sellers of the new shares may rely on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act. The new shares are subject to certain other restrictions on offers, sales, subscription and transfer. See "Plan of Distribution".

A public offering is being made in France pursuant to a separate offering document prepared in accordance with French regulations. This offering circular pertains only to the private placement outside of France.

Delivery of the new shares will be made on or about March 31, 2006.

Global Coordinator
BNP PARIBAS

Joint Lead Managers and Joint Bookrunners
BNP PARIBAS **Goldman Sachs International**

Senior Co-Lead Manager
Mediobanca S.p.A.

Co-Lead Managers
CALYON **Credit Suisse** **JPMorgan** **UBS Investment Bank**

Co-Managers
Lazard-IXIS **Natexis Bleichroeder** **Nomura International**

The date of this offering circular is March 2, 2006.

This offering circular is confidential and is being furnished by BNP Paribas in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of its new shares in the rights offering and private placement described herein. The Bank has furnished the information contained in this offering circular. No representation or warranty, express or implied, is made by the managers named herein as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the managers. This offering circular is personal to the offeree to whom it has been delivered and does not constitute an offer to any person or to the public in general to subscribe for or otherwise acquire the new shares. Distribution of this offering circular in whole or in part to any person other than the offeree is unauthorized. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bank's shares offered hereby is prohibited. By accepting delivery of this offering circular, you agree to the foregoing.

No person has been authorized to give any information or to make any representations in connection with the rights offering or sale of the Bank's shares other than those contained in this offering circular, and, if given or made, such information or representations must not be relied upon as having been authorized. This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation would be unlawful. The information contained in this offering circular is accurate only as of the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Bank's affairs or that the information contained herein is correct as of any time subsequent to the date hereof.

In making an investment decision, prospective investors must rely upon their own examination of the BNP Paribas Group and the terms of this offering, including the merits and risks involved.

The distribution of this offering circular and the rights offering and the sale of the Bank's shares in certain jurisdictions may be restricted by law. The Bank and the managers require that persons into whose possession this offering circular comes inform themselves about and observe any such restrictions. No action has been taken in any jurisdiction by the Bank or the managers that would permit a public offering of the new shares or rights offered hereby, other than in France. No offer or sale of new shares or rights may be made in any jurisdiction except in compliance with the applicable laws thereof. For a further description of certain restrictions on sales, offers and subscriptions of the Bank's shares or rights, see "Plan of Distribution". This offering circular does not constitute an offer of, or an invitation to sell or purchase, any of the Bank's shares or rights in any jurisdiction in which such offer or invitation would be unlawful.

In connection with this offering, Goldman Sachs International (or persons acting on its behalf) as stabilizing manager may over-allot or effect other transactions that stabilize or maintain the market price of the rights or the shares or any options, warrants or rights with respect to, or interests in, the shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date on which the rights begin trading and, if begun, may be ended at any time but must end no later than 30 calendar days after such date. Such transactions may be effected on Euronext Paris, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Goldman Sachs International will report its stabilizing transactions pursuant to the provisions of Articles 631-9 and 631-10 of the general regulations of the French *Autorité des marchés financiers*.

Notice to Prospective Investors in France

This offering circular has not been and will not be submitted to the clearance procedures of the French *Autorité des marchés financiers* (the "AMF"), and accordingly may not be distributed to the public in France or used in connection with any offer to purchase or sell any of the Bank's new shares to the public in France. For the purpose of the rights offering in France and the listing of the new shares on Euronext Paris, a *prospectus* in the French language has been prepared (consisting of (i) an annual report (*document de référence*), which was filed with the AMF on February 22, 2006 under no. D.06-0075, and (ii) a *note d'opération*), which received visa no. 06-055 dated March 2, 2006 from the AMF and includes a section describing certain risk factors relating to the Bank and the global offering, as well as a summary of the Bank.

Notice to Prospective Investors in the United Kingdom

This offering circular and any other material in relation to the rights and new shares described herein 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 entities, 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 new shares and rights are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such new shares or rights 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.

Notice to Prospective Investors in the United States

The rights and new shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The new shares are being offered (a) in the United States only to qualified institutional buyers, as defined in Rule 144A under the Securities Act and (b) outside the United States only in "offshore transactions" as defined in, and in accordance with, Regulation S under the Securities Act. The new shares sold in the United States may only be transferred in the United States in a transaction meeting the requirements of Rule 144A under the Securities Act or that otherwise benefits from an exemption from the registration requirements of the Securities Act.

In addition, until the expiration of the period beginning 40 days after the commencement of the offering, an offer or sale of rights and new shares within the United States by a broker/dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to the foregoing.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT A SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. The Bank, and its consolidated subsidiaries taken as a whole (the "BNP Paribas Group" or the "Group"), may also make written or oral forward-looking statements in its audited annual financial statements, in its interim financial statements, in its offering circulars, 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.

EXCHANGE RATE AND CURRENCY INFORMATION

In this offering circular, references to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. References to "$", "U.S.$" and "U.S. dollars" are to United States dollars. References to "cents" are to United States cents. Certain financial information contained herein and in any documents incorporated by reference herein is presented in euros. On March 1, 2006, the Noon Buying Rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York (the "Noon Buying Rate") was U.S.$1.19 per one euro.

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

Month **U.S. dollar/Euro**	**Period End**	**Average rate***	**High**	**Low**
February 2006	1.19	1.19	1.21	1.19
January 2006	1.22	1.21	1.23	1.20
December 2005	1.18	1.18	1.20	1.17
November 2005	1.18	1.18	1.21	1.17
October 2005	1.20	1.20	1.21	1.19
September 2005	1.21	1.22	1.25	1.20
Year **U.S. dollar/Euro**				
2005	1.18	1.24	1.35	1.17
2004	1.35	1.24	1.36	1.18
2003	1.26	1.13	1.26	1.04
2002	1.05	0.95	1.05	0.86
2001	0.89	0.89	0.95	0.84
2000	0.94	0.92	1.03	0.83

* The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual and semi-annual averages; on each business day of the month (or portion thereof) for monthly average.

Fluctuations in exchange rates that have occurred in the past are not necessarily indicative of fluctuations in exchange rates that may occur at any time in the future. No representations are made herein that the euro or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or euros, as the case may be, at any particular rate.

PRESENTATION OF FINANCIAL INFORMATION

Most of the financial data presented in this offering circular are presented in euros. The Group began presenting its 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 included 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. IFRS differs in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). For a narrative discussion of certain differences between IFRS and U.S. GAAP with respect to the Financial Statements, see "Summary of Material Differences Between IFRS and U.S. GAAP". The Group has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the BNP Paribas Group, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the information herein. The Group's fiscal year ends on December 31, and references in this offering circular to any specific fiscal year are to the twelve-month period ended December 31 of such year.

Prior to January 1, 2005, the Group prepared its financial statements in accordance with French generally accepted accounting principles ("French GAAP"). The audited consolidated financial statements prepared under French GAAP, including the notes thereto, of the Bank and its consolidated subsidiaries as of December 31, 2004 and 2003 and for the years then ended are also included herein. French GAAP differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain differences between French GAAP and U.S. GAAP with respect to the Group's audited consolidated financial statements prepared under French GAAP, see "Summary of Material Differences Between French GAAP and U.S. GAAP".

In this offering circular, all references to "billions" are references to one thousand million. Due to rounding, the numbers presented throughout this offering circular may not add up precisely, and percentages may not reflect precisely absolute figures.

OFFERING CIRCULAR SUMMARY

You should read the following information together with the more detailed information contained herein.

The Group

The Group (of which BNP Paribas is the parent company) is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world. The Group is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers worldwide, in particular in Europe and the western United States, and has offices in more than 85 countries. According to rankings published in July 2005 by *The Banker* (based on 2004 figures):

- based on total assets, the BNP Paribas Group was the second largest banking group in France, the fourth largest in Europe and the sixth largest in the world; and

- based on Tier 1 capital, the BNP Paribas Group was the second, fifth and tenth largest banking group in France, Europe and the world, respectively.

At December 31, 2005, the Group had consolidated assets of €1,258.1 billion (compared to €1,002.5 billion at January 1, 2005), consolidated loans and receivables due from customers of €301.2 billion (compared to €244.2 billion at January 1, 2005), consolidated items due to customers of €247.5 billion (compared to €211.5 billion at January 1, 2005) and shareholders' equity (Group share including income for 2005) of €40.7 billion (compared to €32.3 billion at January 1, 2005). Pre-tax net income for the year ended December 31, 2005 was €8.4 billion (compared to €7.1 billion for the year ended December 31, 2004, calculated under 2004 IFRS). Net income, Group share, for the year ended December 31, 2005 was €5.9 billion (compared to €4.9 billion for the year ended December 31, 2004, calculated under 2004 IFRS).

The Group currently has long-term senior debt ratings of "Aa2" with stable outlook from Moody's, "AA" with stable 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 two core businesses: French Retail Banking and International Retail Banking and Financial Services.

The Rights Offering

The following timetable sets forth certain important dates relating to the exercise or sale of rights by the Bank's shareholders:

Record date for allocation of rights	March 6, 2006
Ex-rights date	March 7, 2006
Beginning of rights trading period on Euronext Paris and of the period during which rights may be exercised	March 7, 2006
End of rights trading period on Euronext Paris and of the period during which rights may be exercised	March 20, 2006
New shares delivered on or about	March 31, 2006

Context and purpose of the rights offering

On February 3, 2006, BNP Paribas announced that it had entered into agreements with 13 shareholders of the Italian banking group Banca Nazionale del Lavoro ("BNL"), including Unipol, to acquire 1,467.6 million BNL shares, representing approximately 48% of BNL's share capital, at a price of €2.925 per share.

These agreements have been ratified by the board of directors of the selling parties involved, as well as by the Bank's Board of Directors. They remain subject to the approval, which must be obtained on or prior to June 30, 2006, of the Bank of Italy, ISVAP (the Italian authority for insurance companies) and European Union antitrust authorities of the acquisition by BNP Paribas of a controlling interest in BNL.

Following completion of the purchase of the above shares, BNP Paribas intends to launch a public offer for all of the remaining shares of BNL, at the same price of €2.925 per share and under the same conditions.

The present rights offering, the timing of which has been accelerated from that initially announced in light of market conditions, is intended to finance the acquistion of BNL in part. The remainder of the financing will be provided by hybrid capital issuances and the Bank's existing resources.

New shares offered

84,033,110 shares, which may be increased up to 86,500,266 shares, assuming that all of the Bank's outstanding stock options are exercised before March 14, 2006 and the underlying rights are fully exercised.

Lock-up

Without the prior written consent of Goldman Sachs International, and subject to certain exceptions, the Bank has agreed not to, and to ensure that its subsidiaries do not, issue, offer or sell any of the Bank's shares or securities convertible into or exchangeable directly or indirectly for the Bank's shares for a period of 120 days from the date hereof. See "Plan of Distribution".

Allocation of rights

Each share held on March 6, 2006 (the "record date") will entitle the holder to receive one right. Rights may also be purchased on the Eurolist market of Euronext Paris during the rights trading period. Stock options exercised before March 14, 2006 will entitle holders to receive preferential subscription rights as well.

Ex-rights date	March 7, 2006. Shares that trade on or after this date will not be entitled to receive rights.
Subscription ratio	10 rights will entitle the holder to subscribe for one new share at the subscription price. Rights may be exercised in whole or part at the holder's discretion. The Bank will only issue a whole number of new shares, and no fractional shares will be issued. Subscriptions submitted for fractional new shares will be rounded down to the nearest number of new shares.
	Holders may also subscribe for new shares in excess of the number of shares that their rights, including rights they have purchased, entitle them to purchase, so long as such holders have exercised all of the rights that they hold. To the extent new shares are available as a result of unexercised rights, holders will be allocated additional new shares in proportion to the number of rights they have exercised, and up to the number of additional new shares for which they have subscribed. In case of a shortfall in the number of additional new shares available to satisfy the subscriptions in full, the additional new shares to be delivered will be allocated in proportion to the number of rights, including rights that are purchased, exercised by the holders of rights, and the subscription price related to any new shares not delivered will be returned to the account of the relevant holders without interest. See "— Procedure for exercising rights".
Subscription price	€65.40 per share.
Rights exercise period	From March 7, 2006 through March 20, 2006, inclusive. Following the expiration of the rights exercise period, the rights will become null and void.
Procedure for exercising rights	Rights are exercised by delivering a properly completed subscription form and full payment of the subscription price in euros for the new shares being subscribed to authorized financial intermediaries in France (or to BNP Paribas Securities Services if you hold your shares in registered form (*nominatif pur*)). If you are a shareholder and hold your shares through a bank, a broker or another financial intermediary, your financial intermediary should submit the subscription form on your behalf. You may not submit a subscription form, exercise your rights or purchase new shares in or from the United States, unless you are a "qualified institutional buyer", as discussed under "Plan of Distribution".
	The Bank may refuse to accept any incomplete or unexecuted subscription forms.

The subscription price in respect of orders that are not filled or related to any new shares not delivered will be returned without interest.

Underwritten offering

Shares underlying any rights that are not exercised will be subscribed by the managers named herein, who may offer such shares in an international private placement to institutional investors. The offering price in the international private placement may be different from the subscription price in the rights offering.

Restrictions on exercise of rights and purchase of new shares in the United States and certain other jurisdictions

United States. You may not exercise your rights or purchase new shares in the United States unless you are a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act. See "Plan of Distribution".

JPMorgan Chase Bank, as depositary under the Bank's American Depositary Receipt facility, will, to the extent practicable, sell the rights relating to the American Depositary Shares that it holds, and remit the proceeds of such sales to the holders of the related American Depositary Receipts. Holders of the Bank's American Depositary Receipts must withdraw the underlying shares from the facility prior to the ex-rights date in order to exercise the related rights (if they are entitled to exercise the rights in accordance with the restrictions described above).

Other jurisdictions. Applicable laws in certain jurisdictions may restrict or condition the exercise of the rights. Shareholders subject to any such laws should consult their professional advisors as to how they can exercise their rights. Neither this offering circular nor any document relating to the rights offering constitutes an offer to subscribe in any countries where such an offer would contravene applicable laws. The subscription of new shares or exercise of rights by investors with an address in a country in which the offer is restricted will not be accepted and will be deemed to be null and void.

Irrevocability of exercise

The exercise of your rights may not be revoked, canceled or otherwise modified once exercised.

Form; Transferability

Rights will be in book-entry form in Euroclear France, the French book-entry securities clearance and depository system, in an account in the name of the shareholder's French financial intermediary (or the French correspondent of the shareholder's financial intermediary outside France).

Subject to any restrictions under applicable securities or other rules and regulations, the rights will be freely transferable outside the United States. The rights will be entered into shareholders' book-entry accounts and will begin to trade separately from the shares on March 7, 2006. A holder of rights that transfers or sells his or her rights will have no further right to purchase new shares in the rights offering in respect of the rights transferred or sold.

Listing of the rights	The rights will be listed and traded on the Eurolist market of Euronext Paris (ISIN FR0010303206) during the rights trading period. The rights will not be listed or quoted on any other stock exchange or quotation system.
Rights trading period	From March 7, 2006 to March 20, 2006, inclusive.
Delivery of new shares	Shares in bearer form will be credited on or about March 31, 2006 to participants' accounts with Euroclear France, Euroclear Bank S.A./N.V. or Clearstream Banking S.A., and shares in registered form will be credited on that date to share accounts maintained by the Bank or on its behalf.
Listing of existing shares	The Bank's existing shares are listed on the Eurolist market of Euronext Paris (ISIN FR0000131104).
Listing of new shares	The Bank expects the new shares to be listed on and begin trading on the Eurolist market of Euronext Paris on or about March 31, 2006 (ISIN FR0010272641). Since the new shares will not be entitled to receive the dividend with respect to the Bank's 2005 fiscal year (see below), they will be listed on a separate line from the Bank's existing shares until payment of such dividend, which is expected to occur on May 31, 2006 subject to approval at the next annual meeting of the Bank's shareholders.
Use of proceeds	The Bank intends to use the proceeds from the issue of the new shares in the global offering, net of underwriting discounts and commissions and expenses, to finance in part its acquisition of BNL. In the event that the acquisition of BNL does not occur for any reason, the Bank may return such proceeds to shareholders in whole or in part. See "Use of Proceeds" and "Recent Developments".
Dividends and voting rights	The new shares will not be entitled to receive dividends in respect of the Bank's 2005 fiscal year. The new shares will entitle their holders to receive any dividends approved by the Bank for the 2006 fiscal year and subsequent years to the same extent as the Bank's other outstanding ordinary shares, subject to approval at the annual shareholders' meeting. The new shares will confer other rights of ordinary shares, including voting rights, on their holders from their date of issue.
Subscription by principal shareholders	The AXA group, which at March 2, 2006 held 47,661,551 shares representing 5.7% of the Bank's share capital, has stated its intent to exercise all of the rights attached to such shares on a non-reducible basis. The Bank has been informed that the rights attaching to shares held by two of its subsidiaries, amounting at March 2, 2006 to 2,944,003 shares (0.35% of the Bank's share capital), will be exercised.
Risk factors	Prior to making an investment decision, you should read this offering circular and consider carefully the matters discussed herein, including

the information included herein under the heading “Risk Factors”.

Additional Information

All issues regarding the timeliness, validity, form and eligibility of any subscription in the rights offering will be determined by the Bank in its sole discretion, and its determinations will be final and binding. The Bank may, in its sole discretion, waive any defect or irregularity, or permit it to be corrected within such time as the Bank may determine, or reject the purported exercise of any right. The Bank will have no duty to notify any holder of rights or any other person of any defect or irregularity in connection with the subscription for new shares and incur no liability for failure to give such notification.

USE OF PROCEEDS

The Bank estimates that its net proceeds from the new shares that it is offering, net of underwriting commissions and discounts paid to third party managers and other expenses of the global offering, will be approximately €5,409,765,394, which may increase up to approximately €5,571,117,396 million in the event that all of the Bank's outstanding stock options have been exercised before March 14, 2006 and the underlying rights have been fully exercised. The Bank currently intends to use the proceeds from the issue of the new shares to finance in part its acquisition of BNL. In the event that the acquisition of BNL does not occur for any reason, the Bank may return such proceeds to shareholders in whole or in part.

RISK FACTORS

Investing in the Bank's shares involves risks. Before investing, you should carefully consider the risk factors below and the other information contained in this offering circular. Additional risks and uncertainties of which the Bank is unaware or that it believes are immaterial may also adversely affect its business, financial condition, liquidity, results of operations or prospects. If any of these events occurs, the Bank's business, financial condition, liquidity, results of operations or prospects could be materially and adversely affected.

Risks Related to Operations

There are four main categories of risks inherent in the Bank's activities, which are summarized in this risk factor and described in detail under "Risk Management" herein. The risk factors following the one below 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 financial loss relating to the failure of an obligor to honor its contractual obligations. Credit risk arises in lending activities and also in various other activities where the Bank is exposed to the risk of counterparty default, such as its trading, capital markets and settlement activities.

- *Market and Liquidity Risk.* Market risk is the risk related to earnings, which arises primarily from adverse movements of trading and non-trading market parameters. Trading market parameters include, but are not limited to, foreign exchange rates, bond prices, security and commodity prices, derivatives prices and prices of other marketable assets such as real estate or cars. Trading market parameters also include derivations of the items previously mentioned, such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading market parameters include parameters based on assumptions or on statistical analysis, such as models and statistical correlation, respectively.

  Liquidity is also an important component of market risk. In instances of little or no liquidity, a market instrument or transferable asset may not be negotiable at its estimated value. A lack of liquidity can arise due to a lack of volume, legal restrictions or a one-way market.

  Market risk arises in trading portfolios and in non-trading portfolios. In non-trading portfolios, it encompasses:

  - The risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk is driven primarily by interest rate risk.

  - The risk associated with investment activities, which is directly connected to changes in the value of invested assets within equity portfolios.

  - The risk associated with certain other activities, such as real estate or car leasing, which is indirectly affected by changes in the value of negotiable assets held in the normal course of business.

  Liquidity risk, which is also referred to as funding risk, is the inability of the Bank to meet its obligations at an acceptable cost in a given currency and location.

- *Operational Risk.* Operational risk corresponds to the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources and information systems. External events include floods, fires, earthquakes or terrorist attacks.

- *Insurance Risk*. Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behavior, changes in public health, pandemics and catastrophic events (earthquake, industrial disaster, terrorism, etc.).

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

As a global player in financial services, the Bank's businesses are materially affected by conditions in the financial markets and economic conditions generally in Europe, the U.S. and elsewhere around the world. Despite geopolitical uncertainties in 2004 and 2005, market conditions were favorable overall during this period. Adverse changes in market or economic conditions could, however, create a challenging operating environment for financial services companies in the future. Such adverse changes could result, in particular, from increases in raw material 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. In summary and for example, financial markets in Europe, the U.S. 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, and adverse economic conditions could reduce credit demand by corporate borrowers. These developments would adversely affect the Bank's net banking income, and, if it were unable to reduce expenses commensurately, its profitability. Revenues and profitability could also be depressed by 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 (other than trading) positions in the debt, currency, commodity and equity markets, and in private equity, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. For further information on market risk exposures in those portfolios, you should refer to the section entitled "Risk Management" below. Volatility can also lead to losses relating to a broad range of other trading and hedging products the Bank uses, including swaps, futures, options and structured products.

To the extent that the Bank owns assets, or has net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of its net long 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, an upturn in those markets 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 may especially be 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 other 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 highly 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, increases in the interest rates at which short-term funding is available and maturity mismatches 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 periodically 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 upon 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. For further information on the Bank's provisioning procedures and its breakdown of doubtful loans, see "Risk Management". 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 provisions allocated with respect thereto, 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 maintain customers. The Bank's reputation could be harmed if it fails to promote and market adequately 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. The Bank's reputation could in the future be damaged by, among other things, employee misconduct, a decline in or a restatement of or other corrections to its financial results, adverse legal or regulatory action. The loss of business that could result from damage to the Bank's reputation could affect its results of operations and financial condition. An example of this risk is the UN Oil-for-Food program, in which the Bank's role has come under scrutiny. See "Business of the Group – Oil-for-Food Program Inquiries" for a discussion of this.

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, the Bank 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 a material 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 like severe natural catastrophes, terrorist attacks or other states of emergency can lead to an abrupt interruption of the Bank's operations and, to the extent not covered by insurance, can cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events can also lead to additional costs (such as relocation of employees affected) and increase the Bank's costs (such as insurance premiums). Such events may also make insurance coverage for certain risks unavailable and thus increase the Bank's risk.

The Bank is subject to extensive supervisory and regulatory regimes in France, elsewhere in Europe, the U.S., the Asia Pacific region and in the many countries around the world in which it operates; regulatory actions and changes in regulatory regimes could adversely affect the Bank's business and results.

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 authorization to operate.

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various regulatory authorities of France, other European Union or foreign governments and international agencies. The nature and impact of future changes in such policies and regulatory action 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 financial reporting environment; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership.

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, including risks that the Bank fails to identify or anticipate. Some of the Bank's qualitative tools and metrics for managing risk are based upon 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. These risk exposures could, for example, arise from factors the Bank did not anticipate or correctly evaluate 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 modeling does not take all risks into account. The Bank's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. See "Risk Management" below for a more detailed discussion of the policies, procedures and methods the Bank uses to identify, monitor and manage its risks.

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 an 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 Bank may only be partially hedged, or these strategies 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 affect 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 external growth opportunities as part of its overall strategy. Even though the Bank reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, the Bank may assume unanticipated liabilities, or an acquisition may not perform as well as expected. In addition, the Bank might have difficulty integrating any entity with which it combined its operations. Failure to complete announced business combinations or failure to integrate acquired businesses successfully into those of the Bank could materially adversely affect the Bank's profitability. It could also lead to departures of key employees, or lead to increased costs and reduced profitability if the Bank felt compelled to offer them financial incentives to remain.

Investors should also refer to the risks set forth below under "—Risks Related to the Acquisition of Banca Nazionale del Lavoro" for a summary of the other risks faced by the Bank in connection with its proposed acquisition of Banca Nazionale del Lavoro, announced on February 6, 2006.

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 with attractive product and service offerings that are profitable for the Bank, it may lose market share in important 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. The Post Office Bank is authorized by regulation to extend various types of credit, in particular mortgage loans, through its network of 17,000 post offices in France.

Risks Related to the Acquisition of BNL

On February 3, 2006, the Bank announced its intent to acquire BNL, an Italian banking group. For an overview of this proposed acquisition, which this offering is made to finance, see "Recent Developments".

Regulatory approvals may not be obtained or may impose adverse conditions and obligations.

The Bank's proposed acquisition of a 48% stake in BNL through the agreements it has entered into with 13 current shareholders of BNL will require the approval of various regulatory authorities prior to June 30, 2006, principally the Bank of Italy, ISVAP (the Italian Authority for Insurance Companies) and European Union antitrust authorities. The Bank's public tender offer for the remaining shares of BNL will be subject to approval by Italy's stock market regulator, the CONSOB. Although the Bank does not anticipate that there will be difficulties or conditions attendant upon obtaining these approvals that would have a material impact on either the completion of the acquisition or the operations of the Bank or BNL, there can be no assurance that all necessary approvals will be granted or that they will be granted on favorable terms. It is possible that certain regulatory approvals will be refused, or will be subject to conditions and obligations that adversely affect the financial position or operations of the Bank, which could include non-completion of the acquisition, the divestiture of certain assets or businesses or the imposition of obligations on the Bank that restrict the manner in which it can carry on business. Should any such divestitures or obligations be required and implemented, there could be a material adverse effect upon the business of the Bank or BNL.

The Bank may not achieve the expected synergies from the proposed acquisition, and the integration process may disrupt operations.

The Bank estimates that the proposed acquisition will generate total annual pre-tax cost synergies of €250 million and revenue synergies of €150 million as from 2009, at a pre-tax restructuring cost of €450 million, of which €300 million is expected to be incurred in 2006 and €150 million in 2007. The Group estimates that these cost and revenue synergies will be generated progressively at the level of 5%, 30% and 70% in 2006, 2007 and 2008, respectively, before taking full effect in 2009.

Cost synergies are expected to result in particular from:

- Consolidating central and regional organizations, optimizing back-office organizations, transferring BNP Paribas' process optimization know-how, reducing procurement costs, reducing BNL's financing costs by taking advantage of BNP Paribas' "AA" rating and improving BNL's risk management processes (estimated pre-tax cost savings of €140 million);

- Consolidating BNL's international network and corporate and investment banking product platforms (estimated pre-tax cost savings of €65 million);

- Combining, sharing or leveraging specialized financing business lines (estimated pre-tax cost savings of €30 million); and

- Combining local and global capabilities in asset management and equity securities services (estimated pre-tax cost savings of €15 million).

Revenue synergies are expected to result in particular from:

- In retail banking, improving BNL's range of products and quality of service, enhancing customer loyalty and cross-selling, developing an integrated multi-channel management structure for customer relationships and implementing a commercial strategy that aims to increase market share (estimated pre-tax income of €45 million resulting from additional revenues);

- Maximizing revenues from corporate customers through an enhanced product offering (estimated pre-tax income of €55 million resulting from additional revenues);

- Strengthening leadership positions in retail financial services (estimated pre-tax income of €35 million resulting from additional revenues); and

- Enhancing the asset management and services business (e.g., expanding existing partnerships with BNL and BNL Vita in the area of credit protection insurance, strengthening the partnership with Unipol and its controlling shareholders, etc.) (estimated pre-tax income of €15 million resulting from additional revenues).

Realization of the anticipated synergies will depend in part upon whether the operations of the Bank in Italy can be integrated in an efficient and effective manner with those of BNL. Integrating the operations of an acquired business is a complex and lengthy process. Successful integration and the achievement of synergies requires, among other things, the satisfactory coordination of business development and marketing efforts, the retention of key management personnel, effective hiring and training policies and the alignment of information and software systems. Any difficulties encountered in combining operations could result in higher integration costs and lower savings or revenues than expected. Accordingly, there can be no assurances as to the extent to which the anticipated synergies will be achieved and the timing of their realization. Moreover, the integration of the Bank's existing Italian operations with those of BNL could interfere with the activities of one or more of their businesses and divert management's attention from other aspects of the Bank's operations, which could have an adverse effect on the Bank's operations and results in Italy or more generally.

The proposed acquisition will alter the Bank's geographic risk profile, exposing it significantly to risks inherent in the Italian retail banking market.

Following completion of the proposed acquisition, approximately 12% of the Bank's aggregate revenues will be generated from retail banking in Italy. The Italian retail banking market has different characteristics from those of the French and US markets in which the Bank's retail banking operations are currently concentrated. While the Bank believes that the growth prospects in the Italian retail banking market are attractive, the risks in such market may be greater than those in the French and US markets due, among other things, to the relative fragility of the Italian economy, its lower recent and projected growth rates and a higher credit default rate.

The proposed acquisition would increase the Bank's exposure to asset quality problems and a higher cost of risk, due to BNL's relatively higher level of doubtful credits and lower level of coverage as well as the lack of due diligence, and will generate a substantial amount of goodwill that will be subject to impairment.

In recent years BNL has had a high level of cost of risk and of doubtful credits (in each case as a percentage of total credits) and a low coverage ratio (i.e., level of provisions relative to doubtful credits), as compared to the corresponding levels and ratios of the Bank. While BNL's ratios improved as of September 30, 2005, based on unaudited accounts, from their level at December 31, 2004, these ratios still compare unfavorably to those of the Bank. This differential could lead the Bank to incur a higher cost of risk as a result of the proposed acquisition, particularly since it did not have the opportunity to conduct due diligence on BNL in advance of announcing the proposed acquisition and it intends to apply its existing provisioning policies and procedures to BNL's credit portfolio. While the Bank has planned on an allowance for balance sheet adjustments of up to 800 million euros in connection with the proposed acquisition, in particular to cover additional provisions relating to BNL's credit portfolio, this amount may prove insufficient.

Moreover, the Bank will record a substantial amount of goodwill in connection with the proposed acquisition (currently estimated at 4.6 billion euros). Were significant asset quality issues to arise or the financial condition and prospects of BNL otherwise fail to meet the expectations underlying the acquisition valuation, the Bank could be led to incur substantial impairment charges, which could have a material adverse effect on its results of operations.

Risks Related to the Offering

The market price of the Bank's shares could fluctuate and fall below the subscription price of the shares issued through the exercise of subscription rights.

The market price of the Bank's shares during trading of subscription rights to shares might not reflect the market price of the Bank's shares at the time of issuance of the new shares. The Bank's shares might be traded at prices lower than the prevailing market price at the launch of the offering. There can be no assurance that the market price will not fall below the subscription price of the new shares issued during the exercise of subscription rights. If this decrease should occur after the exercise of subscription rights by their holders, the holders would consequently sustain an immediate loss. There can therefore be no assurance that, after exercise of subscription rights, the investors will be able to sell the Bank's shares at a price equal to or greater than the subscription price of the new shares issued during the exercise of subscription rights.

There can be no assurance that an active trading market will develop for the subscription rights, and, if a market does develop, the subscription rights may be subject to greater volatility than the Bank's shares.

The Bank has applied for trading of the subscription rights on Euronext Paris from March 7, 2006 to March 20, 2006. There can be no assurance that active trading of the subscription rights will develop on Euronext Paris during the rights trading period.

There can be no assurance that an active trading market will develop for the new shares, which initially will be listed on a separate line from the Bank's existing shares on Euronext Paris, and, if a market does develop, the new shares may be subject to greater volatility than the Bank's existing shares.

The Bank has applied for trading of the new shares on Euronext Paris to begin on or about March 31, 2006. Since the new shares will not be entitled to receive the dividend with respect to the Bank's 2005 fiscal year, they initially will be listed on a separate line from the Bank's existing shares until the payment of this dividend (expected to occur on May 31, 2006), after which date they will become fungible with the Bank's existing shares. There can be no assurance that active trading of the new shares will develop on Euronext Paris during the time that they are listed on a separate line from the Bank's existing shares.

In the event of a substantial decrease in the market price of the Bank's shares, the subscription rights could decrease in value.

The market price of the subscription rights will depend on the market price of the Bank's shares. A decrease in the market price of the Bank's shares could materially adversely affect the value of the subscription rights attached to such shares.

Shareholders who do not participate in the offering may experience significant dilution in their shareholdings.

To the extent that the shareholders do not exercise their subscription rights, such shareholders' proportionate ownership of the share capital and voting rights in the Bank will be decreased. Even if the shareholders choose to sell their subscription rights, the potential return on such a sale could be insufficient to offset the dilution.

The market price of the Bank's shares will fluctuate, and could fluctuate significantly.

The market price of the Bank's shares will fluctuate, and could fluctuate significantly, in response to various factors and events, including the following:

- the liquidity of the market for the Bank's shares;
- differences between the Bank's actual financial or operating results and those expected by investors and analysts;

- changes in analysts' recommendations or projections;
- changes in the Bank's credit ratings, including as a result of the acquisition of BNL;
- new laws or regulations or changes in interpretations of existing laws and regulations affecting the Bank's business;
- changes in general economic or market conditions; and
- broad market fluctuations.

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group (i) as of December 31, 2005 and January 1, 2005 and for the years ended December 31, 2005 and December 31, 2004, and (ii) as of and for the years ended December 31, 2003, 2002 and 2001.

The selected financial data for the Group as of December 31, 2005 and January 1, 2005 and for the years ended December 31, 2005 and December 31, 2004 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004 included herein. The selected financial data for the Group as of and for the years ended December 31, 2003, 2002 and 2001 have been derived from the previously published audited consolidated financial statements of the Group for such years.

The selected financial data for the Group as of December 31, 2005 and January 1, 2005 and for the years ended December 31, 2005 and December 31, 2004 and the financial statements from which they are derived have been prepared in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain differences between IFRS and U.S. GAAP with respect to the Group's audited consolidated financial statements, see "Summary of Material Differences Between IFRS and U.S. GAAP". For a discussion of the Group's transition to IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and December 31, 2004. As discussed therein, there are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS").

Given that the principles for recognition, classification and measurement of financial instruments under EU-IFRS vary significantly from the principles that applied under 2004 IFRS, the effects on the balance sheets of banks are particularly substantial. As a result, the Group has decided to disclose not only the effects on the balance sheet at December 31, 2004 of the transition from French GAAP to 2004 IFRS, but also the effects of the transition from 2004 IFRS to EU-IFRS. This has been done by preparing a balance sheet at January 1, 2005 under EU-IFRS. Consequently, this balance sheet and the notes thereto serve as the basis for the comparisons throughout this offering circular with the balance sheet as at December 31, 2005.

The selected financial data for the Group as of and for the years ended December 31, 2003, 2002 and 2001 and the financial statements from which they are derived have been prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain differences between French GAAP and U.S. GAAP with respect to the Group's audited consolidated financial statements, see "Summary of Material Differences Between French GAAP and U.S. GAAP".

BNP Paribas Group Consolidated Income Statement (IFRS)	Year ended December 31,	
	2005*	2004*
	(in millions of euros)	
Net interest income[1]	7,733	7,554
Net commission income[1]	4,547	4,373
Net gain on financial instruments at fair value through profit or loss[2]	5,212	3,366
Net gain on available-for-sale financial assets[3]	1,353	1,450
Net income from other activities	3,009	2,626
Net banking income	**21,854**	**19,369**
Operating expense and depreciation	(13,369)	(12,043)
Gross operating income	**8,485**	**7,326**
Cost of risk	(610)	(685)
Operating income	**7,875**	**6,641**
Share of earnings of associates	352	407
Net gain on non-current assets	211	64
Change in value of goodwill	(14)	7
Income taxes	(2,138)	(1,764)
Minority interests	(434)	(416)
Net income attributable to the BNP Paribas Group	**5,852**	**4,939**

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

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

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

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

BNP Paribas Group Consolidated Income Statement (French GAAP)	Year ended December 31,		
	2003	2002	2001
	(in millions of euros)		
Net interest and assimilated income	6,794	5,707	4,540
Net gains on financial operations	4,597	4,826	6,519
Net commissions [1]	5,951	5,618	5,692
Other net income	593	642	699
Net banking income	17,935	16,793	17,450
Operating expense and depreciation	(11,285)	(10,955)	(10,933)
Gross operating income	6,650	5,838	6,517
Net additions to provisions for credit risks and country risks	(1,361)	(1,470)	(1,312)
Operating income	5,289	4,368	5,205
Gains on disposal of long-term investments, net of provisions	912	903	1,125
Share of earnings of companies carried under the equity method	131	80	228
Other income and expenses	(746)	(538)	(326)
Income taxes	(1,481)	(1,175)	(1,817)
Minority interests	(344)	(343)	(397)
Net income attributable to the BNP Paribas Group	3,761	3,295	4,018

(1) Includes insurance activities.

BNP Paribas Group Consolidated Balance Sheet (IFRS)	**At December 31, 2005**	**At January 1, 2005**
	(in millions of euros)	
Assets		
Cash and amounts due from central banks and post office banks	7,115	6,888
Financial assets at fair value through profit or loss	700,525	539,510
Derivatives used for hedging purposes	3,087	2,581
Available-for-sale financial assets	92,706	75,778
Loans and receivables due from credit institutions	45,009	40,983
Loans and receivables due from customers	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)	-
Held-to-maturity financial assets	15,445	26,130
Current and deferred tax assets	2,135	2,140
Accrued income and other assets	65,327	41,332
Investments in associates	1,823	2,720
Investment property	5,255	4,551
Property, plant and equipment	9,213	8,159
Intangible assets	1,225	1,175
Goodwill	8,079	6,328
Total Assets	1,258,079	1,002,503
Liabilities and Shareholders' Equity		
Due to central banks and post office banks	742	256
Financial liabilities at fair value through profit or loss	610,681	457,126
Derivatives used for hedging purposes	1,015	450
Due to credit institutions	118,893	100,188
Due to customers	247,494	211,487
Debt securities	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios	901	1,022
Current and deferred tax liabilities	2,206	1,653
Accrued expenses and other liabilities	48,446	34,056
Technical reserves of insurance companies	76,523	64,518
Provisions for contingencies and charges	3,850	3,983
Subordinated debt	16,706	13,042
Minority interests in consolidated subsidiaries	5,275	4,814
Shareholders' equity (group share)	40,718	32,311
Total Liabilities and Shareholders' Equity	1,258,079	1,002,503

BNP Paribas Group Consolidated Balance Sheet (French GAAP)	At December 31, 2003	2002	2001
	(in millions of euros)		
Assets			
Interbank and money market items	274,908	240,386	271,574
Customer items	221,973	225,341	234,907
Securities and insurance company investments	169,786	121,734	154,769
Long term investments	8,403	13,074	10,656
Tangible and intangible assets	9,008	8,640	7,514
Accrued income and other assets	93,420	94,597	141,387
Goodwill	5,578	6,547	4,489
Total Assets	783,076	710,319	825,296
Liabilities and Shareholders' Equity			
Interbank and money market items	191,254	177,905	220,296
Customer items	210,621	195,569	216,096
Bonds and negotiable debt instruments	83,101	84,057	87,863
Other accounts (1)	250,691	206,528	259,307
Subordinated debt	13,226	14,283	13,038
Reserve for general banking risks	843	997	1,007
Minority interests in consolidated subsidiaries	5,019	4,535	3,079
Shareholders' equity (group share)	28,321	26,445	24,610
Total Liabilities and Shareholders' Equity	783,076	710,319	825,296

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

BNP Paribas Group Capital Ratios	At December 31, 2005 (IFRS)	2004 (French GAAP)	2003 (French GAAP)
Total ratio	11.0%	10.3%	12.9%
Tier 1 ratio	7.6%	8.1%	9.4%
Risk-weighted assets (in € billions)	378	324	274

CAPITALIZATION OF THE GROUP

The table below sets forth the consolidated capitalization of the Group as of December 31, 2005. Except as set forth in this section, there has been no material change in the capitalization of the Group since December 31, 2005.

	As of December 31, 2005 (in millions of euros)
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	36,580
Other debt securities	20,269
Subordinated debt	13,356
Total Medium- and Long-Term Debt	**70,205**
Undated participating subordinated notes(2)	306
Undated subordinated FRNs(3)	1,493
Total Undated Debt	**1,799**
Shareholders' Equity	
Issued capital(4)	1,676
Additional paid-in capital	8,025
Preferred shares and equivalent instruments(5)	2,424
Retained earnings(6)	20,966
Unrealized or deferred gains and losses attributable to shareholders	5,471
Total Shareholders' Equity	**38,562**
Minority interests(7)	5,084
Total Capitalization	**115,650**

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, 2005: CAD = 1.3763; GBP = 0.6881; CHF = 1.5562; HKD = 9.1769; JPY = 139.7122; USD = 1.1836.

(2) 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.

(3) 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*.

(4) The number of shares outstanding has increased since December 31, 2005. At February 28, 2006, BNP Paribas' share capital stood at €1,680,662,212, divided into 840,331,106 shares with a par value of €2 per share, all fully paid.

(5) 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.

(6) After deduction at cost of 4,724,282 BNP Paribas shares held by BNP Paribas as at December 31, 2005.

(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 from October 5, 2006, the issuer may redeem the securities at par on each dividend payment date.

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.

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

The following discussion and analysis relate to the results of operations and financial condition of the Group for the year ended and as of December 31, 2005 as compared to the year ended December 31, 2004 and as of January 1, 2005, and for the year ended and as of December 31, 2004 as compared to the year ended and as of December 31, 2003.

The following discussion and analysis should be read in conjunction with "Selected Financial Data" and the audited consolidated financial statements of the Group as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein, as well as the audited consolidated financial statements of the Group as of and for the years ended December 31, 2004 and 2003 included herein. The Group's audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 have been prepared in accordance with IFRS, while the audited consolidated financial statements of the Group as of and for the years ended December 31, 2004 and 2003 have been prepared in accordance French GAAP applicable to the French banking industry.

Economic Conditions

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

	2003	2004	2005
French GDP[1]	0.8%	2.3%	1.6%
Euro zone GDP[2]	0.7%	2.1%	1.3%
U.S. GDP[3]	2.7%	4.2%	3.5%
Short-term interest rates (3-month Euribor)[4]	2.12%	2.16%	2.49%
Long-term interest rates (France)[5]	4.30%	3.67%	3.29%
S&P 500*	26.4%	9.0%	3.8%
FTSE 100*	11.7%	7.5%	15.9%
CAC 40*	16.1%	7.4%	22.3%

1 Source: OECD Main Economic Indicators. Figure for 2005 based on a preliminary estimate.

2 Source: Eurostat

3 Source: U.S. Bureau of Economic Analysis

4 Source: Banque de France

5 Source: Banque de France

* Percent change from January 1 through the end of the period.

The global economy during 2003 was marked by a strong economic recovery in the United States, propelled by low interest rates and a high level of mortgage refinancing, while the labor market continued to struggle to add jobs. Europe as a whole, and France in particular, continued to experience sluggish growth in 2003, especially in the first quarter, when the Iraq conflict dominated the headlines, financial markets deteriorated and the euro continued to appreciate rapidly, in particular against the U.S. dollar, making exports less competitive. In 2004, global economic growth was particularly sustained, even though its pace remained limited in Europe. This overall positive environment helped to lift corporate earnings and reduce the overall number of corporate bankruptcies. Capital markets, which were more bullish at the beginning of the year, remained hesitant thereafter, with uneven trading volumes and historically low volatility. The U.S. dollar continued to depreciate against the euro and thus to weigh on the results of European companies doing business in the United States (including the Group, as summarized below). During 2005, the global economy grew at a slower, albeit sustained pace, in the face of rising oil prices and tightening monetary policy, in particular in the United States. Overall growth proved to be much weaker in Europe than in the United States, continuing the trend of prior years.

In 2003, 3-month EURIBOR continued the decline that began at the end of 2002, while long-term interest rates remained relatively constant. The year 2004 was marked by relative stability in short-term interest rates, while long-term rates declined further. In 2005, 3-month EURIBOR began to increase in the latter part of the year in response to tightening monetary policy, while long-term rates continued their downward trend.

U.S. and European financial markets deteriorated through the early spring of 2003, at which point these markets began to recover, posting healthy gains overall in 2003, with lower volatility. In 2004, U.S. and European financial markets again posted healthy gains, though they were more muted than in 2003. During 2005, European financial markets continued to record healthy gains, while U.S. markets remained mostly flat.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. After an initial three-year period in which the euro generally depreciated against the U.S. dollar, in 2003 and 2004 the euro generally appreciated against the U.S. dollar thus weakening European exports in real terms and decreasing the value of dollar-denominated earnings of French companies, including the Group's U.S. operations. In 2005, this trend reversed itself, with the U.S. dollar gradually appreciating against the euro, thereby increasing the value of the Group's dollar-denominated earnings. For more information on the euro/dollar exchange rates for the period under review, see "Exchange Rate and Currency Information".

Basis of Presentation

General

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 4 of the audited consolidated financial statements as of and for the year ended December 31, 2005 included herein, for further segment information.

The divisional analysis is prepared on a basis that ensures the comparability of results across the Group's divisions by assuming a consistent allocation of Group capital across those divisions. Imputed revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division generally corresponds to the amount required to comply with international capital adequacy ratios and is based on 6% of risk-weighted assets. The capital allocated to Asset Management, Private Banking and Cortal Consors is equal to 0.25% of assets under management. In Real Estate Services and Securities Services, additional capital is allocated in respect of operational risk. Similarly, the capital allocated to the Private Equity business corresponds to a certain percentage of the net book value of investments. The percentage varies depending on the investment and is designed to reflect the actual risk. Capital allocated to the Insurance business corresponds to 100% of the solvency margin as determined according to insurance regulations.

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

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

Change in Accounting Principles; Transition to IFRS

The Group, like all companies with securities listed on a European securities exchange, 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. Prior to January 1, 2005, the Group prepared its financial statements in accordance with French GAAP. The discussions in this section relating to the Group's results of operations and financial condition for the year ended and as of December 31, 2005 as compared to the year ended December 31, 2004 and as of January 1, 2005, as well as the financial statements on which they are based, have been prepared in accordance with IFRS as in effect at the relevant date. Accordingly, the discussions in this section relating to the Group's results of operations and financial condition for the year ended and as of December 31, 2004 as compared to the year ended and as of December 31, 2003, as well as the financial statements on which they are based, have been prepared in accordance with French GAAP.

There are material differences between IFRS applicable in 2004 ("2004 IFRS") and IFRS applicable in 2005 ("EU-IFRS"). In particular, EU-IFRS includes certain additional standards (specifically, IAS 32 (relating to financial instrument disclosure and presentation), IAS 39 (relating to financial instrument recognition and measurement) and IFRS 4 (relating to insurance contracts)) that apply only to financial statement periods subsequent to January 1, 2005. Accordingly, the Group's results of operations for the year ended December 31, 2004, as set out in the income statement for the year ended December 31, 2004 and in the discussion below under "—Results of operations by division" and "—Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004, are not directly comparable to its results of operations for the year ended December 31, 2005, as set out in the income statement for the year ended December 31, 2005 and in the discussion below under "—Results of operations by division" and "—Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004. The Group has therefore prepared an unaudited quantified simulation of the effect of applying EU-IFRS on its income statement for the year ended December 31, 2004, a summary of which is set forth for informational purposes under "–Transition to IFRS and 2005 Results" after the discussion below under "–Results of operations by nature of income and expense" relating to the year ended December 31, 2005 as compared to the year ended December 31, 2004.

Given that the principles for recognition, classification and measurement of financial instruments under EU-IFRS vary significantly from the principles that applied under 2004 IFRS, the effects on the balance sheets of banks are particularly substantial. As a result, the Group has decided to disclose not only the effects on the balance sheet at December 31, 2004 of the transition from French GAAP to 2004 IFRS, but also the effects of the transition from 2004 IFRS to EU-IFRS. This has been done by preparing a balance sheet at January 1, 2005 under EU-IFRS. This balance sheet serves as the basis for the comparisons included in the "—Financial Condition" part of the subsection "—Year Ended December 31, 2005 as Compared with Year Ended December 31, 2004".

For a detailed discussion of the Group's transition to IFRS, investors should refer to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein. These financial statements present the Group's financial statements published under French GAAP in respect of the 2004 financial year, and restate them to comply with 2004 IFRS. They also describe the principal reclassifications and restatements made to shareholders' equity at January 1, 2004, to the profit and loss account for the year ended December 31, 2004 and to the balance sheet at December 31, 2004 in order to comply with 2004 IFRS, and the principal reclassifications and restatements made to the balance sheet and to shareholders' equity at January 1, 2005 to comply with EU-IFRS (which includes IAS 32, IAS 39 and IFRS 4).

In particular:

- Note 1.a sets out in detail the principal reclassifications and restatements made to the profit and loss account for the year ended December 31, 2004 in order to implement the change from French GAAP to 2004 IFRS;

- Note 1.b sets out in detail the principal reclassifications and restatements made to the balance sheet at December 31, 2004 in order to implement the change from French GAAP to 2004 IFRS, as well as the principal reclassifications and restatements made to the balance sheet at December 31, 2004 in order to implement the change from 2004 IFRS to EU-IFRS; and

- Note 1.c sets out in detail the principal restatements, broken down by accounting principle or standard, made to comply with 2004 IFRS and EU-IFRS, including restatements made to the profit and loss account for the year ended December 31, 2004 as well as restatements made to the balance sheet at January 1, 2004 and January 1, 2005.

Year Ended December 31, 2005 as Compared with Year Ended December 31, 2004

The following discussion presents the financial condition of the BNP Paribas Group as of December 31, 2005 as compared to January 1, 2005, as well as the results of operations for the BNP Paribas Group for the year ended December 31, 2005 as compared to the year ended December 31, 2004. Results of operations are presented and analyzed by division and then on a consolidated basis by income statement line items.

In addition to the variations between 2004 IFRS and EU-IFRS as discussed above, other changes affecting the comparability of the Group's results generally between the year ended December 31, 2005 and the year ended December 31, 2004 include (i) the consolidation of Community First Bankshares and Union Safe Deposit Bank within IRFS as of November 1, 2004, following their acquisition by the Group, (ii) the consolidation of Atis Real International within AMS as of April 1, 2004, following its acquisition by the Group, (iii) the proportional consolidation of TEB Mali Yatýrýmlar AS within IRFS as of February 1, 2005, following the acquisition of a 50% interest by the Group, and (iv) the consolidation of Commercial Federal Corporation within IRFS as of December 2, 2005, following its acquisition by the Group.

Results of operations by division

Retail Banking

(in millions of euros)	**2005***	**2004***	***Change (2005/2004)***
Net banking income	**11,250**	**9,961**	***+12.9%***
Operating expense and depreciation	-6,990	-6,321	*+10.6%*
Gross operating income	**4,260**	**3,640**	***+17.0%***
Provisions	-754	-667	*+13.0%*
Operating income	**3,506**	**2,973**	***+17.9%***
Share of earnings of associated companies	112	123	*-8.9%*
Other non-operating items	39	16	*n.m.*
Pre-tax income	**3,657**	**3,112**	***+17.5%***
Cost/income ratio	62.1%	63.5%	*-1.4 pt*
Allocated equity (in billions of euros)	11.0	9.8	*+11.7%*
Pre-Tax ROE	33%	32%	*+1 pt*

* Figures include two-thirds of the income generated by private banking in France.

In 2005, Retail Banking revenues grew and there was a solid improvement in profitability. Net banking income increased 12.9% to €11,250 million, while gross operating income rose 17.0% to €4,260 million. Pre-tax income was up 17.5%, to €3,657 million. Pre-tax return on allocated equity (i.e., the amount of the Group's capital allocated to this division for internal analytical purposes, as discussed above under "–Basis of Presentation") increased by 1 percentage point to 33%.

French Retail Banking

(in millions of euros)	**2005***	**2004***	***Change (2005/2004)***
Net banking income	**5,451**	**5,109**	***+6.7%***
Of which fees and commissions	*2,262*	*2,175*	*+4.0%*
Of which net interest income	*3,189*	*2,934*	*+8.7%*
Operating expense and depreciation	-3,699	-3,546	*+4.3%*
Gross operating income	**1,752**	**1,563**	***+12.1%***
Provisions	-194	-222	*-12.6%*
Operating income	**1,558**	**1,341**	***+16.2%***
Non-operating items	0	0	*n.m.*
Pre-tax income	**1,558**	**1,341**	***+16.2%***
Income attributable to AMS	-88	-72	+22.2%
Pre-tax income of French Retail Banking	**1,470**	**1,269**	**+15.8%**
Cost/income ratio	68.4%	69.8%	*-1.4 pt*
Allocated equity (in billions of euros)	5.1	4.7	*+9.1%*
Pre-Tax ROE	29%	27%	*+2 pt*

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

Net banking income of the French Retail Banking branch network (including 100% of private banking in France) increased 6.7%, to €5,451 million. Net interest income increased by 8.7% to €3,189 million, due to a 13.7% increase in the average volume of loans outstanding, while deposits increased by 5.0%. The increase was also partially due to a change in the method for calculating net interest income under IAS 39, applicable as of January 1, 2005. The growth in net interest income was nevertheless limited by a small contraction in the gross interest margin on loans (from 3.60% to 3.45%) between 2004 and 2005, which was primarily due to (i) the above-mentioned proportionately greater increase in the average volume of loans outstanding (+13.7%) that outpaced the increase in deposits (+5.0%), such that a lower percentage of loans were financed through deposits rather than through other higher-cost sources of funding, (ii) continued flattening of the yield curve in 2005, (iii) a strong increase in outstanding mortgage loans (+20.9%) and corporate loans (+10.3%) during 2005, both of which tend to be relatively low-margin categories, as a percentage of total loans. Movements in provisions related to the Group's home ownership savings plans and accounts, resulting from the application of EU-IFRS for the first time in 2005, had no significant effect on the gross interest margin over the full year (see Note 6.n of the audited consolidated financial statements included herein).

Fees and commissions grew by 4.0% compared to 2004, due in particular to stronger volumes of stock market and financial transactions during 2005. The overall increase in fees was therefore primarily due to growth in the number of customers and in the volume of transactions conducted, rather than a change in pricing policy. Regarding the latter, BNP Paribas pursued its strategy of moderate pricing in French retail banking during 2005, maintaining its levels of charges on financial transactions broadly stable.

The sales and marketing drive targeting individual customers continued at a strong pace during 2005. Average outstanding loans to individual customers increased by 18.7% compared to 2004, a rate that outpaced the market average of 10.4%. The increase was due in particular to a strong increase in outstanding mortgages (+20.9%) and an increase in outstanding consumer loans (+7.8%). These increases were in turn primarily attributable to the relatively low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2005. Life insurance assets gathered increased by 13.8% compared to 2004, a rate that outpaced the market average of 11%, while medium- and long-term mutual fund assets gathered increased by 11.8% compared to 2004. The number of individual checking and deposit accounts grew by 155,000 during 2005, compared to an increase of 128,000 during 2004.

For the corporate clientele, especially small and medium-sized companies, French Retail Banking's business centers focused on business development, contributing to a 10.3% rise in outstanding corporate loans in 2005. Moreover, the French Retail Banking branch network intensified the cross-selling of products, working closely with the other core businesses: corporate finance services, interest and exchange rate hedging products, equipment leasing and corporate car fleet management services.

Operating expenses and depreciation amounted to €3,699 million, a 4.3% increase compared to 2004. This amount includes the cost of a new plan to re-train employees (totaling €40 million) covering 2006 and 2007. Given the containment of operating expenses and depreciation, gross operating income rose 12.1% to €1,752 million, and the cost/income ratio (i.e., the ratio of operating expenses and depreciation to net banking income) improved by 1.4 points to 67.9%.

Provisions decreased by 12.6% to €194 million, in spite of the new, more stringent way of computing credit-related provisions under IAS 39 applicable from January 1, 2005. (See Section 1.c.2 (Restatements made to comply with IAS 32, IAS 39 and IFRS 4—Credit risk provisions) of the audited consolidated financial statements included herein.) This decrease was due mainly to the generally improved financial condition of the Group's corporate customers in particular. Accordingly, operating income rose by 16.2% to €1,558 million. After allocation of one-third of the income of French Private Banking to Asset Management and Services, French Retail Banking recorded pre-tax income of €1,470 million, a 15.8% increase compared to 2004. For the 2005 as a whole, French Retail Banking's return on allocated equity edged up two points to 29%.

International Retail Banking and Financial Services (IRFS)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**5,980**	**5,016**	***+19.2%***
Operating expense and depreciation	-3,385	-2,867	***+18.1%***
Gross operating income	**2,595**	**2,149**	***+20.8%***
Provisions	-559	-445	*+25.6%*
Operating income	**2,036**	**1,704**	***+19.5%***
Share of earnings of associated companies	112	123	*-8.9%*
Other non-operating items	39	16	*n.m.*
Pre-tax income	**2,187**	**1,843**	***+18.7%***
Cost/income ratio	56.6%	57.2%	*-0.6 pt*
Allocated equity (in billions of euros)	5.8	5.1	*+14.2%*
Pre-Tax ROE	37%	36%	*+1 pt*

Net banking income of IRFS increased by 19.2% to €5,980 million in 2005. The increase was due to an increase in revenues across all business segments: +20.5% at BancWest, +20.0% at Cetelem, +9.2% for other retail financial services and +29.2% for emerging and overseas markets. These increases were in turn primarily due to sustained organic growth, as well as the consolidation of Community First Bankshares and Union Safe Deposit Bank within BancWest as of November 1, 2004, the proportional consolidation of LaSer-Cofinoga within Cetelem as of October 1, 2005 and the proportional consolidation of Turk Ekonomi Bankasi within Emerging and Overseas Markets as of February 1, 2005. Organic growth was also supported by new branch openings in the western U.S. and in the Mediterranean region.

Operating expenses and depreciation increased at a slower rate to €3,385 million, an increase of 18.1%. As a result, gross operating income rose 20.8% to €2,595 million, and the cost/income ratio improved by 0.6 points to 56.6%.

Provisions increased by 25.6% to €559 million, given the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005), and an increase in provisions at Cetelem in particular. Operating income increased strongly by 19.5% to €2,036 million. Pre-tax income also increased strongly by 18.7% to €2,187 million, yielding a 37% pre-tax return on allocated equity compared with 36% for 2004.

BancWest

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**1,877**	**1,558**	***+20.5%***
Operating expense and depreciation	-937	-768	***+22.0%***
Gross operating income	**940**	**790**	***+19.0%***
Provisions	-32	-39	*-17.9%*
Operating income	**908**	**751**	***+20.9%***
Share of earnings of associated companies	0	0	*n.m.*
Other non-operating items	0	0	*n.m.*
Pre-tax income	**908**	**751**	***+20.9%***
Cost/income ratio	49.9%	49.3%	*+0.6 pt*
Allocated equity (in billions of euros)	2.0	1.6	*+23.4%*
Pre-Tax ROE	46%	47%	*-1 pt*

During 2005, BancWest successfully completed the integration of Community First Bankshares and Union Safe Deposit Bank, two banks in the western part of the United States acquired in November 2004. It also consolidated Commercial Federal Corporation, headquartered in Nebraska, as of the date of its acquisition on December 2, 2005.

BancWest pursued its sales and marketing drive during 2005. At constant scope and exchange rates, loans to consumers increased by 11.1% compared to 2004 and deposits increased by 9.1%. Taking into account the acquisitions of Community First Bankshares, Union Safe Deposit Bank and Commercial Federal Corporation as described above, net banking income increased by 20.5% to €1,877 million.

The increase in net banking income was nonetheless attenuated by a deterioration in BancWest's gross interest margin of 33 basis points (1% equals 100 basis points) as a result of the effects of a flattening yield curve in which short-term rates have risen more quickly than long-term rates in the United States.

Operating expense and depreciation increased by 22.0% to €937 million, a growth rate that exceeded the growth in net banking income. This figure includes a €49 million charge relating to the integration of Commercial Federal Corporation. As a result of the proportionately greater increase in operating expenses and depreciation over net banking income, the cost/income ratio increased by 0.6 point.

Provisions decreased by 17.9% to €32 million in 2005, and the ratio of non-performing loans to total outstanding loans, leases and foreclosed properties remained relatively stable at 0.51% as of December 31, 2005 (compared to 0.45% as of December 31, 2004), with the slight increase being due primarily to the integration of Commercial Federal Corporation. Accordingly, BancWest's pre-tax income amounted to €908 million (+20.9%).

Cetelem

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**2,015**	**1,679**	***+20.0%***
Operating expense and depreciation	-1,070	-888	*+20.5%*
Gross operating income	**945**	**791**	***+19.5%***
Provisions	-453	-387	*+17.1%*
Operating income	**492**	**404**	***+21.8%***
Share of earnings of associated companies	108	119	*-9.2%*
Other non-operating items	30	6	*n.m.*
Pre-tax income	**630**	**529**	***+19.1%***
Cost/income ratio	53.1%	52.9%	*+0.2 pt*
Allocated equity (in billions of euros)	1.6	1.5	*+7.1%*
Pre-Tax ROE	38%	35%	*+3 pt*

During 2005, Cetelem pursued its expansion within France, acquiring joint control over LaSer-Cofinoga during the fourth quarter. As a result, the Group began accounting for its interest in Cofinoga under the proportional consolidation method as of October 1, 2005; it had previously been accounted for within the line item "share of earnings of associated companies". Cetelem also continued to enjoy strong growth outside of France. Outstanding loans under management increased by 47.2% to €47.4 billion at the end of 2005 (including LaSer-Confinoga outstandings), of which 57% were located in France and 43% outside of France. Excluding loans held by LaSer-Cofinoga, total outstanding loans under management increased by 9.9%, predominantly due to growth outside of France. As a result of this volume increase, Cetelem's net banking income increased by 20.0% to €2,015 million, and its gross operating income increased by 19.5% to €945 million. Provisions increased by 17.1% to €453 million, largely due to the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005). Its pre-tax income rose strongly by 19.1% to €630 million.

Arval, BNP Paribas Lease Group and UCB pursued their growth in 2005. UCB benefited from rising real estate markets, especially in France and Italy. Its outstanding loans rose by 38.9% to €28.0 billion at the end 2005, including those of Abbey National France, which was acquired during 2005. Outstanding loans outside of France constituted 45% of the total and increased by 40.8% compared to 2004, while outstanding loans in France increased by 37.5%. BNP Paribas Lease Group continued its organic growth in Europe (outside France) with strong profitability. BNP Paribas Lease Group's outstanding leases in France decreased by 2.8% compared to 2004, while outstanding leases outside of France increased by 13.8%. Arval expanded further, with outstandings up by 17.5% over 2004. In particular, its financed vehicle fleet increased by 8.3% compared to 2004, and total vehicles under management increased slightly (+0.8%). It is currently opening subsidiaries in Brazil, Turkey, Russia and Ukraine. In total, these three business lines generated €1,310 million in net banking income, up 11.3% compared to 2004, and pre-tax income of €456 million (+20.3%).

Emerging Markets and Overseas retail banking businesses recorded solid growth during 2005. Seventy branches were opened in 2005, and synergies were achieved with the Group's other business lines (private banking, retail financial services, export financing, etc.). This organic growth, combined with further acquisitions, especially in Turkey, resulted in a 29.2% increase in net banking income compared to 2004, to €766 million. Pre-tax income rose strongly by 47.3% compared to 2004, to €268 million. The Group will pursue further growth in emerging markets, particularly Eastern Europe, in 2006. The Group is currently carrying out the acquisition of a 51% stake in Ukrsibbank (Ukraine) and has launched an organic growth plan in Russia.

Asset Management and Services (AMS)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**3,552**	**3,032**	***+17.2%***
Operating expense and depreciation	-2,331	-1,975	*+18.0%*
Gross operating income	**1,221**	**1,057**	***+15.5%***
Provisions	-8	-6	*n.m.*
Operating income	**1,213**	**1,051**	***+15.4%***
Share of earnings of associated companies	1	4	*n.m.*
Other non-operating items	52	7	*n.m.*
Pre-tax income	**1,266**	**1,062**	***+19.2%***
Cost/income ratio	65.6%	65.1%	*+0.5 pt*
Allocated equity (in billions of euros)	3.8	3.3	*+16.6%*
Pre-Tax ROE	33%	32%	*+1 pt*

Net banking income of the AMS core business increased by 17.2% to €3,552 million in 2005, due in particular to a record €34.1 billion in net assets inflows during 2005 (compared to €14.2 billion in 2004), bringing total assets under management to €429.7 billion at December 31, 2005 (compared to €343.1 billion at December 31, 2004). Each of AMS's business lines recorded strong growth in net banking income, with increases of 15.7% for Wealth & Asset Management, 18.5% for Insurance and 19.0% for Securities Services.

Operating expenses and depreciation increased by 18.0% to €2,331 million, a rate that slightly outpaced the growth in net banking income. Accordingly, gross operating income rose by 15.5% to €1,221 million. The AMS core business recorded a one-time non-operating gain of €52 million in its Insurance business line related to the sale of an operating company, which caused total pre-tax income of €1,266 million to increase more (+19.2%) than would otherwise have been the case. For 2005 as a whole, AMS's return on equity was 33% (+1 point compared to 2004).

As stated above, the value of total assets under the Group's management (including those resulting from cross-selling between the business lines within AMS) rose by 25.2% to €429.7 billion as of December 31, 2005, or an increase of €86.6 billion compared to December 31, 2004. This strong rise is due in particular to a record level of net new inflows during 2005 of €34.1 billion, which is more than double the amount of inflows recorded in 2004 (€14.2 billion). This represents an inflow rate of 9.9% (annualized) of total assets under management. Also contributing to the strong rise was a €52.5 billion increase in asset values linked primarily to higher equity prices.

Wealth & Asset Management (WAM)*

(in millions of euros)	2005	2004	*Change (2005/2004)*
Net banking income	**1,810**	**1,565**	***+15.7%***
Operating expense and depreciation	-1,270	-1,095	*+16.0%*
Gross operating income	**540**	**470**	***+14.9%***
Provisions	0	-2	*n.m.*
Operating income	**540**	**468**	***+15.4%***
Share of earnings of associated companies	1	4	*-75.0%*
Other non-operating items	0	7	*n.m.*
Pre-tax income	**541**	**479**	***+12.9%***
Cost/income ratio	70.2%	70.0%	*+0.2 pt*
Allocated equity (in billions of euros)	1.1	1.0	*+10.4%*

* WAM includes the results of Private Banking, Asset Management, Cortal Consors and Real Estate Services. With regard to the latter, this business unit has been included within WAM (and hence AMS) since January 1, 2004 and includes Atis Real International on a consolidated basis since April 1, 2004.

The WAM business unit conducted extensive sales and marketing efforts during 2005 and benefited from rising equity and real estate markets. Net banking income of WAM increased by 15.7% compared to 2004, to €1,810 million. This increase was due to strong performances across all business lines. Operating expenses and depreciation increased at a slightly faster rate (+16.0%), and hence gross operating income increased by 14.9% to €540 million. WAM's pre-tax income increased by 12.9% to €541 million. The margin on assets under management increased slightly in 2005, linked primarily to increases in sales of structured and alternative instruments, which tend to be relatively higher margin.

In 2005, BNP Paribas Private Banking was ranked the leading private bank in France, the third leading in Europe overall and the seventh leading in Asia and Latin America (source: *Euromoney* magazine). In addition, the Asset Management, Cortal Consors and Real Estate Services business lines all grew their businesses and revenues significantly in 2005.

Private Banking and Cortal Consors recorded strong organic growth during 2005, with total assets under management rising by 23.5%, from €117.2 billion at December 31, 2004 to €144.8 billion at December 31, 2005. BNP Paribas Asset Management's total assets under management rose by 30.9%, from €147.4 billion at December 31, 2004 to €193.0 billion at December 31, 2005.

Insurance

(in millions of euros)	2005	2004	*Change (2005/2004)*
Net banking income	**1,017**	**858**	***+18.5%***
Operating expense and depreciation	-481	-396	*+21.5%*
Gross operating income	**536**	**462**	***+16.0%***
Provisions	-8	-4	*n.m.*
Operating income	**528**	**458**	***+15.3%***
Non-operating items	52	0	*n.m.*
Pre-tax income	**580**	**458**	***+26.6%***
Cost/income ratio	47.3%	46.2%	*+1.1 pt*
Allocated equity (in billions of euros)	2.3	2.0	*+13.8%*

The Insurance business line maintained its sales and marketing momentum in 2005, which translated into a solid increase in gross asset inflows, both within and outside France. Within France, gross personal savings inflows totaled €8.2 billion in 2005. Unit-linked insurance products as a percentage of gross personal savings inflows amounted to 33.1%, which was superior to the market average of 22.5% (source: FFSA). Outside France, gross asset inflows totaled €3.5 billion, an increase of 19% compared to 2004. As a result, net banking income of the Insurance business line increased 18.5% to €1,017 million, while gross operating income rose 16.0% to €536 million. Pre-tax income rose 26.6% to €580 million.

At December 31, 2005, total assets under management by the Insurance business line amounted to €91.9 billion, an increase of 17.1% compared to December 31, 2004. Gross premiums were up 7.0% compared to 2004, at €11.5 billion. Total technical reserves, which consist of funds under management (at historical value, except for unit-linked funds) increased by 15.1% from January 1, 2005.

Securities Services

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**725**	**609**	***+19.0%***
Operating expense and depreciation	-580	-484	*+19.8%*
Gross operating income	**145**	**125**	***+16.0%***
Provisions	0	0	*n.m.*
Operating income	**145**	**125**	***+16.0%***
Non-operating items	0	0	*n.m.*
Pre-tax income	**145**	**125**	***+16.0%***
Cost/income ratio	80.0%	79.5%	*+0.5 pt*
Allocated equity (in billions of euros)	0.5	0.3	*+55.4%*

The Securities Services business line pursued further development both in the global custody services business and in the fund administration business. The value of assets under custody increased 24%, to €3,058 billion at December 31, 2005. Assets under administration grew even more quickly, to €520 billion at December 31, 2005 (compared to €299 billion at December 31, 2004). BNP Paribas was named “Fund Administrator of the Year” by *Funds Europe* magazine (November 2005). The number of transactions handled by BNP Paribas Securities Services during 2005 also increased by 16.0% compared to 2004. As a result of these factors, BNP Paribas Securities Services’ pre-tax income increased by 16.0% compared to 2004, to €145 million.

Corporate and Investment Banking (CIB)

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**6,422**	**5,684**	*+13.0%*
Operating expense and depreciation	-3,711	-3,361	*+10.4%*
Gross operating income	**2,711**	**2,323**	*+16.7%*
Provisions	130	-58	*n.m.*
Operating income	**2,841**	**2,265**	*+25.4%*
Share of earnings of associated companies	3	-6	*n.m.*
Other non-operating items	46	58	*-20.7%*
Pre-tax income	**2,890**	**2,317**	*+24.7%*
Cost/income ratio	57.8%	59.1%	*-1.3 pt*
Allocated equity (in billions of euros)	9.1	7.5	*+21.6%*
Pre-Tax ROE	32%	31%	*+1 pt*

During 2005, CIB's business was again resilient. It recorded solid organic growth by leveraging its global presence and its well-balanced range of products.

Net banking income increased by 13.0% to €6,422 million, due to the increase in net banking income of both the Financing Businesses (+17.8%) and the Advisory & Capital Markets business (+9.7%). These increases in turn resulted from CIB's sustained sales and marketing efforts, without increasing the value at risk of the market businesses.

Operating expenses and depreciation increased by 10.4% to €3,711 million. The cost/income ratio, which stood at 57.8% at the end of 2005, remained one of the lowest among the large global investment banks. As a result, gross operating income increased by 16.7% to €2,711 million.

The need for new provisions, which remained limited throughout 2005, was on the whole lower than the write-backs recorded during the first three quarters of the year, reflecting the improved financial condition of corporate clients around the world. The net effect of additions and recoveries of provisions was a €130 million net contribution to operating income in 2005. This, combined with the increase in net banking income, led to a 25.4% increase in operating income, to €2,841 million.

Pre-tax income rose 24.7% to €2,890 million. Pre-tax return on allocated equity increased 1 point to 32%.

Advisory and Capital Markets

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**3,722**	**3,392**	***+9.7%***
Operating expense and depreciation	-2,577	-2,340	*+10.1%*
Gross operating income	**1,145**	**1,052**	***+8.8%***
Provisions	-1	-9	*n.m.*
Operating income	**1,144**	**1,043**	***+9.7%***
Share of earnings of associated companies	3	-6	*n.m.*
Non-operating items	23	36	*-36.1%*
Pre-tax income	**1,170**	**1,073**	***+9.0%***
Cost/income ratio	69.2%	69.0%	*+0.2 pt*
Allocated equity (in billions of euros)	3.0	2.8	*+9.9%*

Net banking income of the Advisory and Capital Markets business increased 9.7% to €3,722 million, due in particular to the strong revenues recorded by the equity derivatives business. This was partially offset by a decline in revenues from the fixed income business, though the proportion of such revenues coming from the Bank's customers increased.

The Group's results and positions within the Advisory and Capital Markets business were achieved without increasing its risk exposure; value at risk (99% 1 day-interval VaR) remained below €24 million in 2005.

Financing Businesses

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net banking income	**2,700**	**2,292**	***+17.8%***
Operating expense and depreciation	-1,134	-1,021	*+11.1%*
Gross operating income	**1,566**	**1,271**	***+23.2%***
Provisions	131	-49	*n.m.*
Operating income	**1,697**	**1,222**	***+38.9%***
Non-operating items	23	22	*+4.5%*
Pre-tax income	**1,720**	**1,244**	***+38.3%***
Cost/income ratio	42.0%	44.5%	*-2.5 pt*
Allocated equity (in billions of euros)	6.0	4.7	*+28.4%*

Net banking income of the Financing Businesses, consisting of energy and commodities services, syndicated loans, acquisition financing, leveraged buyout financing, project financing, optimization and asset financing and media and telecommunications financing, increased 17.8% to €2,700 million. This growth is associated with a 28.4% increase in assets, but the ratio of net banking income to risk weighted assets for 2005, at 2.7% (a slight decline compared to 2004), was well within the usual fluctuation range of past years. There was a net write-back of provisions recorded in 2005. As indicated above, this reflected the improved financial condition of corporate clients around the world.

BNP Paribas Capital

(in millions of euros)	**2005**	**2004**
Net banking income	**384**	**417**
Operating expense and depreciation	-23	-31
Gross operating income	**361**	**386**
Provisions	-3	0
Operating income	**358**	**386**
Share of earnings of associated companies	127	190
Other non-operating items	59	82
Pre-tax income	**544**	**658**
Allocated equity (in billions of euros)	1.1	1.1

BNP Paribas Capital's pre-tax income decreased by 17.3% compared to 2004, to €544 million. The Group continued to pursue its strategy of divesting its directly held equity investments in 2005, and sold its remaining interest in Eiffage, as well as its interest in Carbone Lorraine, during the first part of the year. On the other hand, the Group acquired a stake in Motier, the holding company of the Galeries Lafayette Group. In total, net divestments totaled €0.3 billion in 2005.

Due to an increase in the estimated value of many of the Group's portfolio investments, the portfolio's estimated market value increased by €0.6 billion to €4.4 billion at December 31, 2005, compared to €3.8 billion at December 31, 2004, despite the divestitures carried out in 2005. As of December 31, 2005, unrealized capital gains totaled €1.6 billion, compared to €1.3 billion at January 1, 2005.

Results of operations by nature of income and expense

Net banking income

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Net interest income[1]	7,733	7,554	*+2.4%*
Net commission income[1]	4,547	4,373	*+4.0%*
Net gain on financial instruments at fair value through profit or loss	5,212	3,366	*+54.8%*
Net gain on available-for-sale financial assets	1,353	1,450	*-6.7%*
Net income from other activities	3,009	2,626	*+14.6%*
Net banking income	**21,854**	**19,369**	***+12.8%***

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

General. The 12.8% increase in net banking income of the Group in 2005 as compared with 2004 was due principally to a 54.8% increase in net gains on financial instruments at fair value through profit or loss and a 14.6% increase in net income from other activities, partially offset by a 6.7% decrease in net gains on available-for-sale financial assets. The increases in net interest income and net commission income were more muted, at 2.4% and 4.0%, respectively.

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

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

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

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

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

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

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

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

In 2005, net interest income increased by 2.4% compared to 2004, to €7,733 million. The 2.4% increase resulted primarily from the following items:

- an 18.4% increase in net interest income on customer items, from €7,053 million in 2004 to €8,353 million in 2005, due to a €2,327 million increase in income on deposits, loans and borrowings, coupled with a more moderate €933 million increase in expense on such items. The increase in income on deposits, loans and borrowings was in turn the result of a 23.3% increase in the outstanding amounts of loans and receivables due from customers, to €301.2 billion at December 31, 2005. Loans due to customers increased more slowly, by 17.0% to €247.5 billion at December 31, 2005, which was primarily responsible for the relatively slower rate of increase in expense paid on deposits, loans and borrowings;

- €910 million of net interest income recorded on cash flow hedges for 2005. As stated above, under EU-IFRS, the amounts recorded in shareholders' equity over the life of cash flow hedges are transferred to net interest income as and when the cash flows from the hedged item are required to be recorded as profit or loss in the income statement. Under 2004 IFRS, this accounting principle did not apply;

- a 17.7% increase in net interest income from available-for-sale financial assets, from €2,730 million in 2004 to €3,213 million in 2005. This increase corresponds to a 22.3% increase in available-for-sale financial assets, to €92.7 billion at December 31, 2005. The increase in available-for-sale financial assets was itself due largely to a change in classification between 2004 IFRS and EU-IFRS. Under 2004 IFRS, "available-for-sale financial assets" comprises the assets classified under French GAAP as securities available for sale, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment. Under EU-IFRS, the category "available-for-sale financial assets" is more expansive, and comprises all fixed-income and variable-income securities other than those classified as "financial assets at fair value through profit or loss" or "held-to-maturity financial assets".

These improvements were largely offset by the following items:

- net interest expense on the trading book of €262 million in 2005, compared to net interest income of €1,104 million recorded in 2004. The reversal was itself largely due to the booking of a €1,565 million expense on debt securities within the trading book. This expense was due to the recording within the trading book at January 1, 2005 of €32.0 billion of debt securities designated at fair value through profit or loss, which were previously recorded in the balance sheet as "debt securities" under 2004 IFRS. As a result of this reclassification, interest expense on such debt securities is no longer recorded in the net interest income line item under "bonds issued", but rather within the trading book line item. The decrease in net interest income on the trading book was also due to an increase in net interest expense on repurchase agreements, from €572 million in 2004 to €627 million in 2005, which was in turn due to a 21.9% increase in repurchase agreements within the trading book. The net interest expense on the trading book was offset by an increase in net interest income from fixed-income securities within the trading book, from €1,676 million in 2004 to €1,994 million in 2005, which was in turn due primarily to an increase in the amount of fixed-income securities;

- a 31.9% increase in net interest expense paid on interbank items, from €1,396 million in 2004 to €1,841 million in 2005, itself due primarily to an increase in expense paid on deposits, loans and borrowings in particular, resulting from an increase in the outstanding amounts of such items;

- a 54.3% decrease in net interest income on held-to-maturity financial assets, from €1,709 million in 2004 to €781 million in 2005, due primarily to a 40.9% reduction in the outstanding amount of such held-to-maturity financial assets.

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

Interest-earning assets primarily include outstanding loans and receivables due from customers, outstanding loans and receivables due from credit institutions and fixed income securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". Trends in such assets between January 1, 2005 and December 31, 2005 are summarized below.

Total loans and receivables due from customers, net of impairment provisions, amounted to €301.2 billion at December 31, 2005, an increase of 23.3% as compared with €244.2 billion at January 1, 2005. The increase was due primarily to a 25.8% increase in loans to customers, to €273.3 billion at December 31, 2005. This increase was itself due significantly to increases in mortgage loans and corporate loans across the Bank's businesses. For example, average outstanding mortgage loans in French Retail Banking during 2005 increased by 20.9% compared to the average level outstanding during 2004, while outstanding loans at UCB increased by 38.9% overall compared to the level outstanding at the end of 2004. The level of average corporate loans outstanding during 2005 also increased by 10.3% in French Retail Banking as compared to the average level outstanding during 2004. The increase in mortgage loans was in turn primarily attributable to the low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2005, while the improved financial condition of corporate customers led to stronger demand for loans.

Total loans and receivables due from credit institutions, net of provisions, increased 9.8%, from €41.0 billion at January 1, 2005 to €45.0 billion at December 31, 2005. Contributing to the increase was a 50.1% increase in demand accounts, to €7.8 billion at December 31, 2005, and a 14.1% increase in loans, to €32.7 billion at December 31, 2005. These increases were partially offset by a 35.9% decrease in repurchase agreements, to €4.7 billion at December 31, 2005.

Interest-bearing liabilities include items due to credit institutions and items due to customers. Total items due to customers (including demand deposits, term accounts, regulated savings accounts, retail certificates of deposit and repurchase agreements) increased 17.0%, from €211.5 billion at January 1, 2005 to €247.5 billion at December 31, 2005. The increase was due primarily to a 22.1% increase in demand accounts, from €84.3 billion at January 1, 2005 to €102.9 billion at December 31, 2005, and a 17.2% increase in term accounts, from €77.7 billion at January 1, 2005 to €91.1 billion at December 31, 2005. These increases were in turn due to successful marketing efforts by the Group, as well as liabilities acquired from Commercial Federal Corporation. Funds deposited in regulated savings accounts increased 4.0%, from €39.7 billion at January 1, 2005 to €41.3 billion at December 31, 2005. Retail certificates of deposit increased 39.4%, from €6.7 billion at January 1, 2005 to €9.4 billion at December 31, 2005. The increase in customer items was only slightly offset by an 8.7% decrease in repurchase agreements, from €3.0 billion at January 1, 2005 to €2.8 billion at December 31, 2005.

Total loans and receivables due to credit institutions increased 18.7%, from €100.2 billion at January 1, 2005 to €118.9 billion at December 31, 2005. Contributing to the increase was a 31.1% increase in demand accounts, to €5.9 billion at December 31, 2005, a 17.0% increase in borrowings, to €100.3 billion at December 31, 2005, and a 27.9% increase in repurchase agreements, to €12.7 billion at December 31, 2005.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is itself influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower rates on regulated savings accounts, the competitive environment, the relative weights of the Group's various interest-bearing products, which have differing typical margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions. For example, the rate paid by the Bank on a *livret d'epargne populaire*, a form of regulated savings account in France, decreased from 4.25% to 3.25% as of August 1, 2004, and from 3.25% to 3.0% as of August 1, 2005.

The gross interest margin in French Retail Banking decreased in 2005, largely due to a small deterioration in the loan to deposit ratio and an increase in relatively lower margin lending (e.g., corporate and mortgage loans) as a percentage of total loans. The gross interest margin at BancWest also decreased in 2005, as a result of the effects of a flattening yield curve. See "– Results of operations by division – Retail Banking".

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

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments and financial services. Net commission income increased 4.0%, from €4,373 million in 2004 to €4,547 million in 2005. This increase was due primarily to an increase in the volume of customer transactions as well as sustained and successful marketing efforts by the Group, in particular with respect to its sales of savings and investment products. Increased sales of these savings and investment products helped fees to grow by 4.0% overall at French Retail Banking in 2005, for example. See "—Results of operations by division – Retail Banking – French Retail Banking".

Net gain on financial instruments at fair value through profit or loss. This line item includes all profit and loss items (other than interest income and expense, which are recorded under "Net interest income", as discussed above) relating to financial instruments managed in the trading book and, as of January 1, 2005, to financial instruments designated as fair value through profit or loss by the Group under the fair value option of IAS 39 (for a discussion of the fair value option, see Section 1.b.2—Fair value option, of the audited consolidated financial statements for the year ended December 31, 2005 included herein). This in turn includes both capital gains/losses on sales and marking to market gains and losses, along with dividends from variable-income securities.

Net gains on financial instruments at fair value through profit or loss increased by 54.8%, from €3,366 million in 2004 to €5,212 million in 2005. The increase was primarily due to a strong increase in the gain on variable-income securities, from €4,164 million in 2004 to €10,398 million in 2005, which was due in turn to the strength in capital markets that led to higher asset values, particularly in Europe. These gains were partially offset by a substantial increase in the loss on derivative instruments, from €791 million in 2004 to €5,962 million in 2005, which was in turn due to losses on equity derivatives in particular. The remeasurement of currency positions also led to gain of €516 million in 2005, compared to a loss of €197 million in 2004.

Net gain on available-for-sale financial assets. Under EU-IFRS, this line item includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Under 2004 IFRS, it comprises income from variable-income securities, and net gains arising on items included in the following French GAAP categories: securities available for sale (defined differently from under IFRS, see Section 1.c.2 (Net unrealised gains on the securities portfolio) of the audited consolidated financial statements for the year ended December 31, 2005 included herein), investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment.

Changes in fair value (excluding accrued interest) of the assets included within the available-for-sale category are initially recorded under "Unrealised or deferred gains or losses" in shareholders' equity. Upon the sale of such assets or upon recognition of an impairment loss, these previously unrealized gains or losses are credited or charged to the income statement, as the case may be, under the "Net gain/loss on available-for-sale financial assets" line item.

Net gains on available-for-sale financial assets decreased by 6.7%, from €1,450 million in 2004 to €1,353 million in 2005. This decrease was due primarily to a net addition to impairment provisions in the amount of €71 million in 2005, compared to a net write-back of €361 million in 2004. The overall decrease was also partially due to a 44.6% decrease in net gains on disposals of fixed-income securities, and a 10.9% decrease in dividends on equities and other variable-income securities. These decreases were almost entirely offset by a 75.3% increase in net gains on disposals of equities and other variable-income securities, from €592 million in 2004 to €1,038 million in 2005. The amount of gains and losses previously recorded under "Unrealised or deferred gains or losses" within shareholders' equity and subsequently recognized in the income statement in 2005 (as described in the preceding paragraph) was €861 million. This related primarily to sales of various variable income securities.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, property development activities and other products. Net income from other activities increased by 14.6%, from €2,626 million in 2004 to €3,009 million in 2005. This increase was in turn due to a 19.8% increase in net income from insurance activities, a 23.0% increase in net income from investment property and a 106% increase in net income from other products, partially offset by a 9.5% decrease in net income from assets leased under operating leases and a 29.5% decrease in net income from property development activities.

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

The increase in net income from insurance activities was primarily the result of a 7.0% increase in gross premium income (from €10,775 million in 2004 to €11,527 million in 2005) as a result of stronger demand for new policies, as well as a strong increase in net income resulting from a change in the value of admissible investments related to unit-linked business (from €942 million in 2004 to €2,953 million in 2005). The increase in the latter is the result of an increase in the market value of unit-linked funds, as well as an increase in funds under management, which in turn led to an increase in commissions. As explained above, the increase in the market value of unit-linked funds is ultimately transmitted to investors, and is therefore offset in the Bank's accounts by a credit to claims and benefit expenses and changes in technical reserves. The overall effect, however, was an increase in net income from insurance activities.

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

Overall, net income from insurance activities increased by 19.8% to €1,758 million, while insurance revenues recorded at the operational level increased by 18.5% to only €1,017 million, because income recorded under net income from insurance activities does not take into account commissions paid to retail distributors.

Operating Expense and Depreciation

(in millions of euros)	2005	2004	*Change (2005/2004)*
Operating expense	(12,627)	(11,243)	*+12.3%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(742)	(800)	*-7.3%*
Operating expense and depreciation	**(13,369)**	**(12,043)**	***+11.0%***

Operating expense and depreciation increased by 11.0%, from €12,043 million in 2004 to €13,369 million in 2005. This amount includes the cost of a new plan to re-train employees (totaling €40 million) within French Retail Banking, as well as a €49 million charge at BancWest relating to the integration of Commercial Federal Corporation. The consolidation of Community First Bankshares and Union Safe Deposit Bank, as well as that of Atis Real International for all of 2005 (as opposed to only part of 2004), was responsible for a relatively small portion of the overall increase. Growth in expenses was limited by the Group's continued focus on cost control; see "—Results of operations by division" for more information. Despite the increase, operating expense and depreciation as a percentage of net banking income decreased 1.0 points, from 62.2% for 2004 to 61.2% for 2005, since net banking income increased more rapidly (+12.8%) than operating expense and depreciation (+11.0%).

Gross Operating Income

The Group's gross operating income increased by 15.8%, from €7,326 million in 2004 to €8,485 million in 2005, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above under "—Results of operations by division".

Cost of Risk

(in millions of euros)	2005	2004	*Change (2005/2004)*
Additions to impairment provisions	(2,166)	(2,198)	*-1.5%*
Reversals (write-backs) of impairment provisions	1,651	1,552	*+6.4%*
Recoveries of loans and receivables previously written off	129	97	*+33.0%*
Irrecoverable loans and receivables not covered by impairment provisions	(224)	(136)	*+64.7%*
Total net additions to provisions	**(610)**	**(685)**	***-10.9%***

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

The cost of risk decreased by 10.9% in 2005 compared to 2004. The overall decrease was due to a 1.5% decrease in additions to impairment provisions in 2005 compared to 2004, a 33.0% increase in recoveries of loans and receivables previously written off in 2005 compared to 2004, and a 6.4% increase in write-backs of provisions in 2005 compared to 2004. The latter trend was in turn primarily due to a net write-back of provisions of €130 million in 2005 within Corporate and Investment Banking (compared to a net addition to provisions of €58 million during 2004), in light of the continued improvement in the financial condition of corporate clients around the world. Net additions to provisions also declined within French Retail Banking (-12.2% to €195 million) due to the improved financial condition of corporate customers in particular. The level of net additions to provisions increased strongly within IRFS (+25.6%) during 2005, however, at €559 million, given the new, more stringent way of computing credit-related provisions under IAS 39 (which applies from January 1, 2005), and an increase in provisions at Cetelem in particular as a result. Overall, the cost of risk decreased due to the fairly sustained global economic growth in 2005, which led to generally increased corporate earnings.

As at December 31, 2005, total doubtful loans and commitments amounted to €12.7 billion (as compared to €12.2 billion at January 1, 2005), and provisions totaled €11.1 billion (unchanged from the level at January 1, 2005). The coverage ratio at the same date therefore decreased to 87% (from 91% at January 1, 2005). The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31, 2005	**At January 1, 2005**
Doubtful specific risks outstanding as a percentage of total commercial commitments	2.2%	2.6%
Provisions as a percentage of average risk weighted assets	0.2%	0.2%

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

Net Income Attributable to the Group

(in millions of euros)	**2005**	**2004**	***Change (2005/2004)***
Operating income	**7,875**	**6,641**	***+18.6%***
Share of earnings of associates	352	407	*-13.5%*
Net gain on non-current assets	211	64	*n.m.*
Change in value of goodwill	(14)	7	*n.m.*
Income taxes	(2,138)	(1,764)	*+21.2%*
Minority interests	(434)	(416)	*+4.3%*
Net income	**5,852**	**4,939**	***+18.5%***

General. The 18.5% increase in net income attributable to the Group was primarily due to an increase in gross operating income net of provisions.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies carried under the equity method) decreased from €407 million in 2004 to €352 million in 2005, largely as a result of a decreased contribution from Erbe, and to a lesser extent a decreased contribution from Cofinoga due to its proportional consolidation within IRFS as of October 1, 2005.

Net gain on non-current assets. This item includes net realized gains and losses on sales of property, plant and equipment and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. Net gains on non-current assets increased from €64 million in 2004 to €211 million in 2005, largely as a result of the Group's sale of an operating company within AMS (Insurance business), the sale of an operating company within IRFS and the sale of its interest in Carbone Lorraine during the first half of 2005.

Change in value of goodwill. A minimal amount of goodwill impairments (€14 million) were recorded in 2005, compared to a small goodwill write-back of €7 million that was recorded in 2004.

Income tax. The Group recorded corporate income tax expense for 2005 of €2,138 million, up from €1,764 million for 2004. The increase was primarily the result of an increase in net deferred tax expense for the period, from a loss of €7 million in 2004 to a loss of €365 million in 2005, which was in turn primarily due to an increase in provisions for corporate commitments and other items. The effective tax rate during 2005 was 25.4%, as compared to 24.8% in 2004.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the Group increased to €434 million for 2005 compared to €416 million for 2004. The increase related mainly to an increase in minority interest in Klépierre, which was partially offset by a change in accounting method related to UCI, an Italian subsidiary of UCB, which is now consolidated proportionally and therefore no longer recorded as a minority interest.

Transition to IFRS and 2005 Results

As discussed above under "—Basis of Presentation", the Group has prepared an unaudited quantified simulation of the effect of applying EU-IFRS on its income statement for the year ended December 31, 2004. These simulated figures have then served as the basis for calculating comparisons between results of operations for the year ended December 31, 2005 as compared to results of operations for the year ended December 31, 2004 under EU-IFRS (2005/2004 EU-IFRS), as set forth in the following table:

Consolidated Income Statement (in millions of euros)	**2005**	**2004**	**2005/ 2004 (2004 IFRS)**	**2005/ 2004 EU-IFRS**
Net banking income	**21,854**	**19,369**	***+12.8%***	***+14.1%***
Operating expense and depreciation	-13,369	-12,043	*+11.0%*	*+11.1%*
Gross operating income	**8,485**	**7,326**	***+15.8%***	***+19.2%***
Provisions	-610	-685	*-10.9%*	*-28.0%*
Operating income	**7,875**	**6,641**	***+18.6%***	***+25.5%***
Share of earnings of associated companies	352	407	*-13.5%*	*-13.3%*
Other non-operating items	197	71	*n.m*	*n.m.*
Non-operating items	**549**	**478**	***+14.9%***	***+15.1%***
Pre-tax income	**8,424**	**7,119**	***+18.3%***	***+24.8%***
Income taxes	-2,138	-1,764	*+21.2*	*+29.3%*
Minority interests	-434	-416	*+4.3%*	*+3.3%*
Net income attributable to the Group	**5,852**	**4,939**	***+18.5%***	***+25.1%***

Financial Condition

The following discussion analyzes the financial condition of the BNP Paribas Group as of December 31, 2005, as compared to its financial condition as of January 1, 2005. The Group's balance sheet as of January 1, 2005 is used as the basis of comparison, since it is prepared on the basis of EU-IFRS (which differs in certain material respects from 2004 IFRS, as discussed above under "—Basis of Presentation").

Assets

General. At December 31, 2005, consolidated assets of the Group amounted to €1,258.1 billion, up 25.5% from €1,002.5 billion at January 1, 2005. The main components of the Group's assets at December 31, 2005 were financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions and accrued income and other assets, which together accounted for 95.8% of assets, as compared with 93.9% at January 1, 2005. The 25.5% increase in total assets was primarily due to an across the board increase in most of the Group's asset categories. In particular, financial assets at fair value through profit or loss increased by 29.8%, loans and receivables due from customers increased by 23.3% and available-for-sale financial assets increased by 22.3%. Also contributing to the 25.5% increase in total assets was a 9.8% increase in loans and receivables due from credit institutions and a 58.1% increase in accrued income and other assets. The increase in total assets was slightly offset, however, by a 40.9% decrease in held-to-maturity financial assets.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss consist of (i) financial assets (including derivatives) held for trading purposes (i.e., trading book assets), and (ii) financial assets that the Group has opted to record and measure at fair value through profit or loss at the time of acquisition or issue. Trading book assets include proprietary securities transactions, repurchase agreements and derivative instruments contracted for position management purposes. Assets designated by the Group as fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract. Specifically, financial assets at fair value through profit or loss break down into the following categories within the balance sheet: (i) negotiable certificates of deposit, (ii) bonds, (iii) equities and other variable-income securities, (iv) repurchase agreements, (v) a very small amount of loans to credit institutions and to corporate customers and (vi) trading book forward financial instruments. These assets are marked to fair value at each balance sheet date.

Total financial assets at fair value through profit or loss amounted to €700.5 billion at December 31, 2005, an increase of 29.8% as compared with €539.5 billion at January 1, 2005. The increase was primarily driven by marking to market gains in all categories of financial assets, within the context of solid capital markets activity during 2005. Repurchase agreements increased by 21.1% to €200.1 billion, while bonds and negotiable certificates of deposit increased by 37.2% to €190.4 billion. The increase in bonds was driven by an increase in government bonds in particular (+93.7%), while the increase in negotiable certificates of deposit was driven by an increase in the category "other" negotiable certificates of deposit. Equities and other variable-income securities increased by 30.5% to €118.3 billion. In addition, trading book forward financial instruments increased by 32.0% to €190.5 billion, corresponding primarily to an increase in the amount of equity derivative products.

Loans and receivables due from customers. Loans and receivables due from customers consist of (i) demand accounts (*i.e.*, overdrafts on checking accounts), (ii) loans to customers, (iii) repurchase agreements and (iv) finance leases. Loans and receivables due from customers (net of impairment provisions) amounted to €301.2 billion, up 23.3% from €244.2 billion at January 1, 2005. The growth was primarily driven by a 25.8% increase in outstanding loans to customers, to €273.3 billion. The growth was also partially due to an 8.5% increase in demand accounts, to €20.5 billion, and a 5.6% increase in finance leases, to €17.1 billion at December 31, 2005. These increases were in turn due to an environment generally characterized by stronger demand for credit (in particular personal loans and corporate loans). They were partially offset by a decrease in repurchase agreements, from €2.6 billion at January 1, 2005 to €0.7 billion at December 31, 2005. Impairment provisions related to total loans and receivables due from customers remained relatively stable, decreasing 2.2% from €10.7 billion at January 1, 2005 to €10.5 billion at December 31, 2005. The Group deducts provisions related to total loans and receivables from the carrying value of relevant assets at each balance sheet date.

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

Available-for-sale financial assets. Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "financial assets at fair value through profit or loss" or "held-to-maturity financial assets". These assets are marked to fair value at each balance sheet date. Available-for-sale financial assets (net of impairment provisions) amounted to €92.7 billion at December 31, 2005, up 22.3% from €75.8 billion at January 1, 2005. The growth was primarily driven by a 29.9% increase in bonds, to €62.6 billion, which was in turn due primarily to increased volumes of such items, in particular government bonds. The amount of equities and other variable-income securities (before impairment provisions) increased by 28.5%, to €16.3 billion, which was in turn primarily due to increased volumes of such items, as well as small marking to market gains resulting from the higher equity prices recorded in 2005. These increases were slightly offset by a 15.3% decrease in negotiable certificates of deposit, from €7.0 billion at January 1, 2005 to €5.9 billion at December 31, 2005, which was primarily due to a slight decrease in the volume of such items.

Impairment provisions related to available-for-sale financial assets remained relatively stable, decreasing by €0.2 billion, from €1.6 billion at January 1, 2005 to €1.4 billion at December 31, 2005. The Group deducts provisions related to available-for-sale financial assets from the carrying value of relevant assets at each balance sheet date. Finally, the net unrealized gains on available-for-sale financial assets increased by 49.1% to €8.4 billion at December 31, 2005.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and the ability to hold until maturity, and are recorded in the balance sheet at amortized cost using the effective interest method. Specifically, held-to-maturity financial assets break down into the following categories within the balance sheet: (i) negotiable certificates of deposit, and (ii) bonds. Total held-to-maturity financial assets decreased by 40.9%, to €15.4 billion at December 31, 2005 from €26.1 billion at January 1, 2005, due to a low level of renewal of the assets held within the other negotiable certificates of deposit portfolio and government bond portfolio during 2005.

Accrued income and other assets. Accrued income and other assets consist of (i) guarantee deposits and bank guarantees paid, (ii) settlement accounts related to securities transactions, (iii) collection accounts, (iv) reinsurers' share of technical reserves, (v) accrued income and prepaid expenses and (vi) other debtors and miscellaneous assets. Accrued income and other assets amounted to €65.3 billion, up 58.1% from €41.3 billion at January 1, 2005. The increase was mainly due to a nearly four-fold increase in settlement accounts related to securities transactions (which record the consideration related to cash transactions for the purchase or sale of securities), as well as a 65.1% increase in other debtors and miscellaneous assets.

Liabilities (excluding shareholders' equity)

General. At December 31, 2005, consolidated liabilities of the Group (excluding shareholders' equity) amounted to €1,212.1 billion, up 25.6% from €965.4 billion at January 1, 2005. The main components of the Group's liabilities at December 31, 2005 were financial liabilities at fair value through profit or loss, liabilities due to credit institutions, liabilities due to customers, debt securities, technical reserves of insurance companies and accrued expenses and other liabilities, which together accounted for 97.9% of liabilities, the same percentage as at January 1, 2005. The 25.6% increase in total liabilities resulted from an across the board increase in most of the Group's liability categories. In particular, financial liabilities at fair value through profit and loss increased by 33.6% and liabilities due to customers increased by 17.0%. Also contributing to the increase in total liabilities was an 18.7% increase in liabilities due to credit institutions, a 42.2% increase in accrued expenses and other liabilities, an 18.6% increase in technical reserves of insurance companies and a 9.1% increase in debt securities.

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

Total financial liabilities at fair value through profit or loss increased 33.6%, from €457.1 billion at January 1, 2005 to €610.7 billion at December 31, 2005. The increase was primarily due to a 51.7% increase in borrowed securities and short selling instruments, to €137.4 billion, a 21.9% increase in repurchase agreements, to €222.3 billion, a 34.3% increase in debt securities, to €42.9 billion, and a 36.5% increase in trading book forward financial instruments, in particular equity derivatives, to €206.4 billion. The increases in these various categories were in turn linked primarily to marking to market gains.

Liabilities due to credit institutions. Liabilities due to credit institutions consist of (i) demand accounts, (ii) borrowings and (iii) repurchase agreements, with borrowings accounting for the bulk of liabilities within this line item. Liabilities due to credit institutions increased 18.7%, from €100.2 billion at January 1, 2005 to €118.9 billion at December 31, 2005. The increase was primarily attributable to a 16.9% increase in borrowings, to €100.3 billion, and a 27.9% increase in repurchase agreements, to €12.7 billion.

Liabilities due to customers. Liabilities due to customers consist of (i) demand deposits, (ii) term accounts, (iii) regulated savings accounts, (iv) retail certificates of deposit and (v) repurchase agreements. Liabilities due to customers totaled €247.5 billion at December 31, 2005, an increase of 17.0% as compared with €211.5 billion at January 1, 2005. The increase was primarily driven by a 22.1% rise in demand deposits, to €102.9 billion, a 17.2% rise in term accounts, to €91.1 billion, and a 39.4% rise in retail certificates of deposit, to €9.4 billion, which were in turn largely due to organic growth in customer accounts. Also contributing to the increase was a 4.0% increase in regulated savings accounts, to €41.3 billion. For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest income".

Debt securities. This line item consists of (i) negotiable certificates of deposit, and (ii) bond issues. It does not include debt securities that fall within the category "financial liabilities at fair value through profit or loss" (see Note 6.b of the audited consolidated financial statements included herein). Debt securities increased 9.1%, from €77.6 billion at January 1, 2005 to €84.6 billion at December 31, 2005. The increase was primarily attributable to a 39.9% rise in outstanding bonds, largely due to organic growth, to €16.1 billion. Negotiable certificates of deposit also increased by 3.7%, from €66.0 billion at January 1, 2005 to €68.5 billion at December 31, 2005.

Subordinated debt. Subordinated debt increased 28.1%, from €13.0 billion at January 1, 2005 to €16.7 billion at December 31, 2005. The increase was primarily attributable to a 32.0% rise in redeemable subordinated debt, from €11.2 billion at January 1, 2005 to €14.8 billion at December 31, 2005, relating to new debt issuances by the Group.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 18.6%, from €64.5 billion at January 1, 2005 to €76.5 billion at December 31, 2005. The increase was primarily attributable to a rise in technical reserves on life insurance policies.

Accrued expenses and other liabilities. Accrued expenses and other liabilities consist of (i) guarantee deposits received, (ii) settlement accounts related to securities transactions, (iii) collection accounts, (iv) accrued expenses and deferred income and (v) other creditors and miscellaneous liabilities. Accrued expenses and other liabilities increased 42.2%, from €34.1 billion at January 1, 2005 to €48.4 billion at December 31, 2005. This increase resulted primarily from a 78.6% increase in guarantee deposits received, to €11.2 billion, and a nearly three-fold increase in settlement accounts related to securities transactions, to €15.3 billion. These increases were partially offset by a decrease in collection accounts and accrued expenses and deferred income, from €8.2 billion at January 1, 2005 to €3.5 billion at December 31, 2005.

Minority Interests

Minority interests increased by 9.6% to €5.3 billion at December 31, 2005. Minority interests in the Group's net income, which amounted to €0.4 billion during 2005, were partially offset by the setting aside of €0.2 billion of 2004 net income for dividend distribution.

Shareholders' Equity

Consolidated shareholders' equity of the BNP Paribas Group, before minority interests and dividend payments, totaled €40.7 billion at December 31, 2005, an increase of 26.0% as compared with €32.3 billion at January 1, 2005. This increase corresponds essentially to recognition of net income for 2005 of €5.9 billion as well as issuances of undated deeply subordinated notes during 2005 totaling €2.4 billion (recorded under "retained earnings" within shareholders' equity on the balance sheet, with payments on the notes treated as dividends). In addition, the change in unrealized or deferred gains and losses, including available-for-sale and hedging reserves and the translation adjustment, contributed €1.3 billion to shareholders' equity at December 31, 2005. These increases were partially offset by payment of dividends with respect to the 2004 fiscal year in the amount of €1.7 billion. Finally, the effect of movement in exchange rates contributed €0.5 billion to shareholders' equity at December 31, 2005.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given primarily consist of documentary letters of credit and other confirmed letters of credit. Total financing commitments given increased by 25.6% to €209.7 billion at December 31, 2005, compared to €166.9 billion at January 1, 2005. The increase was primarily attributable to a 28.5% increase in financing commitments given to customers, in particular individuals, to €191.5 billion at December 31, 2005 (compared to €149.1 billion at January 1, 2005). Financing commitments given to credit institutions remained relatively stable (+2.0%) compared to January 1, 2005.

Financing commitments received primarily consist of standby commitments. Total financing commitments received increased by 51.3% to €55.7 billion at December 31, 2005, compared to €36.8 billion at January 1, 2005. This increase was due to a 69.3% increase in financing commitments received from credit institutions, from €32.4 billion at January 1, 2005 to €54.9 billion at December 31, 2005, partially offset by a decrease in financing commitments received from customers, from €4.4 billion at January 1, 2005 to €0.8 billion at December 31, 2005.

Guarantee Commitments

Financial instruments received as guarantees increased by 42.9% to €15.8 billion at December 31, 2005; financial instruments given as guarantees increased by 10.6% to €29.7 billion.

Total guarantee commitments given at December 31, 2005 amounted to €67.2 billion, an increase of 21.7% compared to €55.2 billion at January 1, 2005. The increase was primarily the result of a 21.3% increase in guarantee commitments given to customers to €58.7 billion at December 31, 2005.

For further information concerning the Group's off-balance sheet assets and liabilities, see Note 7 to the audited consolidated financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein.

Year Ended December 31, 2004 as Compared with Year Ended December 31, 2003

The following discussion presents the results of operations and financial condition for the BNP Paribas Group for the year ended and as of December 31, 2004 as compared to the year ended and as of December 31, 2003. Results are presented and analyzed by division and then on a consolidated basis by income statement line items.

Changes affecting the comparability of the Group's results generally between the year ended December 31, 2004 and the year ended December 31, 2003 include (i) the consolidation of Community First Bankshares and Union Safe Deposit Bank within the IRFS business as of November 1, 2004, following their acquisition by the Group, (ii) the consolidation of the Group's real estate services businesses, previously categorized under "other businesses", within AMS as of January 1, 2004, (iii) the consolidation of Atis Real International within AMS as of April 1, 2004, following its acquisition by the Group, and (iv) the depreciation of the dollar against the euro.

Results of operations by division

Retail Banking

(in millions of euros)	2004*	2003*	Change
Net banking income	**9,979**	**9,636**	**+3.6%**
Operating expenses and depreciation	-6,183	-6,011	+2.9%
Gross operating income	**3,796**	**3,625**	**+4.7%**
Provisions	-662	-754	-12.2%
Operating income	**3,134**	**2,871**	**+9.2%**
Amortization of goodwill	-271	-289	-6.2%
Other non-operating items	118	66	+78.8%
Pre-tax income	**2,981**	**2,648**	**+12.6%**
Cost/income ratio	62.0%	62.4%	-0.4 pt
Allocated equity (in billions of euros)	9.8	9.4	+5.2%
Pre-Tax ROE	30%	28%	+2 pt

* Figures include two-thirds of the income generated by private banking in France.

In 2004, Retail Banking's operations continued to expand and to enhance their profitability. Net banking income increased 3.6% to €9,979 million, while gross operating income rose 4.7% to €3,796 million. Pre-tax income was up 12.6%, to €2,981 million. Pre-tax return on allocated equity (*i.e.*, the amount of the Group's capital allocated to this division for internal analytical purposes, as discussed above under "–Basis of Presentation") increased by 2 percentage points to 30%.

French Retail Banking

(in millions of euros)	2004*	2003*	Change
Net banking income	**5,086**	**4,884**	**+4.1%**
Of which fees and commissions	*2,176*	*2,053*	*+6.0%*
Of which net interest revenue	*2,910*	*2,831*	*+2.8%*
Operating expenses and depreciation	-3,457	-3,355	+3.1%
Gross operating income	**1,629**	**1,529**	**+6.5%**
Provisions	-223	-225	-0.9%
Operating income	**1,406**	**1,304**	**+7.8%**
Non-operating items	4	-2	n.m.
Pre-tax income	**1,410**	**1,302**	**+8.3%**
Income attributable to AMS	-73	-62	+17.1%
Pre-tax income of French Retail Banking	**1,337**	**1,240**	**+7.8%**
Cost/income ratio	68.0%	68.7%	-0.7 pt
Allocated equity (in billions of euros)	4.7	4.5	+4.3%
Pre-Tax ROE	28%	27%	+1 pt

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

Net banking income of the French Retail Banking branch network (including 100% of private banking in France) increased 4.1% to €5,086 million. Net interest revenue increased 2.8% to €2,910 million, due to a 7.8% increase in the average volume of loans outstanding, while deposits increased by 6.0%. The growth in net interest revenue was nevertheless limited by a contraction in the gross interest margin (from 3.74% to 3.57%) between 2003 and 2004, which was primarily due to (i) the above-mentioned proportionately greater increase in the average volume of loans outstanding (+7.8%) that outpaced the increase in deposits (+6.0%), such that a lower percentage of loans were financed through deposits rather than through other higher-cost sources of funding, (ii) reduced market lending rates in 2004 as compared to 2003, and (iii) an increase in outstanding corporate loans (+0.7%) and mortgage loans (+19.8%) during 2004, both of which tend to be relatively low-margin categories, as a percentage of total loans.

The increase in net banking income also reflects an increase (6.0%) in fees and commissions to €2,176 million, due primarily to an increase (+9.9%) in fees on investment funds and transactions carried out on behalf of customers (due to the strength in the French financial markets and a 31% increase in life insurance fund inflows) as well as a 4.2% increase in commissions on banking transactions.

The Group's sales and marketing drive targeting individual customers continued at a fast pace in 2004. Outstanding loans increased by 16.9% compared to 2003, a growth rate that outpaced the market average of 10.1% (source: Banque de France), due in particular to a strong increase in outstanding mortgages (+19.8%, to €31.1 billion outstanding) and a 4.7% increase in consumer lending. The increase in new mortgages was primarily attributable to the low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2004. Life insurance assets under management rose 12.1% in 2004 to €40.2 billion, while mutual fund assets under management rose 3.7%, to €59.3 billion. The Group successfully rolled out its marketing program for retirement savings plans, which helped lead to the opening of 300,000 new accounts in 2004, including 100,000 PERP (*Plan d'Epargne Retraite Programmée*) plans. The number of individual checking accounts grew by 128,000 in 2004, with checking and current account balances (average cash outstanding) rising by 6.0% to €30.3 billion. Total average outstanding customer balances (excluding mutual fund and life insurance assets under management) rose 6.0% to €73.6 billion.

With respect to corporate customers, the Group's new commercial organization, combined with improving market conditions, has begun to yield improved results, with corporate loans increasing every quarter in the year from a trough reached in the fourth quarter of 2003. On an absolute annual basis, however, average outstanding corporate loans increased only slightly by 0.7% for the year. In addition, the French Retail Banking branch network intensified the cross-selling of financial products and services (*e.g.*, structured financing, foreign exchange and interest rate hedging products) with other divisions, and sales of such products and services grew significantly in 2004. Sales of foreign exchange and interest rate hedging products grew by 20% compared to 2003, structured financing fees were approximately twice those in 2003, and new equipment leasing agreements grew by 16% compared to 2003.

Operating expenses and depreciation amounted to €3,457 million, a 3.1% increase compared to 2003. Gross operating income rose 6.5% to €1,629 million, and the cost/income ratio (*i.e.*, the ratio of operating expenses and depreciation to net banking income) improved by 0.7 point to 68.0%.

Provisions decreased slightly by 0.9% to €223 million due to the generally improved financial condition of corporate customers, yet remained relatively moderate as they amounted to 0.31% of the division's overall weighted assets at year-end 2004 (as compared to 0.32% at year-end 2003). After provisions and allocation of one-third of the income of French Private Banking to Asset Management and Services, French Retail Banking recorded pre-tax income of €1,337 million, up 7.8% as compared with 2003. Pre-tax return on allocated equity edged up one point to 28%.

International Retail Banking and Financial Services (IRFS)

(in millions of euros)	2004	2003	Change
Net banking income	**5,057**	**4,903**	**+3.1%**
Operating expenses and depreciation	-2,817	-2,745	+2.6%
Gross operating income	**2,240**	**2,158**	**+3.8%**
Provisions	-439	-529	-17.0%
Operating income	**1,801**	**1,629**	**+10.6%**
Amortization of goodwill	-271	-289	-6.2%
Other non-operating items	114	68	+67.6%
Pre-tax income	**1,644**	**1,408**	**+16.8%**
Cost/income ratio	55.7%	56.0%	-0.3 pt
Allocated equity (in billions of euros)	5.1	4.8	+6.1%
Pre-Tax ROE	32%	29%	+3 pt

Net banking income of IRFS increased by 3.1% to €5,057 million. Exchange rate effects (in particular the weakening of the U.S. dollar) had a negative impact on recorded net banking income in this division, given the relative contribution of BancWest to revenues.

Operating expenses and depreciation increased 2.6% to €2,817 million. Nevertheless, due to the solid increase in net banking income, gross operating income rose 3.8% to €2,240 million, and the cost/income ratio improved by 0.3 point to 55.7%.

Provisions decreased (-17.0%) compared to 2003, to €439 million, due in particular to a 46.7% fall in provisions at BancWest which was in turn due to the substantial write-backs of general reserves associated with portfolios of loans running off, and amortization of goodwill fell 6.2% to €271 million. Revenue from other non-operating items increased strongly (+67.6%) compared to 2003, to €114 million, due in particular to increased income from companies accounted for under the equity method. Accordingly, pre-tax income increased 16.8% to €1,644 million, yielding a 32% pre-tax return on allocated equity compared with 29% in 2003.

BancWest

(in millions of euros)	2004*	2003	Change	At constant scope and exchange rates
Net banking income	**1,555**	**1,592**	**-2.3%**	**+2.6%**
Operating expenses and depreciation	-740	-764	-3.1%	+1.9%
Gross operating income	**815**	**828**	**-1.6%**	**+3.2%**
Provisions	-40	-75	-46.7%	-44.1%
Operating income	**775**	**753**	**+2.9%**	**+7.9%**
Amortization of goodwill	-139	-147	-5.4%	
Other non-operating items	-12	-7	+71.4%	
Pre-tax income	**624**	**599**	**+4.2%**	**+9.2%**
Cost/income ratio	47.6%	48.0%	-0.4 pt	
Allocated equity (in billions of euros)	1.6	1.6	+1.9%	
Pre-Tax ROE	39%	38%	+1 pt	

* Includes two months of results of Community First Bankshares and Union Safe Deposit Bank, which were consolidated as of November 1, 2004.

BancWest completed its acquisition of Community First Bankshares and Union Safe Deposit Bank on November 1, 2004, which were consolidated as of that date. In general, BancWest's business was strong in 2004, with 11% growth in outstanding consumer loans and leases and 7% growth in deposits, each at constant scope. At current scope, average outstanding loans and leases of BancWest increased by 12.1%, or $3.0 billion. The increase in net banking income at constant scope and exchange rates (+2.6%) was nonetheless attenuated by a deterioration in BancWest's gross interest margin, which fell by 43 basis points (from 4.18% in 2003 to 3.75% in 2004, at constant scope) as a result of the effects of a flattening yield curve in which short-term rates rose more quickly than long-term rates in the United States. This flattening yield curve caused BancWest's yield on interest-earning assets to decrease by 44 basis points, to 5.15% in 2004 from 5.59% in 2003, while it decreased the rate it paid on sources of funds by only one basis point, from 1.28% to 1.27%. The decrease in the yield on average interest-earning assets was only partially offset by an increase of $1,058 million, or 14.8%, in average noninterest-bearing deposits. Further depreciation of the dollar against the euro resulted in a decrease (-2.3%) in BancWest's contribution to the Group's net banking income. At constant scope and exchange rates, gross operating income rose 3.2% to €815 million and operating expenses and depreciation rose by 1.9% to €740 million.

Provisions for loan and lease losses decreased from €75 million in 2003 to €40 million in 2004 due in particular to BancWest's substantial write-backs of general reserves associated with portfolios of loans running off, and the ratio of non-performing loans to total outstanding loans fell to 0.45% as of December 31, 2004, compared to 0.59% as of December 31, 2003. Accordingly, pre-tax income rose 9.2% at constant scope and exchange rates, to €624 million. The rise in pre-tax income was less pronounced (+4.2%) at current scope and exchange rates, due to the further depreciation of the dollar against the euro.

Cetelem

(in millions of euros)	2004	2003	Change	At constant scope and exchange rates
Net banking income	**1,680**	**1,565**	**+7.3%**	**+4.1%**
Operating expenses and depreciation	-882	-811	+8.8%	+3.3%
Gross operating income	**798**	**754**	**+5.8%**	**+4.9%**
Provisions	-380	-361	+5.3%	-4.1%
Operating income	**418**	**393**	**+6.4%**	**+13.2%**
Amortization of goodwill	-45	-52	-13.5%	
Other non-operating items	116	86	+34.9%	
Pre-tax income	**489**	**427**	**+14.5%**	**+18.4%**
Cost/income ratio	52.5%	51.8%	+0.7 pt	
Allocated equity (in billions of euros)	1.5	1.4	+8.1%	
Pre-Tax ROE	32%	30%	+2 pt	

Cetelem experienced good growth in France due to cross-selling efforts with French Retail Banking, where outstanding loans under management increased by 7.0% to €19.2 billion, and particularly strong growth outside of France, where outstanding loans under management increased by 17.5% to €13.0 billion, representing 40.4% of total loans managed by Cetelem. Overall total outstanding loans under management increased 11% during 2004 to €32.2 billion (€31.0 billion excluding outstanding loans managed on behalf of the parent company). As a result of this volume increase, Cetelem's net banking income increased by 7.3% (+4.1% at constant scope and exchange rates) to €1,680 million, and its gross operating income increased by 5.8% to €798 million. Given the limited rise in provisions (+5.3%) and the significant growth in income from companies accounted for under the equity method (+67.6%, due in particular to the closing of Cetelem Capital Co. Ltd. in Korea, which in 2003 recorded a net loss of €24 million), pre-tax income rose 14.5% to €489 million.

UCB completed its acquisition of Abbey National France at the end of 2004, which will add approximately €2.4 billion in loans to its portfolio. At constant scope, it recorded a sharp rise in new loans both in France (+39%) and outside France (+53%). Outstanding loans to individuals totaled €20.2 billion as of December 31, 2004 (+21% at constant scope). Cross-selling with French Retail Banking led to the opening of 10,000 new customer accounts in 2004. UCB's gross operating income increased 8.6% in 2004, to €139 million.

Arval continued to pursue its rapid expansion across Europe with a 12.0% rise in the overall financed car fleet and a 0.3% increase in the total number of vehicles under management. Arval's gross operating income increased 21.1% in 2004, to €161 million.

BNP Paribas Lease Group continued to develop its business Europe-wide based on alliances, leading to a 16.2% increase in outstanding leases outside of France. In France, outstanding leases decreased by 11.0% (stable at constant scope), and new equipment financing was up 6%. The scope change within France was the intra-group transfer of BNP Paribas Lease Group's outstanding real estate leases (€1.2 billion) to BNP Paribas Investimmo as of December 31, 2004. Overall, BNP Paribas Lease Group's outstanding leases as of December 31, 2004 amounted to €14.8 billion, a decrease of 5.4% as compared with December 31, 2003 (+2.5% at constant scope).

Emerging Markets and Overseas retail banking recorded a satisfactory rise in gross operating income, up 16.5% to €205 million from €176 million in 2003. The business line continued its expansion, in particular in North Africa where it opened 25 new branches.

A breakdown of the gross operating income and pre-tax income of each business line within IRFS, for the years ended December 31, 2004 and December 31, 2003, is set forth in the following table:

(in millions of euros)	BancWest	Cetelem	UCB	Arval	BNP Paribas Lease Group	Emerging Markets and Overseas	IRFS Center*	Total IRFS
Gross operating income	**815**	**798**	**139**	**161**	**191**	**205**	**-69**	**2,240**
2003	828	754	128	133	195	176	-56	2,158
Change	*-1.6%*	*+5.8%*	*+8.6%*	*+21.1%*	*-2.1%*	*+16.5%*	*nm*	*+3.8%*
Pre-tax income	**624**	**489**	**172**	**87**	**133**	**187**	**-48**	**1,644**
2003	599	427	153	57	124	143	-95	1,408
Change	*+4.2%*	*+14.5%*	*+12.4%*	*+52.6%*	*+7.3%*	*+30.8%*	*nm*	*+16.8%*

* Unallocated headquarters or central costs.

Asset Management and Services (AMS)

(in millions of euros)	2004	2003	Change	At constant scope and exchange rates
Net banking income	**3,019**	**2,476**	**+21.9%**	**+8.3%**
Operating expenses and depreciation	-1,953	-1,673	+16.7%	+3.5%
Gross operating income	**1,066**	**803**	**+32.8%**	**+18.2%**
Provisions	-5	-16	-68.8%	-76.7%
Operating income	**1,061**	**787**	**+34.8%**	**+20.6%**
Amortization of goodwill	-72	-74	-2.7%	
Other non-operating items	4	10	-60.0%	
Pre-tax income	**993**	**723**	**+37.3%**	**+25.6%**
Cost/income ratio	64.7%	67.6%	-2.9 pt	
Allocated equity (in billions of euros)	3.3	3.0	+9.1%	
Pre-Tax ROE	30%	24%	+6 pt	

As of January 1, 2004, the Group's real estate services businesses have been integrated into AMS, under the Wealth & Asset Management (WAM) business unit. Previously, these real estate services businesses were categorized under "other businesses". These real estate services businesses were strengthened by the Group's acquisition of Atis Real International (ARI) as of April 1, 2004, which is consolidated in the Group's full year 2004 financial statements as of such date. Given the changes in scope for WAM and, consequently, AMS, investors should focus in particular on the constant scope and exchange rate figures provided for AMS and WAM in the tables above and below, respectively.

At constant scope, the AMS core business achieved an improved operating performance in 2004, with strong performances across each of its business lines. Net banking income increased 8.3% at constant scope and exchange rates, to €3,019 million. Operating expenses and depreciation remained under control, increasing 3.5% at constant scope and exchange rates to €1,953 million. Gross operating income therefore grew strongly by 18.2% at constant scope and exchange rates to €1,066 million. Pre-tax income, which totaled €993 million (+37.3%), was up 25.6% at constant scope and exchange rates.

The value of total assets under the Group's management rose by 5.8% (at current scope) to €292.1 billion as of December 31, 2004, resulting principally from €11.6 billion in net new money (as compared with €11.1 billion in 2003) and a €6.4 billion increase linked to higher equity prices. Overall, the margin on assets under management increased compared to 2003 at constant scope.

Wealth & Asset Management (WAM)*

(in millions of euros)	**2004**	**2003**	**Change**	**At constant scope and exchange rates**
Net banking income	**1,555**	**1,143**	**+36.0%**	**+8.2%**
Operating expenses and depreciation	-1,085	-845	+28.4%	+1.8%
Gross operating income	**470**	**298**	**+57.7%**	**+24.6%**
Provisions	-2	-12	-83.3%	
Operating income	**468**	**286**	**+63.6%**	
Amortization of goodwill	-43	-37	+16.2%	
Other non-operating items	15	1	n.m.	
Pre-tax income	**440**	**250**	**+76.0%**	
Cost/income ratio	69.8%	73.9%	-4.1 pt	
Allocated equity (in billions of euros)	1.0	0.9	+12.2%	

* WAM includes the results of Private Banking, Asset Management, Cortal Consors and Real Estate Services. With regard to the latter and as discussed above, this business unit is included within WAM (and hence AMS) since January 1, 2004 and includes Atis Real International on a consolidated basis since April 1, 2004.

Net banking income of WAM increased 36.0%, from €1,143 million for the year ended December 31, 2003 to €1,555 million for the year ended December 31, 2004, due primarily to the inclusion of real estate services and the consolidation of Atis Real International as mentioned above. At constant scope and exchange rates, net banking income of WAM increased 8.2% due to strong performances across all business lines. Gross operating income totaled €470 million for 2004, up 24.6% at constant scope and exchange rates. The margin on assets under management increased compared to 2003, with a slight decrease in Private Banking due to the effect of external acquisitions offset by an increase within BNP Paribas Asset Management, itself linked primarily to increases in sales of structured and alternative instruments, which tend to be relatively higher margin.

Within WAM, Private Banking recorded strong organic growth during 2004, with total assets under management rising from €96.2 billion to €100.1 billion. Private Banking's assets under management are expected to increase by approximately €2.5 billion following the five acquisitions recently completed in Miami, Monaco and Switzerland.

BNP Paribas Asset Management's total assets under management rose from €180 billion to €191 billion. Separately, the Group aimed at becoming a European leader in alternative and structured asset management by acquiring a 50% interest in Fauchier Partners. As of December 31, 2004, BNP Paribas Asset Management had a total of €17.4 billion in assets under management in the area of alternative or structured management. Overall, 31% of its total assets under management consisted of bonds, 30% consisted of monetary instruments, 17% consisted of equity securities, 12% consisted of guaranteed, structured and alternative instruments and 10% consisted of diversified instruments.

Cortal Consors continued to grow its customer base during 2004, adding 75,000 new customers, and grew its assets under management 36% to €18.7 billion as of December 31, 2004. This growth helped to strengthen Cortal Consors' leadership position in Europe.

Real Estate Services recorded net banking income of €324 million in 2004 (including the consolidation of Atis Real International as described above), and pre-tax income of €80 million, to which the consolidation of Atis Real International contributed €9 million.

Insurance

(in millions of euros)	2004	2003	Change
Net banking income	**855**	**733**	**+16.6%**
Operating expenses and depreciation	-394	-352	+11.9%
Gross operating income	**461**	**381**	**+21.0%**
Provisions	-3	-4	-25.0%
Operating income	**458**	**377**	**+21.5%**
Non-operating items	-12	14	n.m.
Pre-tax income	**446**	**391**	**+14.1%**
Cost/income ratio	46.1%	48.0%	-1.9 pt
Allocated equity (in billions of euros)	2.0	1.8	+9.9%

The Insurance business posted very strong results during 2004. Net banking income increased 16.6% to €855 million, while gross operating income rose 21.0% to €461 million. This strong performance was due in particular to the 23% increase in total assets gathered, to €11.3 billion. Total assets gathered in France increased by 20%, compared to 12% for the market as a whole (source: FFSA). Internationally, the growth in total assets gathered was 33%. Insurance premiums in France rose by 20%, and by 33% outside of France. Overall, gross premiums were up 21.7%. Partially as a result of the increase in assets gathered, and partially due to the improvement in equity markets (which resulted in an increase of 9.5% in technical reserves of unit-linked products, which are marked to market), total technical reserves, which consist of funds under management (at historical value, except for unit-linked funds) increased 12.2%, compared to an increase of 9.3% in 2003.

Securities Services

(in millions of euros)	2004	2003	Change
Net banking income	**609**	**600**	**+1.5%**
Operating expenses and depreciation	-474	-476	-0.4%
Gross operating income	**135**	**124**	**+8.9%**
Provisions	0	0	n.m.
Operating income	**135**	**124**	**+8.9%**
Amortization of goodwill	-17	-24	-29.2%
Other non-operating items	-11	-18	-38.9%
Pre-tax income	**107**	**82**	**+30.5%**
Cost/income ratio	77.8%	79.3%	-1.5 pt
Allocated equity (in billions of euros)	0.3	0.3	-4.9%

Net banking income of the Securities Services business rose 1.5% to €609 million. The value of assets under custody increased 18% to €2,473 million, which in turn resulted in an increase in value-based commissions. In a market that was characterized by continued low volumes of transactions in 2004, the Group's rigorous management of operating expenses and depreciation for the Securities Services business (-0.4%) positively affected gross operating income, which increased 8.9% to €135 million.

Corporate and Investment Banking

(in millions of euros)	2004	2003	Change	At constant scope and exchange rates
Net banking income	**5,685**	**5,818**	**-2.3%**	**+0.1%**
*Including trading revenues**	*3,053*	*3,456*	*-11.7%*	
Operating expenses and depreciation	-3,243	-3,384	-4.2%	-2.4%
Gross operating income	**2,442**	**2,434**	**+0.3%**	**+3.6%**
Provisions	-58	-633	-90.8%	-90.7%
Operating income	**2,384**	**1,801**	**+32.4%**	**+37.6%**
Amortization of goodwill	-26	-17	+52.9%	
Other non-operating Items	90	95	-5.3%	
Pre-tax income	**2,448**	**1,879**	**+30.3%**	**+35.8%**
Cost/income ratio	57.0%	58.2%	-1.2 pt	
Allocated equity (in billions of euros)	7.5	6.9	+7.9%	
Pre-Tax ROE	33%	27%	+6 pt	

* Including customer activity and related revenues.

In 2004, Corporate and Investment Banking's business was again resilient. Net banking income fell slightly by 2.3% to €5,685 million, due essentially to the depreciation of the dollar against the euro. At constant scope and exchange rates, net banking income increased by 0.1%. Revenues from Advisory and Capital Markets were down 11.4% due to a less favorable environment for fixed income than in 2003. By contrast, equity derivatives revenues were stable and Corporate Finance reported a record year.

Corporate and Investment Banking's operating expenses and depreciation declined by 4.2% to €3,243 million, due to adjustments in the bonuses paid to employees and the depreciation of the dollar against the euro. The decrease was 2.4% at constant scope and exchange rates. As a result, the cost/income ratio, one of the lowest in Europe for this type of business, improved 1.2 points to 57.0%. Gross operating income rose 0.3% to €2,442 million (+3.6% at constant scope and exchange rates).

Corporate and Investment Banking's provisions fell 90.8% to €58 million in 2004, compared to €633 million in 2003. This decrease is principally due to the improved financial condition of corporate clients around the world, leading to a low level of new provisions. Further, €189 million of this decrease resulted from a partial write-back of general provisions set aside during previous years for risks in the United States and Europe. Nevertheless, as of December 31, 2004, the Group still had €122 million remaining of its general provision set aside in 2003 to cover the consequences of a possible prolonged economic slowdown in Europe.

Given the substantial decrease in provisions, Corporate and Investment Banking's operating income rose 32.4% to €2,384 million and pre-tax income rose 30.3% to €2,448 million. Pre-tax return on allocated equity increased 6 full points to 33%.

Advisory and Capital Markets

(in millions of euros)	2004	2003	Change
Net banking income	**3,399**	**3,835**	**-11.4%**
Operating expenses and depreciation	-2,230	-2,407	-7.4%
Gross operating income	**1,169**	**1,428**	**-18.1%**
Provisions	-9	0	n.m.
Operating income	**1,160**	**1,428**	**-18.8%**
Non-operating items	-19	102	n.m.
Pre-tax income	**1,141**	**1,530**	**-25.4%**
Cost/income ratio	65.6%	62.8%	+2.8 pt
Allocated equity (in billions of euros)	2.8	2.7	+3.6%

Net banking income of the Advisory and Capital Markets business declined by 11.4% to €3,399 million, due to a market environment for fixed income that was healthy yet more restrained than in 2003, during which substantial reductions in interest rates led to an exceptionally strong increase in bond issuances by corporate issuers. By contrast, the equity derivatives business recorded stable revenues during 2004 and corporate finance reported record earnings. In 2004, the Group ranked second among bookrunners for eurobond issues and among the top ten for share and convertible bond issues in Europe (sources: *Dealogic, IFR*). The Group also progressed in mergers and acquisitions in Europe, ranking fifth for the year (source: *IFR*). BNP Paribas was named "Euro MTN House of the Year" (*IFR*) and "Best Equity Derivatives Provider in Europe" (*Global Finance*).

The Group's results and positions within the Advisory and Capital Markets business were achieved without increasing its risk exposure; value at risk (99% 1 day-interval VaR) remained below €30 million on average during 2004.

Financing Businesses

(in millions of euros)	2004	2003	Change
Net banking income	**2,286**	**1,983**	**+15.3%**
Operating expenses and depreciation	-1,013	-977	+3.7%
Gross operating income	**1,273**	**1,006**	**+26.5%**
Provisions	-49	-633	-92.3%
Operating income	**1,224**	**373**	**x3,3**
Non-operating items	83	-24	n.m.
Pre-tax income	**1,307**	**349**	**x3,7**
Cost/income ratio	44.3%	49.3%	-5.0 pt
Allocated equity (in billions of euros)	4.7	4.3	+10.6%

Net banking income of the Financing Businesses, consisting of energy and commodities services, syndicated loans, acquisition financing, leveraged buyout financing, project financing, optimization and asset financing and media and telecommunications financing, increased 15.3% to €2,286 million, due to strong performances across all business lines, and particularly in energy and commodities services and project financing. This growth was partially offset by the depreciation of the U.S. dollar against the euro, given the substantial dollar-denominated revenues of this business line. Provisions fell 92.3% to €49 million in 2004, compared to €633 million in 2003. This decrease is principally due to the improved financial condition of corporate clients around the world, leading to a low level of new provisions.

BNP Paribas Capital

(in millions of euros)	**2004**	**2003**
Net capital gains	688	584
Other net income	3	-49
Operating expenses and depreciation	-30	-39
Pre-tax income	661	496

BNP Paribas Capital's pre-tax income increased 33.3% to €661 million in 2004, due primarily to a 17.8% increase in net capital gains. In 2004, the Group continued to pursue its strategy of gradually divesting its directly-held equity investments, selling in particular its shareholdings in Atos Origin, Keolis and Diana and part of its shareholding in Eiffage. The Group realized €688 million in net capital gains during 2004 as a result of these sales and its sales in private equity funds.

Due to an increase in the estimated value of many of the Group's portfolio investments, the portfolio's estimated market value declined by only €0.2 billion to €3.7 billion at December 31, 2004 compared to €3.9 billion at the end of 2003, despite the divestitures carried out in 2004. As of December 31, 2004, unrealized capital gains totaled €1.4 billion, compared to €1.2 billion as of December 31, 2003.

Results of operations by nature of income and expense

Net banking income

	Year ended December 31,		
	2004	**2003**	**% change**
	(in millions of euros)		
Net interest and assimilated income	6,413	6,794	-5.6%
Net gains on financial operations	5,166	4,597	+12.4%
Net commissions	6,606	5,951	+11.0%
Other net income (charges)	638	593	+7.6%
Net banking income	**18,823**	**17,935**	**+5.0%**

General. The 5.0% increase (+4.8% at constant scope and exchange rates) in net banking income of the Group in 2004 as compared with 2003 was due principally to a 12.4% increase in net gains on financial operations and an 11.0% increase in net commissions, partially offset by a 5.6% decrease in net interest and assimilated income.

Net interest and assimilated income. Net interest and assimilated income includes (i) net interest income (on interbank items, customer items, leasing transactions, debt securities, bonds and other fixed income instruments) and (ii) income on equities and other variable income instruments in the BNP Paribas securities portfolio (securities available for sale, equity securities held for long-term investment, and investments in non-consolidated undertakings and other shareholdings). The decrease in net interest and assimilated income resulted from a 6.0% decrease in net interest income, from €6,511 million in 2003 to €6,119 million in 2004, slightly offset by a 3.9% increase in income (consisting primarily of dividends) on equities and other variable income instruments, from €283 million in 2003 to €294 million in 2004.

The 3.9% increase in income on equities and other variable income instruments results from a three-fold increase in income from securities available for sale, itself due to increased dividend payments on such securities, partially offset by a decrease in income from investments in non-consolidated undertakings and other shareholdings. This decrease primarily resulted from the gradual reduction in the value of the investment portfolio of BNP Paribas Capital (from €3.9 billion at the end of 2003 to €3.7 billion at December 31, 2004) in accordance with the Group's divestment strategy.

The 6.0% decrease in net interest income resulted largely from a 3.3% decrease in net interest income on bonds and other fixed income instruments, itself largely due to an 18.4% decrease in interest from hedging of interest rate instruments and other revenues. Net interest income on customer items and leasing transactions also decreased, by 1.1% and 4.4%, respectively, due to an increase in the cost of sources of funding. Net interest expense on interbank items increased by 13.2%, due to an increase in the volume of such items and a rising interest rate environment in the U.S., coupled with stabilizing interest rates in Europe. Finally, net interest expense on debt securities remained stable in 2004 (+0.5%).

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

Interest-earning assets include outstanding customer loans and interbank and money market items due from credit institutions. Total customer items, net of provisions, amounted to €258.1 billion at December 31, 2004, an increase of 16.3% as compared with €222.0 billion at December 31, 2003. The increase was due primarily to strong increases in short-term loans and mortgage loans, partially offset by a decline in the value of the dollar against the euro (as loans denominated in dollars are recorded in the consolidated accounts at their (lower) euro value). The increase in mortgage loans was in turn primarily attributable to the low interest rate environment, as well as generally favorable economic conditions, that prevailed in 2004, while the improved financial condition of corporate customers led to stronger demand for short-term loans. The main loan categories affected were commercial and industrial loans, which increased 23.3% to €12.4 billion at December 31, 2004, other credits (short-term loans, mortgage loans, investment loans, export loans and other customer loans), which increased 18.8% to €182.8 billion at December 31, 2004, and securities and bills purchased outright or under resale agreements, which increased 19.8% to €23.1 billion at December 31, 2004.

Total interbank and money market items, net of provisions, increased 14.8%, from €274.9 billion at December 31, 2003 to €315.7 billion at December 31, 2004.

Interest-bearing liabilities include interest-bearing customer items and interbank and money market items due to credit institutions. Total interest bearing customer items (including customer deposits, negotiable certificates of deposit and retail certificates of deposit) increased 16.2%, from €282.6 billion at December 31, 2003 to €328.3 billion at December 31, 2004, largely as a result of an increase in customer deposits. Within customer items, customer deposits totaled €237.7 billion at December 31, 2004, an increase of 12.9% compared with the prior year. Funds deposited in regulated savings accounts increased by 8.4% to €39.7 billion, due to the attractiveness of receiving a guaranteed interest rate within a low interest rate environment. In addition, funds deposited in time accounts increased by 5.0% to €72.3 billion, and funds deposited in demand accounts increased by 21.3% to €84.3 billion, due in particular to the improved financial condition of corporate customers which led to an increase in their deposits. Repurchase agreements increased by 16.1% to €41.4 billion at December 31, 2004. Bonds and negotiable short-term instruments increased by 25.9%, from €71.9 billion at December 31, 2003 to €90.6 billion at December 31, 2004.

Interbank and money market items due to credit institutions increased 28.0%, from €192.3 billion at December 31, 2003 to €246.1 billion at December 31, 2004. Contributing to the increase was a 38.9% increase in time deposits and borrowings, to €85.8 billion at December 31, 2004, a 21.5% increase in securities and bills sold outright or under repurchase agreements, to €151.3 billion at December 31, 2004, and a 57.4% increase in demand accounts, to €7.9 billion at December 31, 2004.

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

The other principal factor affecting net interest income is the spread between lending and funding rates, which is itself influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower rates on regulated savings accounts, the competitive environment, the relative weights of the Group's various interest-bearing products, which have differing typical margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions. For example, in 2004 the rate the Bank paid on a *livret d'epargne populaire*, a form of regulated savings account in France, decreased from 4.25% to 3.25% as of August 1, 2004.

The gross interest margin in French Retail Banking decreased in 2004, largely due to a small deterioration in the loan to deposit ratio and an increase in relatively lower margin lending (e.g., corporate and mortgage loans) as a percentage of total loans. See "– Results of operations by division – Retail Banking".

As discussed above, net interest income is an aggregate of revenues earned on disparate interest-bearing products and assets. In addition, the accounting presentation of net interest income does not correct for the effect of the carrying cost of the trading portfolio. Therefore, the Group believes that an operational analysis of the elements of net interest income by division is more pertinent as an economic matter than an analysis of the line item itself on a consolidated basis. For more discussion of the factors affecting trends in total customer loans outstanding and total customer deposits during the period under review, see "—Results of operations by division – Retail Banking" and "—Results of operations by division – Corporate and Investment Banking". For more information with respect to movements in interest rate spreads in Retail Banking during the period under review, see "—Results of operations by division – Retail Banking – French Retail Banking" and "—Results of operations by division – International Retail Banking and Financial Services". For an explanation of the effects of exchange rates on the Group's results generally, see "—Economic Conditions".

Net gains on financial operations. Net gains on financial operations includes the line items net gains on trading account securities and net gains on securities available for sale. These line items in turn include both capital gains/losses on sales and marking to market gains and losses. Net gains on financial operations increased by 12.4%, from €4,597 million in 2003 to €5,166 million in 2004.

The main component of net gains on financial operations is net gains on sales of trading account securities, which amounted to €4,713 million in 2004, as compared with €4,407 million in 2003 (an increase of 6.9%), and which is in turn composed of net income from (i) financial instruments (forward and option contracts), (ii) trading account securities and (iii) foreign exchange transactions. These items do not include the cost of carry of the trading portfolio, whereas revenues reported by division include this cost. Accordingly, the trading revenues of the business lines present a more economically pertinent view of trading results. See "—Results of operations by division – Corporate and Investment Banking".

Net gains on sales of securities available for sale increased significantly, from €190 million in 2003 to €453 million in 2004. This item includes net income from securities available for sale and from equity available for sale in the medium-term.

Net commissions. Net commissions consist of the line items net commission income (which includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments, and financial services) and underwriting result and net investment income of insurance companies. Net commissions increased 11.0%, from €5,951 million in 2003 to €6,606 million in 2004. This increase was the result of a 9.2% increase in net commission income (from €4,293 million in 2003 to €4,687 million in 2004), and a 15.7% increase in underwriting result and net investment income of insurance companies (from €1,658 million in 2003 to €1,919 million in 2004). These increases were in turn due primarily to an increase in the volume of customer transactions as well as sustained and successful marketing efforts by the Group, in particular with respect to its sales of PERP (*Plan d'Epargne Retraite Programmée*) plans in France.

The increase in net commission income was primarily the result of a 10.1% increase in commissions on customer transactions, a 43.5% increase in commissions on securities commitments, a 6.2% increase in commissions on securities managed or on deposit, and a 20.9% increase in total other commissions. These increases were partially offset by decreases in commissions on securities transactions (-23.4%), commissions on interbank and money market transactions (-3.9%), and commissions on forward financial instruments (-10.5%).

The increase in underwriting result and net investment income of insurance companies was primarily the result of a substantial increase in gross premium income (from €9,203 million in 2003 to €11,196 million in 2004) as a result of stronger demand for new policies, coupled with an increase in commissions on funds under management. See Note 34 to the Group's 2004 financial statements for a breakdown of the components of this line item. Its main components are net premium income, net investment income, and claims expenses and changes in claims reserves. Net investment income (expense) consists of the net margin generated on the management of funds and credits or debits corresponding to variations in the market value of unit-linked products. Claims expenses and changes in claims reserves includes (i) credits or debits corresponding to variations in the value of unit-linked products (offsetting the corresponding credits or debits to net investment income/expense), (ii) net additions to technical reserves, *i.e.*, new money and (iii) claims expenses on traditional insurance products and outflows upon termination of contracts.

The Group recorded net investment income of insurance companies of €1,894 million in 2004, as compared with €1,770 million in 2003. The increase in 2004 is the result of an increase in the market value of unit-linked funds, as well as an increase in funds under management, which in turn led to an increase in commissions. As explained above, the increase in the market value of unit-linked funds is ultimately transmitted to investors, and is therefore offset in the Bank's accounts by a credit to claims expenses and changes in claims reserves. The overall effect, however, was an increase in net investment income.

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

Overall, underwriting result and net investment income of insurance companies increased by 15.7% to €1,919 million, while insurance revenues recorded at the operational level increased by 16.6% to only €855 million, because income recorded under underwriting result and net investment income of insurance companies does not take into account commissions paid to retail distributors.

Operating Expense and Depreciation

	Year ended December 31,		
	2004	**2003**	**% change**
	(in millions of euros)		
Salaries and employee benefits, including profit sharing	6,872	6,763	+1.6%
Other administrative expenses	3,965	3,764	+5.3%
Depreciation, amortization and provisions on tangible and intangible assets	755	758	-0.4%
Operating expense and depreciation	**11,592**	**11,285**	**+2.7%**

Operating expense and depreciation increased slightly by 2.7%, from €11,285 million in 2003 to €11,592 million in 2004. The increase was only 1.9% at constant scope and exchange rates, with the difference being due to the consolidation of Atis Real International. Growth in expenses was limited by the Group's continued focus on cost control; see "—Results of operations by division" for more information. Nevertheless, certain administrative expenses increased as the Group rolled out new information technology to keep pace with its organic growth. Despite the increase, operating expense and depreciation as a percentage of net banking income decreased 1.3 points, from 62.9% for 2003 to 61.6% for 2004, as a mechanical result of the increase in net banking income.

Gross Operating Income

The Group's gross operating income increased by 8.7% (+9.9% at constant scope and exchange rates), from €6,650 million in 2003 to €7,231 million in 2004, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above under "—Results of operations by division".

Net Additions to Provisions for Specific Risks and Country Risks

	Year ended December 31,		
	2004	**2003**	**% change**
	(in millions of euros)		
Net additions to provisions for specific risks	902	1,727	-47.8%
Net additions (write-backs) to provisions for country risks	(224)	(366)	-38.8%
Total net additions to provisions for specific risks and country risks	**678**	**1,361**	**-50.2%**

Net additions to provisions for specific risks and country risks decreased by 50.2% in 2004 compared to 2003 (-52.7% at constant scope and exchange rates). The overall decrease in net additions to provisions was due to a 47.8% decrease in net additions to provisions for specific risks. This decrease was in turn primarily due to a significant decline (90.8%, or €575 million) to just €58 million in net additions to provisions in Corporate and Investment Banking, given the improved financial condition of corporate clients around the world. Provisions also declined by 17% in IRFS, while remaining substantial (€439 million). Net additions to provisions were stable in French Retail Banking (-0.9% to €223 million) due to the improved financial condition of corporate customers, and remained relatively moderate overall as they amounted to 0.31% of French Retail Banking's overall weighted assets for the year (as compared to 0.32% in 2003).

In 2004, global economic growth was particularly sustained, though somewhat uneven in Europe, which led to generally increased corporate earnings and a reduction in the overall number of corporate bankruptcies. As at December 31, 2004, total doubtful loans and commitments amounted to €11.8 billion (as compared to €13.3 billion at December 31, 2003), and specific provisions totaled €7.9 billion (as compared to €8.5 billion at December 31, 2003). The coverage ratio at the same date was 67% (as compared to 64% at December 31, 2003). The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31,	
	2004	**2003**
Doubtful specific risks outstanding as a percentage of total commercial commitments	2.6%	3.7%
Provisions as a percentage of average risk weighted assets	0.2%	0.5%

For a more detailed discussion of net additions to provisions for specific risks and country risks by division, see "—Results of operations by division". For more information about the Group's overall exposure to problem loans and the Bank's asset quality and loan loss reserves as of December 31, 2004, see "Risk Management".

Net Income Attributable to BNP Paribas Group

	Year ended December 31,		
	2004	**2003**	**% change**
	(in millions of euros)		
Operating income	6,553	5,289	+23.9%
Non-operating items	1,037	1,043	-0.6%
Income before tax, non-recurring items, amortization of goodwill and movements in the reserve for general banking risks	7,590	6,332	+19.9%
Income taxes	(1,830)	(1,481)	+23.6%
Amortization of goodwill and non-recurring items	(685)	(746)	-8.2%
Minority interests	(407)	(344)	+18.3%
Net income	4,668	3,761	+24.1%

General. The 24.1% increase (+27.2% at constant scope and exchange rates) in net income attributable to the BNP Paribas Group was primarily due to an increase in gross operating income net of provisions.

Non-operating items. Non-operating items include (i) the Group's share of earnings from companies carried under the equity method, which increased from €131 million in 2003 to €194 million in 2004, largely as a result of the increased contribution from Finaxa, and (ii) gains on disposals of long-term investments and changes in provisions, which decreased from €912 million in 2003 to €843 million in 2004. This decrease was largely the result of a €102 million decrease in net gains on disposals of debt securities held to maturity and changes in provisions, and the effect of a €218 million write-back of provisions for industry risks in 2003. This decrease was partially offset by a 42.9% increase in net gains on equity securities held for long-term investment and changes in provisions, from €524 million in 2003 to €749 million in 2004, and an increase in net gains on disposals of non-consolidated undertakings and other participating interests and changes in provisions, from €51 million in 2003 to €126 million in 2004. In 2004, the Group changed its accounting method relating to payments made by venture capital funds in which the Group holds an interest. The impact of this change in accounting method resulted in the recording of €167 million in net gains on long-term investments in 2004, including €100 million with respect to payments made by venture capital funds in prior periods. See Notes 1 and 37 to the Group's 2004 financial statements included herein for further detail.

Income taxes. The Group recorded corporate income tax expense for 2004 of €1,830 million, up from €1,481 million for 2003. The increase was primarily the result of the increase in pre-tax income, with the effective tax rate remaining stable at 26.5% in 2004. In addition, Klépierre's election of a new tax regime in 2003 led the Group to record a €26 million provision in 2004 (€104 million in 2003) for the related exit tax associated with this election. Finally, the Group recorded a €28 million provision corresponding to a compulsory tax introduced in 2004 on a portion of its special long-term capital gains reserve.

Amortization of goodwill and non-recurring items. Amortization of goodwill and non-recurring items amounted to an expense of €685 million for 2004, as compared with €746 million for 2003. This amount includes (i) net amortization of goodwill amounting to €384 million (as compared with €399 million for 2003), (ii) net non-recurring expense of €389 million (as compared with €494 million for 2003) and (iii) movements in the reserve for general banking risks, which increased the Group's net income by €88 million, as compared with €147 million in 2003.

Net non-recurring expense in 2004 included principally (i) a €159 million provision relating to employee benefits, the bulk of which (€152 million) consists of a one-time payment relating to pension obligations to current and future retirees made in connection with the adoption of a compulsory complementary health insurance scheme for BNP Paribas employees in France to which the Bank will make contributions relating to all active employees, (ii) a €83 million provision to adapt information systems in connection with the application of international accounting standards beginning January 1, 2005 and changes in capital adequacy rules introduced by international regulatory authorities and, (iii) a €37 million provision relating to restructuring and discontinued operations, in particular involving the IRFS business, and (iv) a €28 million provision relating to an impairment of the value of certain long-term investments and leased vehicles.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the BNP Paribas Group increased to €407 million for 2004 compared to €344 million for 2003. The increase related mainly to minority interest in Klépierre, which increased in 2004 following the election of a new tax regime in 2003, as described above.

Financial Condition

Assets

General. At December 31, 2004, consolidated assets of the Group amounted to €905.9 billion, up 15.7% from €783.1 billion at December 31, 2003. The main components of the Group's assets at December 31, 2004 were interbank and money market items, customer items, insurance company investments and securities (including bonds and other fixed-income instruments, equities and other variable-income instruments, investments in non-consolidated undertakings and other participating interests, equity securities held for long-term investment and investments in companies carried under the equity method), which together accounted for 87.2% of assets, as compared with 86.2% at December 31, 2003. The 15.7% increase in total assets was due primarily to an increase in value of most of the Group's assets. In particular, the value of the Group's securities portfolio increased by 26.9% and the value of interbank and money market items increased by 14.8%. These increases were in turn due primarily to higher equity prices (resulting in higher values recorded for marked to market securities) and an increase in trading volumes in the capital markets, partially offset by the depreciation of the dollar against the euro (as the Group has significant dollar denominated assets). Also contributing to the 15.7% increase in total assets was a 16.3% increase in the value of customer items, which was in turn due primarily to increases in the amount of short-term and mortgage loans outstanding.

Interbank and money market items. Interbank and money market items (net of provisions) amounted to €315.7 billion at December 31, 2004, an increase of 14.8% as compared with December 31, 2003. Interbank and money market items include (i) cash and amounts due from central banks and post office banks, (ii) treasury bills and money market instruments, and (iii) amounts due from credit institutions. Within interbank and money market items, treasury bills and money market instruments increased by 20.4% to €128.4 billion, and amounts due from credit institutions increased by 10.7% to €180.4 billion, mainly reflecting the impact of securities received under resale agreements. Cash and amounts due from central banks and post office banks also posted an increase of 29.4%, to €6.8 billion at December 31, 2004. The interbank and money market line item is prone to significant fluctuation between periods, as it includes compulsory non-interest bearing central bank deposits corresponding to statutory reserves.

Customer items. Total customer items (net of provisions) increased 16.3% to €258.1 billion at December 31, 2004. The largest contributor to this increase was other credits (a category including short-term loans, mortgage loans, investment loans, export loans and other customer loans), which increased 18.8% to €182.8 billion at December 31, 2004. This 18.8% increase was in turn due to the upward trends in all categories of other credits (except for other customer loans, -7.4%), in particular short-term loans (up 24.7% to €55.0 billion at December 31, 2004), mortgage loans (up 23.8% to €57.9 billion at December 31, 2004) and export loans (up 120% to €10.0 billion at December 31, 2004), due to an environment generally characterized by stronger demand for credit. The increase in total customer items was also partially due to a 19.8% increase in securities and bills purchased outright or under resale agreements, to €23.1 billion at December 31, 2004.

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

Insurance company investments. At December 31, 2004, the Group held insurance company investments amounting to €69.5 billion, an increase of 11.6% as compared with €62.3 billion at December 31, 2003. This increase largely reflects the impact of a 48.2% increase in equities, mutual funds and other variable income instruments due to higher investment in such instruments by the Group during 2004, an 8.0% increase in bonds and other fixed-income instruments and a 6.8% increase in admissible assets related to unit-linked business (*i.e.*, the assets held in connection with Group life insurance contracts in which payments made to the policy holder are not fixed but rather based on the value of an underlying portfolio of securities). For more information with respect to the assets of the Group's insurance business, see "—Results of operations by division – Asset Management and Services" and "Results of operations by nature of income and expense – Net commissions".

Securities portfolio. At December 31, 2004, the Group held bonds and other fixed-income instruments, equities and other variable-income instruments, investments in non-consolidated undertakings and other participating interests, equity securities held for long-term investment and investments in companies carried under the equity method having a total value of €147.0 billion, an increase of 26.8% as compared with €115.9 billion at December 31, 2003.

The increase was largely the result of the continued strength in financial markets during 2004, which boosted the value of the trading portfolio to €206.5 billion at December 31, 2004, an increase of 30.2% from €158.6 billion at December 31, 2003. For more information, see "– Results of operations by division – Corporate and Investment Banking" and "Results of operations by nature of income and expense – Net gains on financial operations". Within the overall securities portfolio (including trading account securities, securities available for sale and debt securities held to maturity), the value of equities and other variable income instruments grew by 37.6% to €72.3 billion at December 31, 2004, while bonds and other fixed-income instruments climbed 21.6% to €66.9 billion. Aggregate investments in non-consolidated undertakings and other participating interests and equity securities held for long-term investment decreased by 9.6% to €6.1 billion at December 31, 2004, mainly due to the Group's sale of part of its shareholding in Eiffage (for approximately €161 million) and its entire shareholding in Keolis during 2004.

Net unrealized capital gains on investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment, calculated by reference to the year-end stock market prices for listed securities, amounted to €2.5 billion at December 31, 2004, as compared with €2.3 billion at December 31, 2003, due to the continued recovery in the financial markets.

Accrued income and other assets. Accrued income and other assets totaled €99.8 billion at December 31, 2004, an increase of 6.8% as compared with €93.4 billion at December 31, 2003. The increase was largely the result of a more than 109% rise in the category "other" under other assets, to €24.3 billion as at December 31, 2004, primarily reflecting higher cash deposits on securities lending and borrowing transactions. The increase was partially offset by (i) a 7.1% decline in premiums on purchased options, to €39.2 billion, (ii) a 31.7% decline in other adjustment accounts, to €4.6 billion, and (iii) a 37.8% decline in accrued income, to €3.4 billion.

Liabilities (excluding shareholders' equity and provisions)

General. At December 31, 2004, consolidated liabilities of the Group (excluding shareholders' equity and provisions) totaled €866.4 billion, an increase of 16.3% as compared with €744.8 billion at December 31, 2003. This amount includes interbank and money market items, customer items, debt securities, insurance company technical reserves and accrued expenses and other liabilities, all of which increased as compared with 2003. In particular, interbank and money market items increased by 28.1%, debt securities by 25.1%, customer items by 12.9%, insurance company technical reserves by 12.2% and accrued expenses and other liabilities by 7.2%.

Interbank and money market items. Interbank and money market items increased 28.1%, from €191.3 billion at December 31, 2003 to €245.0 billion at December 31, 2004. Within this item, demand accounts increased by 57.4% to €7.9 billion, time deposits and borrowings increased by 38.9% to €85.8 billion, and securities and bills sold outright or under repurchase agreements increased 21.5% to €151.3 billion.

Customer items. Customer deposits totaled €237.7 billion, an increase of 12.9% as compared with €210.6 billion at December 31, 2003. The increase was primarily driven by a 21.3% rise in demand accounts, from €69.5 billion to €84.3 billion, largely as a result of both organic growth in customer accounts and the consolidation of Community First Bankshares and Union Safe Deposit Bank as of November 1, 2004. The increase was also driven by a 5.0% rise in funds deposited in time accounts, from €68.9 billion to €72.3 billion, and a 16.1% increase in securities and bills sold outright or under repurchase agreements, from €35.6 billion to €41.4 billion. Finally, continued low interest rates during 2004 reinforced the tendency of customers to invest in higher-yielding investments such as guaranteed yield funds, money market funds, life insurance and regulated savings accounts. This helped fuel an 8.4% rise in funds invested in regulated savings accounts, from €36.6 billion to €39.7 billion. (As on the asset side, amounts due by the Group under this item vary widely on a daily basis. Therefore, comparison on a year-end basis is not meaningful.) For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest and assimilated income".

Debt securities. Debt securities totaled €104.0 billion at December 31, 2004, an increase of 25.1% as compared with €83.1 billion at December 31, 2003. Within this line item, outstanding bonds increased by 11.5% to €11.1 billion at December 31, 2004, primarily reflecting new issuances under the Bank's Euro Medium-Term Note Program. Retail certificates of deposit increased by 36.1% to €6.7 billion at December 31, 2004, largely as a result of the consolidation of Community First Bankshares and Union Safe Deposit Bank as of November 1, 2004. Negotiable certificates of deposit rose 25.1% to €83.8 billion, due to both organic growth and the consolidation of Community First Bankshares and Union Safe Deposit Bank.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 12.2%, from €61.8 billion at December 31, 2003 to €69.4 billion at December 31, 2004, reflecting new money invested in non-unit-linked contracts and positive mark-to-market adjustments to unit-linked liabilities following the continued stock market recovery. See "—Results of operations by division – Asset Management and Services", "—Results of operations by nature of income and expense – Net Commissions" and "—Financial Condition – Assets – Insurance company investments".

Accrued expenses and other liabilities. Accrued expenses and other liabilities amounted to €198.1 billion at December 31, 2004, as compared with €184.8 billion at December 31, 2003, an increase of 7.2%. The increase was largely due to a 16.0% increase in liabilities related to securities transactions to €102.6 billion, a 63.8% increase in collection accounts to €4.8 billion and a 19.4% increase in other accruals to €10.3 billion, partly offset by a 21.7% decline in settlement accounts related to securities transactions to €5.4 billion and a 4.3% decline in liabilities related to written options to €41.7 billion.

Provisions and Reserve for General Banking Risks

Provisions for contingencies and charges amounted to €3.8 billion at December 31, 2004, as compared with €4.0 billion at December 31, 2003. The reduction was largely due to the utilization of provisions for pensions and other post-employment benefits, provisions for restructuring costs and provisions for off-balance sheet commitments. Of the total amount, provisions related to off-balance sheet credit risks amounted to €170 million at December 31, 2004, compared to €191 million at December 31, 2003, and related to €822 million of off-balance sheet credit risks at December 31, 2004 as compared to €983 million at December 31, 2003.

The reserve for general banking risks was reduced by €91 million to €752 million at December 31, 2004.

Minority Interests

Minority interests decreased by 3.9% to €4.8 billion. Minority interests in the Group's net income, which amounted to €0.4 billion in 2004, were offset by interim and final dividend payments and negative translation adjustments in the amount of €0.3 billion.

Shareholders' Equity

Consolidated shareholders' equity of the Group at December 31, 2004, before dividend payments, amounted to €30.2 billion, an increase of 6.6% as compared with €28.3 billion at December 31, 2003. This increase corresponds essentially to recognition of 2004 net income of €4.7 billion, partially offset by payment of dividends with respect to the 2003 fiscal year in the amount of €1.2 billion. The €0.3 billion increase in capital resulting from employee share issues and the exercise of stock options was more than offset by the Group's repurchase of 35,751,407 shares during 2004, which led to a €1.7 billion deduction from shareholders' equity (since the Group deducts the value of its treasury stock from the calculation of shareholders' equity). Finally, the translation adjustment for 2004 was €-0.2 billion.

Off-Balance Sheet Items

The Group's off-balance sheet commitments as of December 31, 2004 totaled €20,900.7 billion, an increase of 11.9% as compared with €18,676.4 billion at December 31, 2003. The following table sets forth the composition of the Group's off-balance sheet items at December 31, 2004 and December 31, 2003.

	At December 31, 2004	At December 31, 2003	% change in 2004
	(€ in billions)		
Commitments given:			
Financing commitments given	172.6	156.3	+10.5%
Guarantees and endorsements given	66.1	56.9	+16.3%
Commitments given on securities	8.2	7.4	+11.5%
Insurance company commitments	0.5	1.3	-64.1%
Commitments incurred on forward and options contracts	20,556.4	18,356.8	+12.0%
Commitments received:			
Financing commitments received	35.3	44.0	-19.8%
Guarantees and endorsements received	50.2	43.0	+16.9%
Commitments received on securities	9.6	7.9	+21.9%
Insurance company commitments	1.8	2.8	-35.5%

By far the largest component of off-balance sheet commitments consists of commitments incurred on forward and options contracts, which increased 12.0%, from €18,356.8 billion at December 31, 2003 to €20,556.4 billion at December 31, 2004. Commitments incurred on forward contracts increased 5.1% to €15,499.1 billion, while commitments incurred on option contracts increased 40.2% to €5,057.3 billion. It should be noted that the total amounts are the aggregate of the nominal values of option and forward contracts, both purchased and sold. The increases reflected high trading volumes, linked to the Bank's hedging activity as well as to swaps and other interest rate derivatives entered into by the Capital Markets business line on behalf of clients. After weighting and netting agreements, counterparty risks on forward and option contracts totaled €16.3 billion at December 31, 2004, as compared with €14.7 billion at December 31, 2003.

RECENT DEVELOPMENTS

Proposed Acquisition of BNL

On February 3, 2006, BNP Paribas announced that it had entered into conditional agreements with 13 shareholders of BNL, including Unipol, to acquire 1,467.6 million BNL shares, representing approximately 48% of BNL's share capital, at a price of €2.925 per share.

The agreements are conditional upon, among other things: (i) the lapsing of the public offer launched by Unipol on all of the shares of BNL and (ii) the approval by the Bank of Italy, ISVAP (the Italian Authority for Insurance Companies) and European Union antitrust authorities of the acquisition by BNP Paribas of a controlling interest in BNL. These conditions must be satisfied on or prior to June 30, 2006. In accordance with applicable rules, the proposed transaction was notified to the Bank of Italy prior to its announcement by the Bank.

Following completion of the purchase of the above shares, BNP Paribas would launch a public offer for all of the remaining shares of BNL of any class, in accordance with applicable laws and regulations, at the same price of €2.925 per share and under the same conditions.

The agreements have been ratified by the board of directors of the selling parties involved, who together currently own 48% of BNL's share capital. On February 9, 2006, the Board of Directors of BNP Paribas also approved the transaction and the proposed terms of the public offer.

BNP Paribas is deeply committed to the highest standards of corporate governance, and has been selected as the best company in the Eurozone in this regard by FTSE/International Shareholder Services. BNP Paribas and BNL have historically had links and share many professional and corporate values. BNP Paribas intends to conduct this transaction in a friendly way and to associate BNL's management in its implementation.

In connection with the transaction:

- The BNL brand name is highly recognized in Italy, and would be retained;
- BNL headquarters would remain in Rome;
- BNL would operate within proper levels of autonomy, in compliance with BNP Paribas group policies; and
- BNL employees would become part of a broader group, and would thus benefit from sharing experiences as members of a global community, as well as from enhanced international career opportunities.

BNL: a major banking franchise in Italy

The Italian market is one of Europe's largest and most attractive banking markets. It offers higher than average growth rates in key products such as mortgage loans and consumer credits.

Established in 1913, BNL employs 17,000 people and is the sixth largest Italian bank in terms of deposits and loans. Its network offers nationwide coverage in Italy through approximately 800 branches covering all major urban areas. It serves nearly 3 million retail customers, 39,000 corporate clients and 16,000 public entities.

BNL has strong positions in specialized retail financial services: it ranks number two in factoring with a 15% market share, and number six in leasing with a nearly 5% market share. BNL is also active in consumer finance. It is a strong player in asset management (€26 billion under management), private banking and life insurance.

As of September 30, 2005, based on announced, unaudited figures, BNL had total customer loans of nearly €61 billion and shareholders' equity of approximately €4.9 billion. Its tier one ratio stood at 6.7%. For the first nine months of 2005, BNL generated revenues in excess of €2.1 billion and a profit of €411 million, and its annualized RoE stood at 11.8%.

BNL is currently engaged in a major transformation process, which involves improving its operating efficiency and the quality of its asset portfolio, and reorienting its commercial strategy in order to grow domestic revenues.

BNP Paribas in Italy: a strong player in financial services and corporate and investment banking

BNP Paribas is already a truly global group with more than 110,000 employees, more than half of which work outside of France. BNP Paribas is one of the largest foreign banks in Italy, with a leading and longstanding presence in retail financial services, a well-established position in asset management and services, and the status of a top tier player in corporate and investment banking. It employs more than 3,700 people and generates revenues in excess of €750 million.

In consumer finance, Findomestic, a 50/50 joint-venture created in 1984 with Cassa di Risparmio di Firenze, is the market leader with a market share of more than 12%. BNP Paribas is also a major player in fleet management, where Arval is number two with a 20% market share, in leasing, with BPLG established since 1990, and in mortgage lending through Banca UCB, since 1989.

In Asset Management and Services, Cardif, a wholly-owned subsidiary of BNP Paribas, is the market leader in Italy in credit protection insurance, and is also present in life insurance, in partnership with Cassa di Risparmio di Firenze. BNP Paribas is active in private banking and asset management, with more than €8 billion of assets under management, and in securities services, with close to €150 billion of assets under custody.

In Corporate and Investment Banking, BNP Paribas Italy employs more than 100 professionals and offers a full product range to major Italian corporate clients and financial institutions, as well as to local authorities and public utilities. BNP Paribas has achieved a leading position in financing activities and fixed income in Italy: it has been the market leader in Italian securitization since 1992, and in 2005 ranked as lead bookrunner for debt issuances in all asset classes excluding treasuries. It is one of the leading banks in acquisition finance, with debt underwriting in excess of €3 billion. BNP Paribas has a strong presence in corporate finance, offering services ranging from mergers and acquisitions to corporate restructuring advice, IPOs and underwriting of equity issues.

BNL and BNP Paribas: strong growth and synergy opportunities

In the competitive French banking market, BNP Paribas has developed a successful business model, which leverages branch networks with dedicated product platforms in specialized retail financial services and asset management and services. It is the market leader in French private banking thanks to its establishment of more than 200 specialized centers. It has also succeeded in maximizing revenues from cross-selling corporate and investment banking products to large corporate clients as well as small and medium-sized companies, through a dedicated network of 25 business centers.

BNP Paribas intends to share its know-how with BNL in order to help it accelerate its transformation process, promote cross-selling and boost its commercial drive. Furthermore, by relying on BNP Paribas' product expertise and its strong established presence in Italy, BNL should be better able to capitalize on its recognized brand name and its nationwide branch network to further enlarge its product offer and develop its activities in both retail and corporate banking. BNL clients would also gain access to a wider range of services worldwide. This is expected to generate significant growth and cost synergy opportunities.

BNP Paribas estimates that overall revenue synergies would amount to approximately €150 million annually (pre-tax) within three years.

BNP Paribas estimates that cost synergies would amount to approximately €250 million annually (pre-tax), also within three years. These synergies would arise mainly from economies of scale, purchasing optimization, increased operating efficiency through the sharing of best practices, the sharing of local platforms and a reduction of BNL's funding cost.

It is expected that the costs to implement such synergies will be approximately €450 million (pre-tax), the bulk of which are expected to be incurred during the first year following the completion of the transactions.

BNL already operates a successful joint venture with Unipol, BNL Vita. Should the proposed transaction with BNL be completed, BNP Paribas would support the extension of the existing "bancassurance" partnership agreement, with a view to strengthening the relationship between Unipol and BNL. Unipol would increase its stake in BNL Vita from 50 to 51%, at a fair market prices.

Within this context, BNP Paribas and Unipol would also aim at developing direct relationships in retail financial services and asset management, and BNP Paribas would acquire a 4.5% stake in Finsoe, Unipol's holding company, also at a fair market prices.

In attempting to integrate BNL's operations with its own, the Group will draw on its experience from the merger of BNP and Paribas in 1999-2000, as well as its experience from over 35 acquisitions conducted since that time in Europe, the United States and in emerging markets. The Group will also take into account BNL's particular circumstances in effectuating the integration, and will seek to reinforce BNL's strengths while respecting its corporate identity and culture.

Terms and funding of the transactions

Under the terms of the agreements, BNP Paribas would pay €4.3 billion in cash to acquire 48% of BNL's share capital. It would then launch a public offer to acquire the remaining outstanding shares (including preferred shares) at the same price of €2.925 per share and under the same conditions, also in cash.

Assuming that all shareholders tender their shares through the public offer (which would result in BNP Paribas' owning 100% of BNL), and subject to the final terms of the public offer and its approval by all relevant authorities, the total amount paid by BNP Paribas would amount to approximately €9 billion.

The proposed acquisition of BNL is expected to be financed through a €5.5 billion rights issuance and a €2 billion issuance of hybrid securities, with the balance coming from internal resources. After these issues, BNP Paribas' tier one ratio should stand above 7%.

Impact on BNP Paribas

Assuming that the transactions complete around mid-2006, the initial analysis shows that their impact on the earnings per share of BNP Paribas would be neutral on 2007 earnings per share before restructuring costs and positive as early as 2008.

BNP Paribas strongly believes that its proposed acquisition of a controlling stake in BNL would be in the best interests of BNL, its clients, its management and its employees. It also believes that it would be highly value creating for the shareholders of BNP Paribas.

Bank of America Wealth & Investment Management

On February 21, 2006, BNP Paribas and Bank of America announced that they had signed an agreement whereby the accounts of certain non-U.S. wealth management clients currently managed by Bank of America's Global Wealth & Investment Management division will be transferred to BNP Paribas' U.S.-based wealth management affiliate, BNP Paribas Investment Services. The transaction is subject to the approval of relevant governmental authorities and is expected to be completed during 2006.

The transaction will involve the transfer of up to US$2 billion in client assets, representing approximately 2,000 non-U.S. wealth management accounts currently managed by Bank of America's International Wealth Management group, part of the company's Global Wealth & Investment Management division. In the future, the transitioned clientele is expected to be serviced by BNP Paribas out of Miami (FL) and San Francisco (CA). The transaction is fully in line with BNP Paribas' strategy to further develop its private banking franchise in selected international markets.

Arval enters the Russian market

On January 23, 2006, the Group announced that Arval, which specalizes in the operational leasing of multi-brand corporate vehicles, had just opened a Russian subsidiary based in Moscow. Arval's goal is to become a leading player in Russia. With the largest land area of any country in the world, a population of 143 million people and over 24 million cars, the Russian market offers opportunities for long-term corporate leasing with over 45,000 registered business vehicles in 2005.

In addition to developing business in this region of the world, this new subsidiary will also assist Arval in serving its international clients operating in Russia, and provide them with the same service offered in the other countries where Arval does business.

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

BNP Paribas is a French *société anonyme* registered with the *Registre du Commerce et des Sociétés* in Paris under number 662 042 449 (APE business identifier code: 651 C), licensed to conduct banking operations under the Monetary and Financial Code (*Code Monétaire et Financier, Livre V, Titre 1er*). The Bank was founded pursuant to a decree dated May 26, 1966. BNP Paribas is domiciled in France; its registered office is located at 16, boulevard des Italiens - 75009 Paris, France (telephone number: (+) 33 1 40 14 45 46). BNP Paribas is governed by banking regulations, the provisions of the Commercial Code applicable to trading companies and by its Articles of Association. The Bank's purpose (Article 3 of the Articles of Association) is to provide and conduct the following services with any legal entity or individual, in France and abroad, subject to compliance with the laws and regulations applicable to credit institutions licensed by the *Comité des Établissements de Crédit et des Entreprises d'Investissement*: any investment services, any services related to investment activities, any banking activities, any transactions related to banking activities, any purchase of an ownership interest, within the meaning of Book III, Title 1 relating to bank transactions, and Title II relating to investment services and their ancillary services, of the Monetary and Finance Code. The Bank was 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 Group (of which BNP Paribas is the parent company) is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world. The Group is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers worldwide, in particular in Europe and the western United States, and has offices in more than 85 countries. According to rankings published in July 2005 by *The Banker* (based on 2004 figures):

- based on total assets, the BNP Paribas Group was the second largest banking group in France, the fourth largest in Europe and the sixth largest in the world; and

- based on Tier 1 capital, the BNP Paribas Group was the second, fifth and tenth largest banking group in France, Europe and the world, respectively.

At December 31, 2005, the Group had consolidated assets of €1,258.1 billion (compared to €1,002.5 billion at January 1, 2005), consolidated loans and receivables due from customers of €301.2 billion (compared to €244.2 billion at January 1, 2005), consolidated items due to customers of €247.5 billion (compared to €211.5 billion at January 1, 2005) and shareholders' equity (Group share including income for 2005) of €40.7 billion (compared to €32.3 billion at January 1, 2005). Pre-tax net income for the year ended December 31, 2005 was €8.4 billion (compared to €7.1 billion for the year ended December 31, 2004, calculated under 2004 IFRS). Net income, Group share, for the year ended December 31, 2005 was €5.9 billion (compared to €4.9 billion for the year ended December 31, 2004, calculated under 2004 IFRS).

The Group currently has long-term senior debt ratings of "Aa2" with stable outlook from Moody's, "AA" with stable 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, as summarized below: 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 two core businesses: French Retail Banking and International Retail Banking and Financial Services.

Except where otherwise specified, all financial information and operating statistics are presented as of December 31, 2005.

Retail Banking

For the year ended December 31, 2005, Retail Banking contributed €4,260 million, or 52%, of the Group's gross operating income (excluding BNP Paribas Capital and Other Activities).

French Retail Banking

In France, the Group distributes its banking products and services to more than 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 six business lines as follows:

- Retail Banking in the United States (BancWest): includes retail operations in the western United States, with a network of approximately 739 branches and 4.2 million client accounts following the Group's acquisition of Commercial Federal Corporation in December 2005;
- Consumer Financing (Cetelem): includes a complete portfolio of consumer credit and related financial services;
- Property Financing for Private Individuals (UCB): provides financing for residential real estate purchases by individuals;
- Corporate Capital Equipment Financing (BNP Paribas Lease Group): provides financing for capital goods leased by businesses;
- Contract Hire and Fleet Management (Arval, Artegy and Arius): provides outsourcing solutions on behalf of corporate customers for the management and financing of vehicle fleets and other logistical equipment; and
- Retail Banking in Emerging and Overseas Markets: includes networks totaling nearly 600 branches (excluding China) and serving approximately more than 1.5 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, 2005, Asset Management and Services contributed €1,221 million, or 15%, of the Group's gross operating income (excluding BNP Paribas Capital and Other Activities).

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. Following the Group's acquisition of Atis Real International as of April 1, 2004, this business line is now a European leader in real estate services, especially in the corporate real estate market, with a 2,550-strong workforce in nine countries.

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, 2005, assets under custody were €3,058 billion. BNP Paribas Securities Services handled 26.8 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, 2005, Corporate & Investment Banking contributed €2,711 million, or 33%, of the Group's gross operating income (excluding BNP Paribas Capital and Other Activities).

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 2005, 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.

BNP Paribas Capital

The Group is a key player in the French and European private equity investment market. BNP Paribas Capital encompasses all of the Group's private equity activities.

For the year ended December 31, 2005, BNP Paribas Capital contributed €361 million of the Group's gross operating income, and €544 million, or 6.5%, of the Group's pre-tax income.

Strategy

Strategy by Division

The Group will focus on pursuing its development during 2006. For each of its four core businesses, the Group has set the following objectives.

French Retail Banking

In 2006, French Retail Banking will focus on:

- continuing to improve the satisfaction of individual customers, by making full use of its multi-channel retail banking structure;
- growing the number of customers that use internet-based banking services and increasing contact with customers;
- continuing branch renovation programs;
- strengthening relations with corporate customers and enhancing cross-selling of the Group's products and services;
- maintaining a moderate pricing strategy; and
- pursuing productivity gains in back offices.

The goal of French Retail Banking is to grow its net banking income by at least 4.5% during 2006, while maintaining a differential of at least one percentage point between growth in net banking income and growth in operating expenses and depreciation over the course of the year.

International Retail Banking and Financial Services

In 2006, International Retail Banking and Financial Services will implement a strategy that seeks to combine sustained organic growth with selective growth through acquisitions. It will focus on:

- accelerating the pace of expansion in emerging markets that exhibit strong growth potential, in particular by increasing the number of branch openings in far Eastern Europe and the area around the Mediterranean, while taking full advantage of the synergies within the Group's product platforms;
- continuing to grow BancWest by expanding its branch network and its product offering;
- developing new sources of growth for Cetelem by entering into partnership agreements and moving into promising markets (such as Russia and China); and
- maximizing acquisition-related cost savings.

Asset Management and Services

In 2006, Asset Management and Services will focus on:

- capitalizing on its innovative approach and product offering (open architecture, alternative and structured investment products, real estate-based investment funds, etc.);
- accelerating its expansion throughout Europe, especially in multi-management services (through FundQuest), real estate services and securities services. In addition, Cortal Consors will pursue its growth in Germany; and
- accelerating the pace of growth outside of Europe, in particular in the Middle East, Asia and Latin America, within the areas of Insurance, Asset Management and Private Banking.

After making substantial investments in 2005, Asset Management and Services will seek to grow its net banking income at a faster rate than operating expenses and depreciation during 2006.

Corporate & Investment Banking

In 2006, Corporate & Investment Banking will seek to consolidate its businesses and solidify its competitive position. It will focus on:

- accelerating the expansion of its capital markets business lines, specifically by further bolstering the teams working in the derivatives businesses and increasing cross-selling with the customers of the specialized financing business lines;
- strengthening its positions in priority regions, focusing in particular on large mid-cap companies in Europe, and, in the United States, continuing the selective growth effort already underway;
- making Asia a real core market.

Corporate & Investment Banking's goal is to maintain one of the industry's best cost/income ratios. Furthermore, the Group will focus on increasing the productivity of the capital allocated to this core business.

BNP Paribas Capital

The share of private equity in the Group's revenues is expected to continue to decline, in accordance with the strategy for this business, which has been implemented for a number of years now.

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.

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 two core businesses: French Retail Banking and International Retail Banking and Financial Services. The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, that are conducted outside of its core businesses.

Retail Banking

This division is composed of two core businesses: French Retail Banking and International Retail Banking and Financial Services.

French Retail Banking

The French Retail Banking client base includes 5.85 million individual and private banking clients, 500,000 entrepreneurs and small business clients and 20,000 corporate and institutional clients. French Retail Banking 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.

French Retail Banking's network has been structured so as to enhance local coverage and client service. As of December 31, 2005, this network included 2,200 branches and 3,860 ATMs, in addition to a multi-channel banking structure. French Retail Banking focuses on servicing regions with high economic potential. For example, the Group estimates that it has a 15% share of the retail banking market in the greater Paris area. French Retail Banking also has a strong presence in the high net worth segments of the personal banking market—22% of French households with net annual revenues in excess of €82,000 have their primary bank account with BNP Paribas (source: *IPSOS*)—and a leading position in the corporate market.

French Retail Banking employs 31,000 people working primarily within the BNP Paribas domestic branch network, but also at Banque de Bretagne, BNP Paribas Factor (a factoring company) and BNP Paribas Développement, a provider of growth capital.

In order to effectively respond to client expectations, French Retail Banking has reorganized its sales structure by dividing its banking network into various segments. Accordingly, French Retail Banking is currently composed of branches (serving private individuals and small businesses), private banking centers and business centers, all of which are supported by client relationship centers and back-offices that are responsible for handling after-sales operations.

During 2005, French Retail Banking continued to actively expand its personal banking business, using its multi-channel banking system (branch, telephone and online banking) that was rolled out beginning in 2002. This system is designed to offer clients the highest standard of service and to enhance the role of client advisers in the branches. One of its cornerstones is the existence of client relationship centers to handle calls to the branches and client e-mails, which are located in Paris, Orléans and Lille. The new workstations being operated by client advisers are geared towards managing client relations within a multi-channel banking system. As such, they represent the very hub of the system, whose worth and effectiveness have been demonstrated through several years of use. French Retail Banking also has the largest network of private banking centers, with 206 centers across France ensuring extensive local coverage.

During 2005, French Retail Banking also finished implementing a new business organization specifically designed to serve the needs of corporate clients. This new organization, which is unique in the French retail banking landscape, is based on 24 business centers located throughout France, as well as two professional assistance services—Service Assistance Enterprise (SAE) and Cash Customer Services (CCS).

Finally, French Retail Banking has been reorganizing its back-offices into Production and Sales Support branches (PSSBs). Specialized by type of transaction, they span the whole of France and have fully integrated information systems. At the end of 2005, there were 82 PSSBs, which formed part of 14 different Production and Sales Support Groups.

International Retail Banking and Financial Services

The International Retail Banking and Financial Services core business consists of six business lines: Retail Banking in the United States (BancWest), Consumer Financing (Cetelem), Property Financing for Private Individuals (UCB), Corporate Capital Equipment Financing (BNP Paribas Lease Group), Contract Hire and Fleet Management and Retail Banking in Emerging and Overseas Markets. The core business includes approximately 42,600 employees across 55 countries.

<u>BancWest</u>

In the United States, the International Retail Banking and Financial Services business is conducted through BancWest Corporation, a holding company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank, and wholly-owned by BNP Paribas since the end of 2001. BancWest acquired United California Bank in March 2002, and Community First National Bank and Union Safe Deposit Bank in November 2004. BancWest's branch network operates under two brand names: Bank of the West on the mainland and First Hawaiian Bank in Hawaii.

More recently, in December 2005, BancWest acquired Commercial Federal Corporation, headquartered in Omaha, Nebraska. At September 30, 2005, Commercial Federal Corporation operated 203 branches in seven U.S. states (mainly in the western U.S.) and had total assets of US$10.2 billion.

Bank of the West offers retail banking services to individuals and companies in 19 western U.S. states. It is California's sixth leading retail bank (based on total customer deposits at June 30, 2005, according to the FDIC). It also has strong national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church Lending and Small Business Administration.

With a nearly 40% market share based on deposits (source: *FDIC* June 30, 2005), First Hawaiian Bank is Hawaii's leading bank, offering a broad array of products to a local clientele of private individuals and companies.

In total, as of December 31, 2005, BancWest had more than 12,000 employees, 739 branches and 4.2 million client accounts. At the same date, it had total assets of US$66.3 billion, making it the sixth largest bank in the western U.S. based on total deposits (source: *FDIC* June 30, 2005).

Cetelem

Cetelem is the leading supplier of consumer credit in France and in continental Europe (source: the Group's calculation of the market share of market participants based on their outstanding loans as indicated in their published annual reports, compared with the entire European consumer credit market (source: *European Credit Research Institute*)), with €47.4 billion in outstanding loans as of December 31, 2005 (including the loans of LaSer-Cofinoga), of which 57% was in France and 43% was outside of France. Cetelem has more than 18,000 staff throughout the world (including the partnership with LaSer-Cofinoga), and currently operates in 25 countries, including 17 in Europe. For more than fifty years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

The Group believes that Cetelem is a benchmark in the industry, given its ability to innovate and its high-quality service offerings – backed by strong technical expertise and tight risk control – that meet most household financing needs, including personal loans, installment sales and revolving credits. Cetelem has entered into distribution partnerships throughout 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. In this regard, the Bank entered into a series of transactions during 2005 that established joint control over Cofinoga by Cetelem and Galeries Lafayette effective as of October 1, 2005. Previously, the Bank held a 49% interest in Cofinoga (a 44% shareholding through Cetelem and the remainder through LaSer, the holding company of Cofinoga). Cetelem is also a preferred partner for banks and insurance companies which value its credit expertise – including AXA, Dresdner Bank, Banques Populaires, Caisses d'Epargne and KBC – as well as for new providers of services to individual customers, such as Electricité de France (EDF). Cetelem also manages the permanent credit card accounts offered by the Group's French retail banking network.

UCB

UCB and its subsidiaries specialize in financing residential real estate purchases by individuals, for both personal and investment purposes. UCB is active in France, Spain, Italy, Portugal, the Netherlands, Belgium and Greece. UCB has also developed and manages a portfolio of mortgage loans on behalf of BNP Paribas in Norway. At December 31, 2005, UCB's managed outstanding loans totaled €28.0 billion.

UCB markets its products through a network of business referral partners in the real estate industry, such as real estate agents, builders, and, in some countries, brokers, who refer prospective property buyers to UCB. Its strengths are specialization, product and service innovation and effective risk management. Synergies with BNP Paribas' retail banking network lend additional power to UCB's existing resources.

The Group's market share in terms of new loans issued in 2005 was approximately 3.5% for France, 2.5% for Spain, 1.6% for Portugal and 1% 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; Portugal - Direcção-Geral do Tesouro; Netherlands - Kadaster).

BNP Paribas Lease Group (BPLG)

BPLG specializes in providing investment financing for corporate clients and small businesses. With operations in 11 European countries, BPLG offers a full array of equipment and property financing solutions, through operating or finance leases – either with or without related services.

A European leader in equipment leasing, and number one in France with a market share of nearly 20% (source: *Association Française des Sociétés Financières*), BPLG works in partnership with equipment manufacturers, importers and distributors, with a view to helping them optimize their sales performance by integrating financing into their sales contracts. BPLG also provides and manages equipment and property financing, marketed by the BNP Paribas banking network to its clients.

Contract Hire and Fleet Management

The Contract Hire and Fleet Management business line consists of three groups of companies that offer customized solutions to corporate clients seeking to outsource the management and financing of their vehicle fleets and other logistical equipment, as well as the technical and market risks related to the use of this equipment:

- Cars and light trucks: Arval
- Heavy goods vehicles: Artegy
- Information technology related assets: Arius

The flexible products and services offered are designed to assist clients' efforts to optimize the management of their vehicle fleets and logistical equipment. They rely on superior purchasing power, strong technical expertise of specialist teams and a set of interactive tools essential for effective dialogue with corporate clients.

Arval is the business line's main company. It has direct operations in 18 countries and a leading European position in the long-term leasing and fleet management market. At the end of 2005, it leased a fleet of 468,845 vehicles, with a total of 606,843 vehicles under its management. Arval is also a member of the PHH Arval alliance, which allows it to offer vehicle leasing and management solutions in North America through PHH Corp.

Emerging and Overseas Markets

The Emerging and Overseas Markets retail banking networks experienced strong growth in 2005, with 74 branch openings and two new outlets in the Persian Gulf region. This business line is also expanding into new regions, following two major investments in Turkey and China.

The Group is leveraging the expertise it has acquired in operating the branch network in mainland France to drive the development of its subsidiaries in these regions, which, excluding China, represent approximately 600 branches and 1.5 million clients.

The Group's 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 Group manages one of the largest banking networks in French-speaking Africa. The Group also has operations in Djibouti (BCIMR) and in the Indian Ocean region, including Madagascar (BMOI) and the Comoro Islands (BIC).

The Group has 250 branches in North Africa and is currently recording solid organic growth in the region, in particular through BMCI in Morocco, UBCI in Tunisia and BNP Paribas El Djazaïr in Algeria.

In the French overseas departments and territories (Martinique, Guadeloupe, French Guyana, New Caledonia, Reunion Island, Wallis and Fortuna), the Group has solid local positions where it operates through 50 branches.

In the Near- and Middle-East region, BNP Paribas is currently implementing an expansion plan. The Persian Gulf states are served by the regional headquarters in Bahrain, responsible for six territories (Bahrain, Abu Dhabi, Dubai, Qatar, Saudi Arabia and Kuwait). The Group also has sites in Cyprus and Lebanon (BNPI), and a partnership has just been established with the international Private Banking business line in order to offer comprehensive wealth management solutions for the entire region.

In February 2005, the Group finalized its acquisition of 50% of TEB Mali in Turkey, which holds 84.25% of Türk Ekonomi Bankasi (TEB) bank. TEB is the 10th-largest private bank in Turkey in terms of assets under management, and its expanding network currently includes 113 branches.

A strategic partnership was also finalized in China with Nanjing City Commercial Bank in December 2005, through which BNP Paribas acquired a 19.2% stake in this 8th-largest City Commercial Bank in terms of assets.

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

Asset Management and Services (AMS)

This core business and division 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. It is organized around three business lines:

- Wealth & Asset Management, comprising private banking services (BNP Paribas Private Banking), asset management services (BNP Paribas Asset Management) and Cortal Consors on-line brokerage and personal investment services. In 2004, the Group's real estate services provided through BNP Paribas Immobilier were also included in this business line;

- Insurance (BNP Paribas Assurance); and

- Securities Services for global companies and financial institutions (BNP Paribas Securities Services).

Through all of these businesses, which include more than 16,000 employees in over 40 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals. Each AMS business was among the leaders in its market in 2005. At the end of 2005, AMS managed total assets of €364 billion and held €3,058 billion of assets in custody.

Wealth & Asset Management

Private Banking

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

BNP Paribas Private Banking is ranked number eleven in the French private banking market (source: 2006 *Euromoney* rankings), with €50 billion in assets under management and a network of more than 120 outlets nationwide. It ranks third in Western Europe, where it is fast broadening its reach in domestic markets, and seventh in Asia (source: 2006 *Euromoney* rankings). At the end of 2005, BNP Paribas Private Banking's overall client assets under management totaled more than €67 billion.

Asset Management

BNP Paribas Asset Management is a leading European asset manager, with €193.0 billion of assets under management at the end of 2005 (including assets advised upon). BNP Paribas Asset Management has 1,400 employees serving clients in 40 countries.

This business line's management is based on a multi-specialist approach, with a focus on sound and coherent investment processes and high risk control. BNP Paribas Asset Management is strongly committed to socially responsible investment. Its specialized management teams work in the world's main financial centers of Paris, London, New York, Tokyo and Hong Kong. BNP Paribas Asset Management is rated "AM2+" by Fitch Ratings.

Cortal Consors

Cortal Consors is a leading European personal investment management company and online broker. Cortal Consors offers clients its expertise and investment advisory experience through several distribution channels. It boasts a broad range of products including short-term investment products, mutual funds and life insurance policies, backed by cutting-edge online brokerage technologies.

Cortal Consors has an operating presence in six European countries – Germany, France, Spain, Belgium, Luxembourg and Italy. At December 31, 2005, it had over one million clients and €27.7 billion worth of managed assets, comprised of 33% equity, 53% savings products or mutual funds and 14% cash.

Real Estate Investment Services

BNP Paribas Immobilier offers a comprehensive range of real estate products and services. Through its acquisition in 2004 of Atis Real International—a company that specializes in commercial real estate advisory services—BNP Paribas Immobilier has become the leader in commercial real estate services in continental Europe (source: *Estates Gazette*, July 9, 2005). BNP Paribas Immobilier has approximately 2,550 employees and is present in eight European countries, as well as New York.

BNP Paribas Immobilier groups together all of the Group's real estate subsidiaries, which operate in the following four key areas:

- Advisory services, valuations and transaction services,
  - Providing commercial real estate services through Atis Real International, the market leader in France and Germany, and among the top 10 in the United Kingdom (source: *Estates Gazette*, July 9, 2005);
  - Providing individual housing services through Espaces Immobiliers BNP Paribas, which had 26 sales outlets in France as of December 31, 2005;
- Real estate investment management services, with €4.5 billion in assets under management as of December 31, 2005;
- Property management services,
  - Providing commercial real estate services through Comadim and Atis Real, with 11 million square meters of managed office space in Europe as of December 31, 2005;
  - Providing individual housing services through Gérer and Les Studélites, with 27,000 residential properties managed in France. Les Studélites is also a leading manager of student housing complexes;
- Property development services, through Meunier, France's third largest property developer (source: "Classement des Promoteurs", published by *Innovapresse* in June 2005).

Insurance

BNP Paribas Assurance designs and markets its products and services in thirty countries under two brand names: BNP Paribas, for products distributed by the Group through its branch network in France, and Cardif, for products distributed through other networks and by retail partners in France and abroad.

In October 2005, BNP Paribas merged its two life insurance companies, Cardif Assurance Vie and Natio Vie, in order to pursue further development. Cardif Assurance Vie is now BNP Paribas' sole life insurance company in France.

BNP Paribas Assurance's savings business includes the sale of life insurance policies to private individuals in 11 countries. In France, it offers companies group products for pensions, end-of-career bonuses and early retirement benefits. BNP Paribas Assurance also proposes a broad array of mutual funds to private individuals, institutional investors and major corporations, through Cardif Asset Management.

BNP Paribas Assurance's personal risk business includes stand-alone policies as well as loan insurance in 28 countries. BNP Paribas Assurance also markets both standard and personalized group policies to large companies and small and medium-sized businesses.

BNP Paribas Assurance's property and casualty offering in France is provided through Natio Assurance, a company that is owned jointly 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 is the 4th-leading life insurer in France (source: *FFSA*) and ranks among the world's top loan insurers.

Securities Services

BNP Paribas Securities Services includes all securities services activities conducted by the Group through the following entities: BNP Paribas Securities Services, BNP Paribas Fund Services, BNP Paribas Asset Servicing and BNP Paribas SA. BNP Paribas Securities Services is a leading European provider of securities services to corporations, asset management companies and financial institutions around the world.

BNP Paribas Securities Services provides a wide range of securities services and investment operations solutions to meet client needs at every stage of the investment cycle, including:

- clearing and custody for all asset classes,
- fund administration (accounting, middle-office outsourcing, depositary bank and trustee services, fund transfer support, transfer agent and performance measurement and attribution analysis),
- issuer services (transaction structuring and management of shareholder relations), and
- cash and securities financing.

At December 31, 2005, assets under custody totaled €3,058 billion, and an estimated 26.8 million transactions were handled over the course of 2005.

BNP Paribas Securities Services is ranked number one among European custodians and is the 4th-largest global custodian worldwide (source: *Institutional Investor Magazine*, September 2005). During 2005, BNP Paribas Securities Services was voted "Global Securities House of the Year – Europe Region" by *The Banker* magazine. It was also recognized for its fund administration services during 2005, voted "Fund Administrator of the Year" by the magazine *Funds Europe*.

Over half of BNP Paribas Securities Services' operations are outside of France. In addition to its head office in Paris, BNP Paribas Securities Services has branches, subsidiaries and offices in all of the main European financial centers – including Belgium, Germany, Greece, Ireland, Italy, Jersey, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom – as well as in Australia, New Zealand, Japan and the United States. The division also offers services in Turkey, where it operates through an agreement with Garanti Bank.

Corporate & Investment Banking (CIB)

In order to leverage its origination capabilities and thereby strengthen its position in Europe in the corporate and investment banking market, BNP Paribas is supported by an integrated group known as Coverage and Territories Europe (CTE). CTE is responsible for managing relationships with European companies, as well as for leading commercial operations in the European territories.

Outside of Europe, the Coverage and Territories International (CTI) group covers corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, and leads operations in the corresponding Corporate and Investment Banking territories.

These sales teams market all of the products offered by the Group. CTE and CTI banking advisers and client relationship managers have a keen understanding of their clients' financial and business strategies and day-to-day management concerns, making them the preferred partners of the Group's corporate and institutional clients. This understanding also enables them to effectively coordinate the activities of product specialists.

With a client base comprising some 8,000 corporations and institutions, the CTE and CTI groups have developed extensive knowledge of the specific features of the various markets and regions that they serve, which they deploy so as to promote revenue generation across all product lines.

Relying on a global presence, the 70-strong Financial Institutions Group (FIG) team manages the Bank's relationships with major financial institutions, including banks, insurers, reinsurers, brokers and financial intermediaries, pension funds and asset managers, supranational organizations and central banks.

By building long-term relationships with its approximately 550 institutional clients and maintaining up-to-the-minute knowledge of their businesses and of the changes and needs of the banking sector, BNP Paribas has come to be viewed as a leading bank by its institutional clients.

BNP Paribas was a major player in corporate and investment banking in Europe in 2005. It was ranked third for euro-denominated bond issuances, fifth as arranger of leveraged loans and tenth for mergers and acquisitions (source: *Thomson Financial*). In addition to its leading positions in Europe, it has four global franchises that also have a strong presence in the United States and Japan. These franchises include derivatives, in which the Group has recognized expertise (for example, *Risk Magazine* named BNP Paribas Global Interest Rate Derivatives House of the Year and *Asia Risk* named BNP Paribas Derivatives House of the Year for Japan). They also include, in the area of value-added financing, energy and commodities ("Best Commodity Bank" according to *Trade Finance Magazine*), project financing ("Best Project Finance House" according to *Euromoney*) and syndicated loans (fifth worldwide according to *Thomson Financial*). Lastly, in regions with strong growth potential – Greater China, Brazil and Russia – Corporate and Investment Banking is building on its already substantial presence.

Advisory and Capital Markets

<u>Corporate Finance</u>

Corporate Finance offers advisory services for mergers and acquisitions and primary equity market transactions. The mergers and acquisitions teams advise both buyers and sellers and also offer advice on other strategic financial issues, such as privatizations. Primary market services include initial public offerings, equity issues, secondary offerings 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 330 professionals located throughout its worldwide network. Focused first and foremost on Europe and emerging markets, it is also present in North and South America and enjoys strong visibility in Asia through BNP Paribas Peregrine.

Ranked no. 1 in France (source: *Thomson Financial*), BNP Paribas is among the 10 leading banks in Europe advising on mergers and acquisitions (*Thomson Financial* ranking based on announced transaction volumes in 2005). In its 2005 Equity & Equity Linked ranking, Dealogic Equityware also ranked the Bank ninth for its primary equity business in Europe.

Equities and Equity Derivatives

The Equities and Equity Derivatives business encompasses research, trading, sales and brokerage services relating to Asian equities, as well as global derivatives linked to equities, indexes and funds. Equities and Equity Derivatives teams operate in primary as well as secondary markets and offer institutional, corporate and private clients a full range of products and services that cover the entire structured products and flow businesses, including global listed derivatives brokerage services and prime brokerage solutions.

In 2005, BNP Paribas pursued its growth and strengthened its leading worldwide position in the equity derivatives markets. It won a number of awards in 2005, including:

- "House of the Year, Hybrids" (*Structured Products*),
- "Equity Derivatives House of the Year – Asia Pacific" (*The Banker* and *Global Finance)*,
- "Derivatives House of the Year – Japan" (*Asia Risk*).

In addition, BNP Paribas was recognized as having the best equity derivatives research unit in France according to *Thomson Extel*.

Fixed Income

Fixed Income's product expertise and distribution capabilities have positioned BNP Paribas among the top three fixed income players in Europe (source: *IFR*), and have allowed it to build a strong client franchise in Asia, Japan and the United States. 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 leader in the interest rate, credit and foreign exchange markets. BNP Paribas' broad range of Fixed Income products is provided through a strong sales and marketing platform. In addition, the Bank provides a full array 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 applied by a group of talented professionals.

As in prior years, the Bank continued to optimize its business structure during 2005. It did so by fully integrating its sales and origination structure in Europe, as is already the case in the U.S., Japan and Asia (excluding Japan).

These coordinated efforts provide clients with a complete range of tailor-made services on a global scale, across a broad range of markets and currencies. With its headquarters in London and five other main trading floors in Hong Kong, New York, Paris, Singapore and Tokyo, BNP Paribas Fixed Income employs more than 1,600 professionals around the world.

During 2005, the Bank consolidated and improved its rankings. In particular:

- for the second consecutive year, investors ranked BNP Paribas first in overall investment-grade credit research in *Euromoney's* annual credit research poll,

- for the second consecutive year, investors ranked BNP Paribas their leading fixed income securities dealer in *AFT's* annual survey,

- the Fixed Income business line was named "Risk's Interest Rate Derivatives House of the Year 2006", and

- the Group had the tenth largest share of the market for underwriting bond issues, including third for all bonds in euros and fifth for Asian local currency bonds (*Thomson Financial* league tables).

Financing Businesses

<u>Energy, Commodities, Export and Project Finance (ECEP)</u>

By grouping together within one structure all of the Group's expertise relating to energy, commodities, infrastructures, capital goods and asset financing, BNP Paribas has created an innovative structure that meets client needs and fully leverages synergies between the various businesses.

The Energy, Commodities, Export and Project Finance business line (ECEP) conducts its business on a worldwide basis. It is organized around the following lines:

- financing of commodities trading in all forms, an activity in which BNP Paribas is a global leader;

- structured commodities financing in emerging markets which, in addition to export pre-financing, includes reserves financing and structured inventory financing;

- corporate loans for energy, metals and mining activities in industrialized countries;

- commodities derivatives brokerage on organized exchanges and over-the-counter transactions in New York, London and Singapore;

- export financing, with 15 export desks covering 28 public credit insurers, and some thirty correspondent banks in importing countries;

- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows;

- global trade services, which offers a range of products and services, including e-banking and international guarantees for import-export trading; and

- asset financing, including structured leasing as well as marine and aircraft financing.

In 2005, BNP Paribas continued to stand out as one of the key worldwide players in these businesses and as the global market leader in commodities and energy financing. It was voted "Best Trade Finance Bank" by *Global Finance*, "No. 1 Mandated Lead Arranger for Trade Finance Loans" by *Dealogic*, and "Best Trade Bank in Oil" by the *Trade and Forfaiting Review*. BNP Paribas is also a leader in project finance, and was recognized as the "Best Project Finance House of the Year" by *Euromoney*, and "World's Best Project Finance Oil & Gas Bank" by *Global Finance*. Its leadership in financing for distant export markets was also recognized by *Dealogic*, which named BNP Paribas as "No. 1 Mandated Lead Arranger" for all transactions guaranteed by export credit agencies, including in the aviation sector. *Jane's Transport Finance* magazine also recognized BNP Paribas as the leading non-U.S. bank for oil and gas financing in the United States and as the "Aircraft Finance Innovator of the Year".

Structured Finance

BNP Paribas' Structured Finance team designs and structures, on a worldwide basis, a broad range of complex and innovative financing arrangements, including syndicated loans, acquisition financing, leveraged buy-out financing, media and telecommunications financing and real estate financing. In 2005, BNP Paribas held fifth position as bookrunner of syndicated loans worldwide and third position as bookrunner of syndicated loans in the Europe – Middle East – Africa region (source: *International Financial Review*). Also in 2005, BNP Paribas ranked fifth as bookrunner of leveraged loans in Europe (source: *International Financial Review*).

In addition, the Structured Finance business line oversees the structuring and monitoring of standard commercial banking transactions.

BNP Paribas Capital

BNP Paribas Capital manages the Group's proprietary portfolio of unlisted investments and manages or advises private equity funds on behalf of third parties. As of December 31, 2005, BNP Paribas Capital managed a portfolio with a market value of €4.4 billion, including unrealized capital gains of €1.6 billion, which had four components:

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

In 2005, the Group's main divestments related to its interests in Eiffage and Carbone Lorraine. In terms of acquisitions, the Group acquired a 37% interest in Motier, the principal holding company of Galeries Lafayette, and proceeded with its investment program in private equity funds and joint investments with such 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 large listed groups.

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

Klépierre is continental Europe's second-leading listed property group specialized in shopping centers, with 900 employees and a market capitalization of €3.7 billion as of December 31, 2005. One third of its business is conducted outside of France. Klépierre's property assets totaled €6.9 billion at December 31, 2005, 85% of which consisted of shopping centers located in ten continental European countries, and 15% of which consisted of Paris-based office properties.

Klépierre has adopted a unique management approach structured around its 75%-owned subsidiary, Ségécé (also 15%-owned by BNP Paribas SA), which manages 345 shopping centers – of which 235 belong to Klépierre – through a network of seven subsidiaries located in ten European countries.

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.

Oil-for-Food Program Inquiries

Pursuant to an agreement (the "Banking Services Agreement") with the United Nations (the "UN"), the New York Branch of the Bank provided banking services in connection with the UN's Oil-for-Food Program for Iraq (the "Program"). These banking services included (i) confirmation of letters of credit issued on behalf of purchasers of Iraqi oil approved by the UN Security Council's Sanctions Committee, and (ii) issuance of letters of credit at the direction of the UN for the benefit of Sanctions Committee-approved suppliers of humanitarian goods to Iraq. In addition, the Bank was permitted under the Banking Services Agreement to issue its own letters of credit on behalf of Sanctions Committee-approved purchasers of Iraqi oil. The Bank, as well as several branch offices and subsidiaries, issued a substantial number and amount of letters of credit used to purchase oil under the Program.

Following media reports concerning alleged improprieties in respect of the Program, the UN announced the formation of an independent inquiry committee (the "IIC") to investigate the administration and management of the Program. On October 27, 2005, the IIC issued its final report with respect to the Program, which included an assessment of the Bank's performance under the Banking Services Agreement.

In certain instances, Sanctions Committee-approved purchasers of Iraqi oil arranged to finance the purchase of the oil through the issuance of a letter of credit by a bank on their behalf but at the financial risk and responsibility of a third party customer of that bank, which customer then acquired the oil from the Sanctions Committee-approved purchaser. The IIC's primary finding with respect to the Bank was that in issuing its own letters of credit in transactions financed in this fashion, the loyalties of the Bank were divided between serving the interests of the UN to promote the transparency of transactions conducted under the Program, and serving the interests of its private customers to maintain the confidentiality of their business and financing arrangements; and that the alleged resulting lack of transparency had the effect, amidst many other factors unrelated to the Bank, of facilitating the payment of illicit surcharges to the Iraqi regime by certain participants in the underlying oil transactions. In addition, the IIC found that illegal surcharges may have been made by such participants from accounts at certain offices of the Bank (including in Switzerland), and that the Bank failed to implement an adequate system to identify such payments. While the IIC queried whether this alleged failure amounted to non-compliance with then-applicable local regulations, it found that there was "no evidence that the Bank actually knew of or approved of the use of its facilities to pay illegal surcharges to the Iraqi regime".

The Bank does not agree with these criticisms by the IIC. In particular, the UN was well aware of third party financing with respect to the purchase of oil under the Program. In addition, as the IIC itself recognizes, the Bank was permitted under the Banking Services Agreement to issue letters of credit in respect of oil transactions under the Program. The Bank believes that it performed its obligations under the Banking Services Agreement in good faith and in a manner that was consistent with both the letter and spirit of relevant UN Security Council Resolutions and the interests of the UN, and that its compliance policies and procedures were consistent with then-applicable industry standards and regulations.

On the same day as the IIC final report was published, the Swiss Federal Banking Commission issued a report on its inquiry into the activity of Swiss-based banks in the Program. The report summarized the Commission's inquiry, the stated primary focus of which was to clarify compliance with applicable due diligence obligations by Swiss-based banks, and its provisional conclusions. The Commission reported that its inquiry to that date had not brought to light any violation of the due diligence obligations of banks, and that it would review the IIC report and possibly continue its inquiry. The Bank's subsidiary in Switzerland will continue to cooperate with its regulatory authority in this regard.

Several U.S. Congressional committees and other U.S. and foreign governmental authorities also have been investigating various aspects of the Program. In connection with certain of these investigations, the Bank has been required to provide documents and other information relating to the Program to certain of these authorities, and also has voluntarily provided information to certain of these authorities. In addition, current and former representatives of the Bank have testified as to the Bank's performance of its role in providing banking services to the UN in connection with the Program at public hearings held by certain U.S. Congressional committees and subcommittees.

At one such hearing before the U.S. House of Representatives International Relations Committee's Subcommittee on Oversight and Investigations on April 28, 2005, the Bank acknowledged that, in the course of a review it had initiated, it had identified operational errors in the processing of a small percentage of the approximately 54,000 payments it had made pursuant to humanitarian letters of credit issued under the Program, as reflected in an interim report that had been submitted to that Subcommittee on April 25, 2005. Those errors appear to have resulted in payments to affiliates of the letter of credit beneficiaries or to banks providing financing for the transactions to suppliers of the letter of credit beneficiaries or to such suppliers themselves, rather than directly to the beneficiaries or to banks providing them directly with financing for the transactions, contrary to internal operating procedures that had been implemented by the Bank. Those payments – which that Subcommittee in a December 7, 2005 report criticized as "unauthorized" in conjunction with a recommendation that the Bank's role in the Program be examined by an independent body − are described more fully in a further report submitted by the Bank to the Subcommittee on December 21, 2005. The Bank has seen no indication that any of those payments was causally linked to any abuses that may have occurred in connection with the Program.

Main Shareholders of BNP Paribas

At December 31, 2005, AXA, a French *société anonyme* (corporation), held 5.7% of the share capital, or approximately 47.6 million shares, of BNP Paribas. 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, 2005, the Bank held 3.6% of the share capital, or approximately 67.5 million shares, of AXA.

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

AXA has indicated that it will exercise its subscription rights in the offering.

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.

There are four main categories of risk:

- *Credit Risk.* Credit risk is the risk of financial loss relating to the failure of an obligor to honor its contractual obligations. Credit risk arises in lending activities and also in various other activities where the Bank is exposed to the risk of counterparty default, such as its trading, capital markets and settlement activities.

- *Market and Liquidity Risk.* Market risk is the risk related to earnings, which arises primarily from adverse movements of trading and non-trading market parameters. Trading market parameters include, but are not limited to, foreign exchange rates, bond prices, security and commodity prices, derivatives prices and prices of other marketable assets such as real estate or cars. Trading market parameters also include derivations of the items previously mentioned, such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading market parameters include parameters based on assumptions or on statistical analysis, such as models and statistical correlation, respectively.

  Illiquidity is also an important component of market risk. In instances of little or no liquidity, a market instrument or transferable asset may not be negotiable at its estimated value. A lack of liquidity can arise due to a lack of volume, legal restrictions or a one-way market.

  Market risk arises in trading portfolios and in non-trading portfolios. In non-trading portfolios, it encompasses:

  - The risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk is driven primarily by interest rate risk.

  - The risk associated with investment activities, which is directly connected to changes in the value of invested assets within equity portfolios.

- The risk associated with certain other activities, such as real estate or car leasing, which is indirectly affected by changes in the value of negotiable assets held during the normal course of business.

Liquidity risk, which is also referred to as funding risk, is the inability of the Bank to meet its obligations at an acceptable cost in a given currency and location.

- *Operational Risk.* Operational risk corresponds to the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources and information systems. External events include floods, fires, earthquakes or terrorist attacks.

- *Insurance Risk.* Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behavior, changes in public health, pandemics and catastrophic events (earthquake, industrial disaster, terrorism, etc.).

It is important to distinguish between the different categories of risk because each category requires specific measuring and monitoring systems. Nevertheless, the growing complexity of the Group's businesses and products means that the categories of risk increasingly overlap. Coordination among the various specialists has therefore been enhanced, so that correlations are identified and action is taken on a timely basis to constantly reduce or optimize overall risk for the Group. The task of these specialists will be made easier by the introduction of tools, currently under development, to measure different types of risk on a consistent basis.

To define appropriate methods, policies, procedures and decision-making processes and deploy effective monitoring and control systems, GRM is required to have an in-depth understanding of the banking business, market imperatives and complex transactions, and to act rapidly in certain circumstances. In order to achieve the required level of responsiveness, GRM teams are based in various territories, wherever possible on the same sites as the operating units. Independence is maintained by placing these teams under the direct authority of GRM and by establishing strong central guidance. Where a direct reporting relationship would be inefficient but acceptable in terms of risk—as is the case, for example, in Retail Banking—the operating units concerned may establish their own risk management teams, with a clearly defined functional reporting relationship with GRM.

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. The system of discretionary lending limits ensures that risk management principles are applied consistently and that loan applications representing large amounts, or which are unusually complex or sensitive, are submitted for approval at the appropriate level.

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.

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 lending activities concerned (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". This rating system has been implemented throughout most of the Group, except at BancWest, which is expected to implement the system beginning in 2007.

For corporate loans, the rating system is based on a default probability rating and an overall recovery rate that depends on the structure of the transaction. There are 12 counterparty ratings. Eight cover excellent, good and average clients, two cover customers in more difficult circumstances who are closely monitored by GRM, and two cover clients in default.

Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of the business line staff and GRM credit risk managers, who make the final decision. High 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 based on statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for maintaining the quality of the rating system. It fulfils this responsibility by either defining certain aspects of the rating system itself, or by evaluating 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.

Diversification of counterparty risks

A core feature of the Bank's lending policy is the diversification of counterparty risk. The breadth and depth of its businesses and the rigidly structured system of lending limits contribute to this diversification. Concentration of counterparty risks is reviewed at regular intervals and corrective action is taken where necessary.

With respect to loan concentrations to borrowers, the Bank is bound by European Union prudential rules governing risk spread. Such rules require that loans to a single borrower (i.e., a company and its affiliates) may not exceed 25% of combined Tier 1 and Tier 2 capital and that all loans to single borrowers, each totaling more than 10% of combined Tier 1 and Tier 2 capital, may not, in the aggregate, exceed eight times combined Tier 1 and Tier 2 capital. See "Governmental Supervision and Regulation of BNP Paribas in France – Banking Regulations".

Diversification of industry risks

The Bank also pays close attention to diversifying industry risks and performs projections to actively manage its exposures. Diversification of industry risks is based on the opinions of independent industry experts working within GRM about probable developments in the industries they track, supported by analyses of underlying trends and factors that explain the vulnerability of the main industry players. The depth of industry research varies according to the weighting of the industry concerned in the Bank's total portfolio, the technical expertise necessary to assess industry risks, the cyclical nature of the industry and its level of globalization, and the possible existence of specific risk issues. Where appropriate, and for all substantial loans, the opinion of an industry expert may be mandatory in order to fully and independently assess the quality of the customer's strategy and competitive positioning.

Geographic diversification

Country risk corresponds to the Bank's aggregate exposure to debtors operating in a particular country, including circumstances in which the risk of default is heightened due to the imposition of exchange controls preventing or limiting currency outflows or reducing the availability of foreign currency. Country risk also extends to sovereign risk, which concerns exposure to national governments and agencies. Country risk reflects the Bank's exposure to an economic and political environment, which needs to be factored into the assessment of counterparty risk.

The Bank operates in the majority of economically active regions. It has a policy of avoiding excessive concentrations of risk in countries with weak political and economic infrastructures. Country risk exposure limits are set by the Group Credit Committee. Lending commitments by the business lines and customer-centric units within these overall limits are monitored by GRM. Lending decisions are backed by rigorous risk monitoring systems and research reports produced by the Economic Research unit. The structure of country risks is reviewed annually by the Risk Policy Committee, which also examines the overall consistency of the Bank's country risk policy.

Risk Reduction Techniques

Structuring of transactions

The BNP Paribas Global Credit Policy sets forth guidelines for structuring transactions in order to reduce risk. BNP Paribas will not enter into a commitment unless it possesses in-depth knowledge of the borrower's business plan and of all the structural issues related to the transaction, and is confident of its ability to monitor these issues going forward. 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 transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within this organization.

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, equates to the carrying amount of financial assets in the balance sheet net of impairment.

In millions of euros	December 31, 2005 (EU-IFRS)	January 1, 2005 (EU-IFRS)
Financial assets at fair value through profit or loss (excluding variable-income securities)	582, 201	448,825
Derivatives used for hedging purposes	3,087	2,581
Available-for-sale financial assets (excluding variable-income securities)	77,760	64,173
Loans and receivables due from credit institutions	45,009	40,983
Loans and receivables due from customers	301,196	244,228
Held-to-maturity financial assets	15,445	26,650
Balance sheet commitment exposure, net of impairment provisions	**1,024,698**	**827,440**
Financing commitments given	209,679	166,898
Guarantee commitments given	67,154	55,190
Provisions for off balance sheet commitments	(244)	(111)
Off balance sheet commitment exposure, net of provisions	**276,589**	**221,977**
Total net exposure	**1,301,287**	**1,049,417**

The exposure above does not take into account the effect of master netting agreements in force at December 31, 2005 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, 2005 by approximately EUR 133 billion (approximately EUR 113 billion at January 1, 2005). Nor does this exposure take into account guarantees and collateral obtained by the Group in connection with its lending activities.

Due to its size, the Group may have important 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

BNP Paribas seeks to limit its exposure to market risk through the development and implementation of a system for measuring market and liquidity risks, backed by rigorous controls and procedures. Overall responsibility for managing market and liquidity risks lies with the Market Risk Committee, which is headed by one of the Chief Operating Officers or other adviser and supported by GRM. The Committee meets once a month to approve risk management methods and procedures, define exposure limits and check compliance with these limits.

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 with respect to its trading book 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. The Group also uses credit derivatives to hedge transactions exposed to credit or counterparty risk, or for position management purposes.

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.

<u>Analysis of sensitivity to market parameters</u>

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.

<u>GeaR</u>

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, 2005, total average Value at Risk was EUR 74 million (with a minimum of EUR 43 million and a maximum of EUR 114 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 2005			31 December 2005	1 January 2005
	Average	Minimum	Maximum		
Interest rate risk	71	49	115	80	57
Currency risk	6	1	21	13	8
Equity price risk	44	17	66	43	36
Commodity price risk	11	5	22	17	6
Effect of netting	*(58)*	*(29)*	*(84)*	*(63)*	*(46)*
TOTAL	**74**	**43**	**114**	**90**	**61**

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 2005, 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 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 net banking income, in order to set limits on future fluctuations in net banking income caused by changes in interest rates. Throughout 2005, the sensitivity of revenues to interest rate changes was significantly below the limit set by the ALM Committee.

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 460,000 at December 31, 2005, compared with approximately EUR 819,000 at December 31, 2004.

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

In thousands of euros	31 december 2005, under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	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)**

In thousands of euros	1 January 2005, under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	17	(620)	(969)	1,360	(371)	(583)
USD	5	132	1,726	995	(2,907)	(49)
GBP	(1)	6	(108)	(42)	(36)	(181)
Other currencies	(2)	(13)	(17)	8	18	(6)
TOTAL	**19**	**(495)**	**632**	**2,321**	**(3,296)**	**(819)**

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 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 intention 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 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 ex post facto 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 non-euro revenue flows (especially interest and fee/commission income) derived from its principal activities, subsidiaries and branches. 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 fully or partially hedged future cash flows, split by the forecast date of realization:

In millions of euros	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Cash flows hedged	668	1,843	1,969	4,480	936	1,235	1,528	3,699

For the year ended December 31, 2005, 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 Central 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, 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 Central 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.

Local ALM committees implement at local level the strategy approved by the ALM Central Committee. The Risk Department is involved in defining the principles of liquidity policy, approves the management systems and stress tests used, and monitors compliance with policies, limits and indicators.

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 financing and short-term issues (certificates of deposit, commercial paper, etc). The Asset/ Liability Management department is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc.), preferred share issues, and loan securitization programs for the retail banking business.

ALM Treasury is also tasked with providing finance to core businesses and business lines, and reinvesting their surplus cash.

The medium/long-term financing origination process helps the Group meet its regulatory capital targets via issues of financial instruments falling within the various categories of regulatory capital.

The policy of diversifying financing sources and instruments was continued in 2005. Senior debt issuances by BNP Paribas SA and Group subsidiaries totaled €28 billion for the year ended December 31, 2005, an increase of 20% over 2004. Excluding issuances redeemable in advance by the issuer, long-term senior debt issuances totaled €15.7 billion, an increase of 27% over 2004. Issuances redeemable in advance by the issuer totaled €12.3 billion for the year ended December 31, 2005, an increase of 11% over 2004.

During 2005, €4.2 billion in subordinated bonds were issued and placed with clients of the French Retail Banking division. Three non-cumulative preferred stock issues were carried out during 2005, for a total of €2.4 billion.

Lastly, €2.6 billion (BNP Paribas share) was raised through securitization transactions in 2005, which were carried out by UCI, the Spanish subsidiary of UCB for €1.1 billion and by Cetelem (Noria) for €1.5 billion. As of December 31, 2005, loans totaling €6.5 billion (BNP Paribas share) had been refinanced through securitizations compared with €5.5 billion at December 31, 2004.

The Group's short- and medium-term liquidity position is regularly measured on a consolidated basis, by business line and by currency.

The Bank complies with the overnight limits set for capital markets transactions (fixed-income, equities and currency transactions) and the mismatch limits set for banking transactions with maturities of more than one year.

The consolidated liquidity mismatch for positions beyond one year is measured based on contractual maturities (for loans and deposits, including undrawn confirmed customer lines of credit weighted at 30%), and on observed customer behavior (for positions such as demand loans and deposits and passbook savings accounts). The mismatch for liability positions beyond one year amounted to 18.1% at December 31, 2005 (based on an estimate at February 22, 2006), compared with 21.3% one year earlier.

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 outstandings with contractual maturities represents the gap, at one year plus, of outstanding loans as compared with applications of funds;

- the one-year internal liquidity ratio on total outstandings is defined as the gap, at one year plus, of all balance sheet and off balance sheet contractual commitments with no maturity, which is capped at 25%;

- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year gap on commitments with contractual maturities, 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 – 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: the final element of the liquidity risk management system

The 1-month regulatory liquidity coefficient is calculated monthly (as are observation ratios). This ratio covers the parent company BNP Paribas SA (French operations and foreign branches). Other Group subsidiaries required to comply with this ratio calculate it independently of the parent company.

The equity capital and permanent funds coefficient is calculated annually. It consolidates data for all 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 also be subject to local regulatory coefficient requirements.

Legal Risk and Special Regulations

BNP Paribas is subject to regulations applicable to financial institutions in all countries where it does business, including banking, insurance and financial services regulations. The Bank 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 risk. In 2005, the system was upgraded through the addition of a Compliance department. The system is organized around:

- Specific committees, including:
    - The Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs department.
    - The Legislation Tracking Committee, which analyzes, interprets and distributes to all relevant departments the texts of new laws and regulations, as well as developments in relevant French jurisprudence.
    - The Global Legal Committee, which coordinates the activities of the legal department 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 internally consistent and addresses cross-departmental 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 department for all matters which also fall under the latter's responsibility, and for the activities of the Group's legal staff. At the end of 2004, a procedures database containing all internal procedures, written in both French and English, was posted on the Group intranet site.

- Legal audits, which are carried out in certain Group entities to confirm that procedures are properly applied and that various tools are correctly used. Regular visits are made, particularly to relatively high-risk countries, to check the effectiveness of systems developed by foreign units to manage legal risk.

- Internal reporting systems, model documents and analysis systems, which are upgraded on an ongoing basis by Group Legal Affairs, to permit active tracking of new legal developments, both in France and abroad.

As was the case in 2004, one of Group Legal Affairs' priorities in 2005 was to seek to combat money laundering. During 2005, Group Legal Affairs also took into account various changes in French and European law, and drafted various memoranda and procedures on issues such as the criminal responsibility of legal entities, lobbying, insurance brokerage, the reform of personal security law and the law on foreclosure. Reports were also prepared on insolvency law and the "Bréton" law in France on the modernization of the economy.

Compliance Risk

Key concerns for regulators include compliance with laws and regulations, the protection of investors and customers and the completeness and accuracy of corporate information. These issues are also important to BNP Paribas, along with ensuring that members of its staff act in an ethical manner in all circumstances. The Bank also recognizes the compelling need to prevent the banking system from being used for money laundering, corrupt practices and the financing of terrorism.

These issues are the responsibility of the Compliance department, which is independent from the operating units. The Compliance department has wide powers in the area of ethics and compliance and can address matters directly with the Executive Committee and the Board of Directors' Internal Control and Risks Committee.

The Compliance department consists of a central unit in Paris, committees within the various divisions and business lines and local representatives at the majority of Group sites worldwide and at regional headquarters. Compliance department staffing levels increased by nearly 15% in 2005.

Management of compliance risks is based on an internal control system constructed around:

- An internal procedure manual describing general and specific procedures, regularly updated to take into account new regulatory requirements introduced at worldwide and local levels. All of the procedures are designed to ensure the primacy of customer interests and to maintain integrity of corporate financial information. Detailed procedures cover:

  - the establishment of Chinese walls to prevent unauthorized or inadvertent disclosure of sensitive information;

  - the avoidance of conflicts of interest;

  - supervision of customer transactions, based on specific control definitions and trigger points;

  - controls over stock market and other transactions carried out by employees for their own account.

  In 2006, the manual will be expanded to cover other issues, such as conflicts of interest.

- Internal and external control tools, rolled out to all Group entities. In 2006, a new tool will be introduced in the form of a Regulatory Risk Matrix.

- Coordination of action taken by the various Group entities, to help guarantee the effectiveness and efficiency of monitoring systems and tools.

The proliferation of illegal activity and the tightening of regulations in many countries have also prompted the Group to intensify its efforts to prevent money laundering:

- Its 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 (CAC) and Transaction Acceptance Committees (TAC) – responsible for the approval of new customer relationships and of financing and markets transactions from an ethics and compliance standpoint – have been strengthened and embedded more deeply within the organization. Referral agents, brokers and non-Group asset managers are approved by the Intermediary Selection Committees.

- Computerized monitoring systems are regularly updated and new monitoring systems acquired to help prevent the banking system from being used for money laundering, corrupt practices and the financing of terrorism, and to verify compliance with financial embargoes. These systems include:

    - the Vigilance database, containing the names of more than 1,800 individuals suspected of being members of terrorist organizations or subject to financial embargos, and enhanced in 2005 by the inclusion of new countries and reporting procedures;

    - the Lynx/Factiva database, available to the branch networks, and containing some 500,000 names of politically sensitive individuals;

    - funds transfer filtering systems, which are being modernized and broadened in scope ("Shine" project);

    - money-laundering detection applications for abnormal account activity, rolled out as part of the "IRIS" project. The standard software package is up and running in New York, and in 2006 will be extended to the entire French retail banking network, to Singapore and the Persian Gulf states, and to the ECEP platform in Paris.

- Training and awareness-raising initiatives are being implemented across the Bank. The anti-money laundering training modules developed under the aegis of the French Banking Federation (FBF) have played a key role in raising staff awareness of these issues. These general initiatives are supplemented by targeted programs, which in 2005 included training on corruption and on the new European Market Abuse Directive in the International Corporate and Investment Banking division.

Tax Risk

In the various countries where it does business, BNP Paribas is subject to local tax laws and regulations applicable to 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 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.

As part of its effort to control and manage tax risks more effectively, Group Tax Affairs requires all divisions to comply with uniform tax reporting procedures, an example of the coordination between the Tax Affairs team and the Internal Control team within Group Finance and Development.

In 2005, Group Tax Affairs appointed a Permanent Control and Compliance correspondent and hired two new tax specialists, one based in Australia and the other based in Hong Kong, who also covers China, the Philippines and Macao.

Group Tax Affairs resources include:

- A network of tax correspondents, covering all of the countries where the Group does business.
- A qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws.
- A tax coordination committee, composed of representatives of both Group Tax Affairs and Group Finance and Development, whose mission extends to all divisions of the Group. The committee is responsible for analyzing key tax issues and making appropriate decisions. Group Tax Affairs is the sole adviser to Group Finance and Development on tax issues that affect financial and accounting information.
- A reporting system to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

A clear framework has been defined for the assignment of responsibility for managing tax risks associated with customer transactions. This includes a tax risk charter 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 charter is revised regularly to reflect changes applicable to Territory Chief Executives. Group tax rules and standards have also been created and distributed throughout the organization. Lastly, Group Tax Affairs is responsible for approving all new products with significant tax implications, all new businesses, "specific" transactions put together in France and abroad, the use of outside tax advisors, framework agreements and standard banking industry agreements, and all internal circulars or documents giving rise to material tax issues.

Information Systems Security

External threats to information systems security are constantly evolving, while internal threats such as error or attempted fraud also exist. At the same time, the demands placed upon the Group by regulators, customers, shareholders and financial analysts are becoming greater and more detailed. New business opportunities and markets are opening up, offering the prospect of increased flexibility and value creation but often at the expense of higher security risk. The Group's response will be to strengthen risk management processes (including security) by relying on the work of the Compliance department, an operational risk approach and ongoing controls.

BNP Paribas is committed to ongoing improvements in security risk management, using rules and procedures developed over many years and through new prevention, control and supervision initiatives, several of which are set forth in its "Vision 2007" program.

Progress Report Relating to 2005

During 2005, BNP Paribas continued to build on the achievements of prior years. Group security policy was updated to take account of new risks, regulatory requirements and technological developments. Each business line adjusted its own risk policy within the overall framework of Group policy. In 2005, the focus was on translating policy into operating procedures. This task will continue in 2006, with the assistance of the Compliance and Permanent Control departments. A wide range of training initiatives has already helped to instill an awareness of security issues into day-to-day operations.

Security oversight of systems projects, modeled on the oversight structure of the information systems function at the Group level, has been reinforced by systematically building security into all new projects and into the management of existing applications and software.

Risk prevention efforts, involving General Inspection Unit audits and business line audits, increased in 2005, with a number of large-scale audits conducted in this area.

Significant progress was made in two priority areas for 2005, namely improving the security of internet banking (identity/password theft) and improving business continuity planning (BCP).

Priorities for 2006

The Group's commitment to security risk management signaled in 2005 with the launch of the "Vision 2007" program will be further intensified in 2006 with two key projects. The first is the "Information Security Clearing House". This initiative is designed to facilitate information-sharing about technological and security developments, to better utilize the skills and expertise located in individual entities, and above all to capitalize on the benefits of individual studies and investments carried out within the Group. The second is the rollout of the Security Balanced Scorecard, a management and decision-making tool for use by individual business lines which will also consolidate best practices and support ongoing control at the Group level.

Building on the achievements of 2005, BCP remains a major priority. A reorganization carried out early in 2006 improved the operational effectiveness of BCP in the Group's banking businesses, while sharing back-up sites continent by continent has improved the Group's ability to respond to "extreme risk" scenarios.

Another issue to be addressed in 2006 is staff roaming: in other words, how to handle the need for staff to access and use information systems resources away from the office, without the standard technical and logistical protection provided by fixed workstations in an office environment. This issue relates to mobile workstations (whether or not supplied by BNP Paribas); personal devices, such as PDAs or smartphones; and work carried out at sites outside the Bank's control or even in public places. It requires a new approach to information security. The traditional model, whereby an employee working at a keyboard in the office is protected from external threats, needs to be enhanced. Employees must be sensitized to the value of the information they are handling, of the risks inherent in handling the information, and of their personal responsibility for such information. This process will take several years to complete.

Risks

GRM—Exposures

2005 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 provision expense, particularly in the Corporate and Investment Banking Division.

Credit Risks

Outstanding commercial loans at December 31, 2005 totaled €579 billion, compared to €473 billion at December 31, 2004. The 22% increase was attributable to strong marketing initiatives in leading economic regions, as well as the integration of new retail banking networks and higher prices for commodities.

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

In millions of euros	French Retail Banking	International Retail Financial Services	Asset Management and Services	Corporate & Investment Banking	Group Total
Net additions to provisions for credit risks and country risks –2004*	222	445	6	58	685
Net additions to provisions for credit risks and country risks –2005	195	559	8	(130)	610

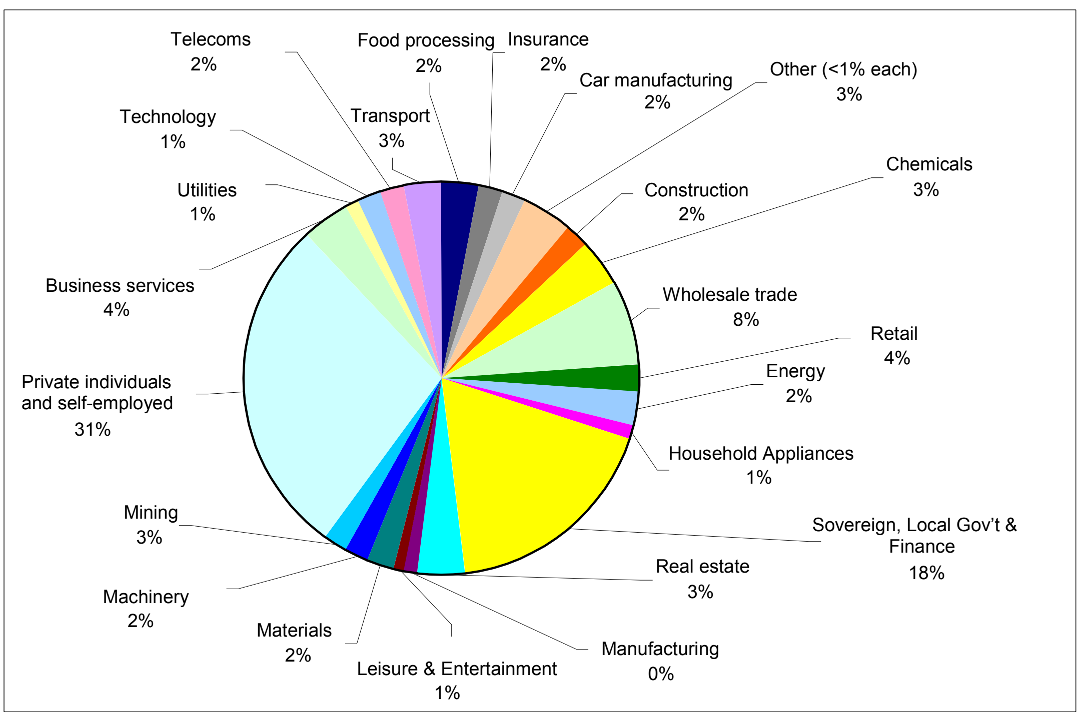
**Under 2004 IFRS.*

Diversification by counterparty

Diversification of commitments by counterparty is a matter of ongoing concern and is closely monitored by the Group. The Group's concentration of credit risks is well below the limits set forth in the European Directive on major banking risks. The top 10 client groups represented less than 4% of total commitments at December 31, 2005.

Industry diversification

Due to its disciplined approach to industry risks, the Group believes that it is not exposed to any material concentration of credit risks in any single industry. No single industry accounts for more than 5% of total commitments, with the exception of the "sovereign, local government and finance" sector and the "wholesale trade" sector, corresponding largely to commodity traders where financing is typically highly structured. The following chart presents a breakdown of the Group's commercial loans and commitments by industry at December 31, 2005 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



The Bank's commercial loans and commitments remained well diversified in 2005, with no new industry concentrations in 2005. Cyclical and high-risk industries continued to be regularly monitored. Growth industries, such as private individuals, retail, sovereign, local government and finance and wholesale trade were not considered to be particularly at risk.

The automobile industry, which has traditionally been an important sector for the Bank, remains principally focused on the financial data of leading car makers. This industry was closely monitored in 2005, particularly in the US, which is considered to have more exposure. Total loans and commitments in this sector have decreased since 2004.

The airline industry, which has also been closely monitored, only represents a very small portion of loans and risks.

The Bank's commitments in the extremely cyclical high-tech industries account for only a very small proportion of total commitments. Moreover, the high-tech client base consists essentially of major players that are rated investment grade.

Geographic diversification

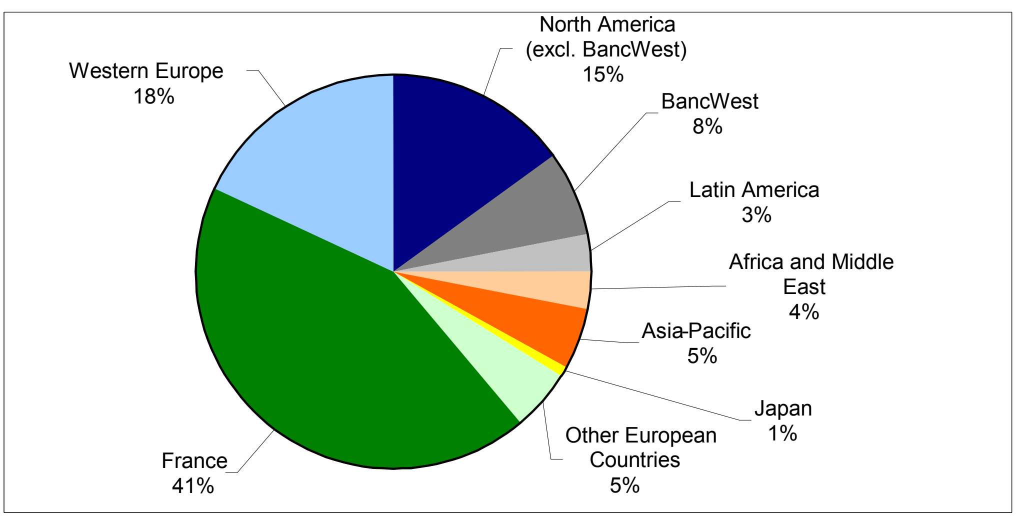
The Bank's commercial loan and commitment portfolio is fairly diversified geographically and relatively stable. The majority of commitments (2/3 of the portfolio as of December 31, 2005) are to borrowers in Europe, with France accounting for 41% of the total as of the same date.

North America is the second largest region, accounting for 23% of total commitments. In recent months, lending operations have increased both in Retail Banking and in Corporate and Investment Banking, with the implementation of an ambitious development plan.

Asia accounts for 6% of the total, and commitments in this region are growing at a slower rate than elsewhere. China is a major focus of growth plans in the region, albeit with a highly selective approach to new business.

The Group's exposure to countries under specific lending limits (country risk) represents 12% of its total commercial commitments, and is closely monitored. Commitments in these countries continue to be based 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 breakdown of the Group's commercial loans and commitments by geographical region at December 31, 2005 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



Portfolio quality

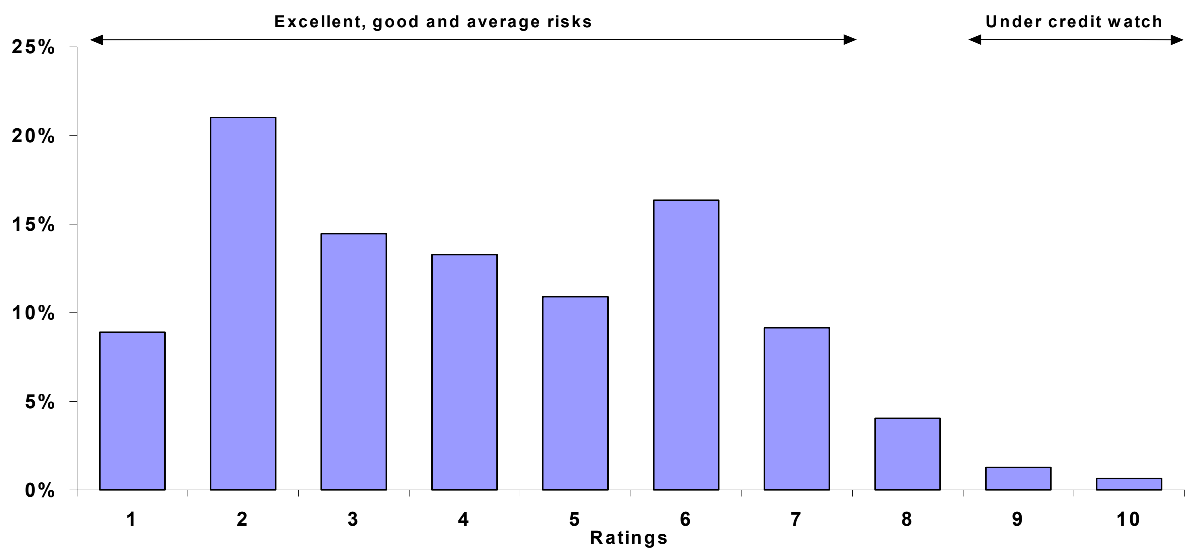
The Corporate and Investment Banking and French Retail Banking "Corporate" portfolios include commitments to companies, government agencies, banks and other institutions. Based on the internal rating system that has been rolled out across the Corporate and Investment Banking and French Retail Banking businesses (now covering 75% of "corporate" risks), the Group believes that its corporate portfolios are of high quality. The majority of commitments are to highly rated borrowers, reflecting the Bank's strong presence among large multinational groups and financial institutions.

A significant proportion of commitments towards borrowers with lower credit ratings are secured by high quality guarantees. They include export financing covered by export credit insurance provided by international agencies, as well as project, structured and transaction financing.

In 2005, over two-thirds of the portfolio consisted of commitments to borrowers rated "investment grade" under the Bank's internal rating system.

The following chart presents a breakdown of sound commitments of the Corporate and Investment Banking and French Retail Banking businesses (excluding private individuals, and excluding doubtful commitments, which are adequately provisioned and therefore treated separately) by internal credit rating:

Breakdown of sound commitments of the Corporate and Investment Banking and French Retail Banking divisions (excl. private individuals) by internal credit rating*



** Corporate & Investment Banking at September 30, 2005 and French Retail Banking at December 31, 2005, excluding doubtful commitments (rated 11 and 12) and securities portfolios.*

Doubtful Commitments

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

in billions of euros	**December 31, 2005***	**December 31, 2004***
Doubtful commitments	12.7	12.2
Provisions	11.1	11.1
Coverage ratio...	87%	91%

** Under IFRS.*

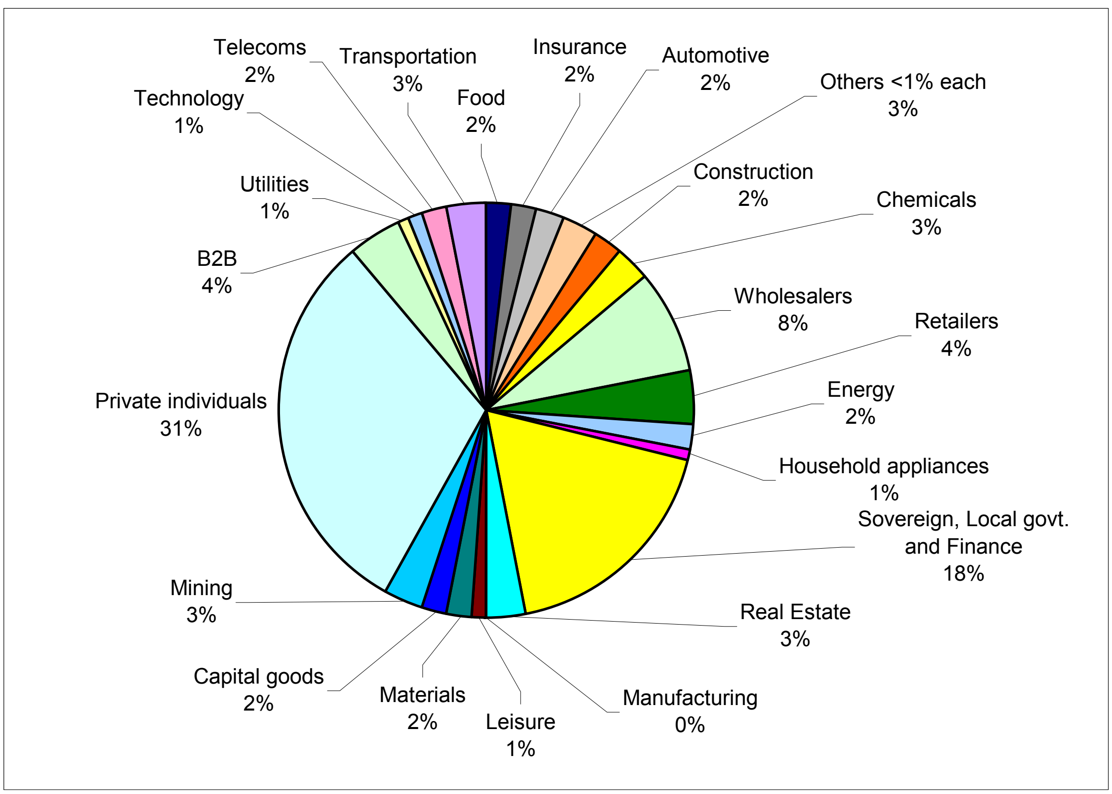
Breakdown by geographic area and industry

The following tables present doubtful loans by geographic area and by industry, as a percentage of the Bank's total doubtful loans (excluding securities and long-term investments, as well as off-balance sheet commitments), which amounted to €12.7 billion at December 31, 2005. Provisions deducted from the carrying value of these assets at December 31, 2005 amounted to €11.1 billion.

Breakdown by geographic area

	Breakdown of doubtful loans	**Breakdown of provisions**
France	60.7%	59.9%
European Economic Area	8.0%	8.6%
North America	10.5%	9.4%
Latin America	3.8%	4.2%
Africa and Middle East	8.4%	9.9%
Asia (excluding Japan) – Pacific	3.9%	2.6%
Japan	0.1%	0.0%
Other European countries	4.6%	5.4%
Total	100.0%	100.0%

Breakdown by industry



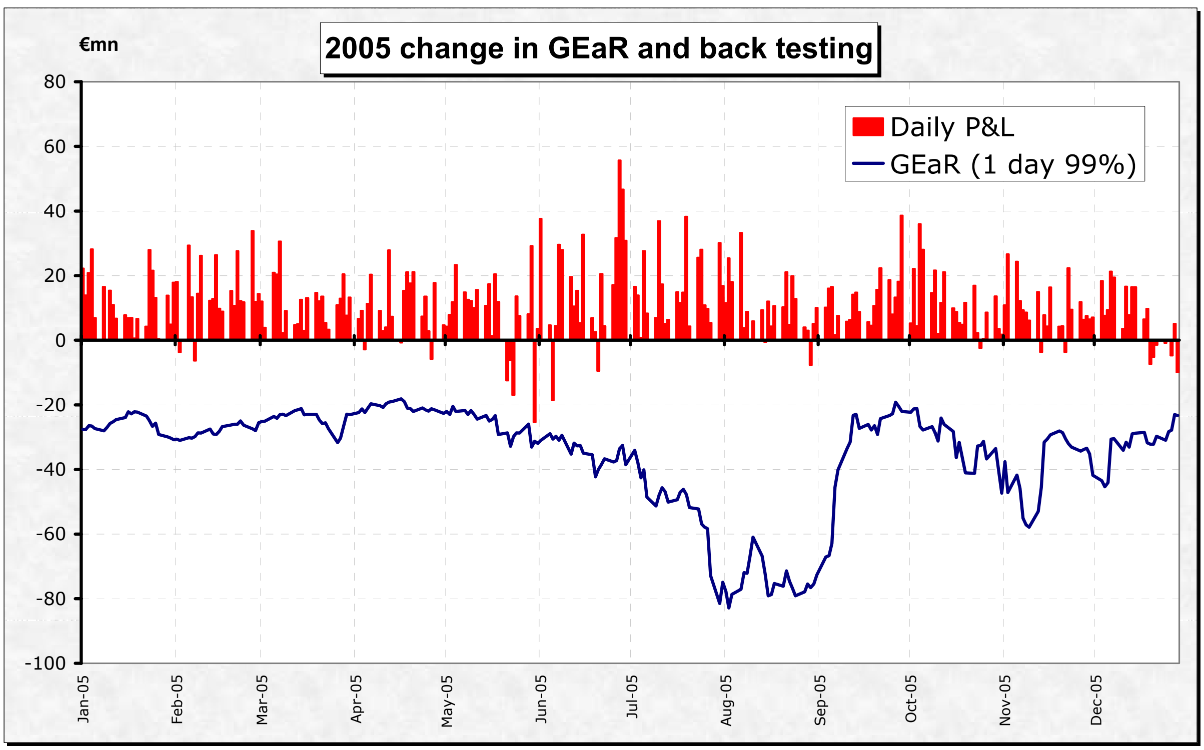
Market Risks

Gross Earnings at Risk (GEaR)

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 model's quality is continuously tested by comparing actual daily losses, if any, with the 1-day GEaR.

The chart below (in millions of euros, for entities required to include market risks in their capital adequacy calculations) presents the changes in GEaR during 2005, compared with the actual daily revenues from capital markets transactions. It reflects:

- The Bank's conservative management approach, as well as the beneficial effects of diversifying positions and instruments, which led to aggregate GEaR that was 1.5 to 2.5 times below the sum of its components by risk factor.
- The model's strengths. A 99% confidence level in theory means that the Bank will not incur daily losses in excess of GEaR more than two or three times during the year, while in practice, the GEaR was never exceeded during 2004.



Stress Tests

The regular simulations performed by GRM based on crisis scenarios confirm the Bank's strong resistance to market risks. None of the extreme risks simulated by GRM would have a serious adverse impact. The scenarios used, which are periodically reviewed, are as follows:

- Emerging markets crisis triggering a flight to quality.
- Stock market crash following a sharp rise in long-term interest rates.

- Short-term interest rate hike leading to a flattening of the yield curve and a modest fall in equity prices.
- U.S. debacle, corresponding to a loss of confidence in the dollar and the U.S. economy in general, leading to a sharp fall in the dollar, a steep rise in long-term interest rates and a general widening of signature spreads.
- Melt-up, corresponding to the impact of a stock market rebound combined with a fall in long-term interest rates.
- September 11, corresponding to the impact of an abrupt market reversal similar to the one that followed the terrorist attack on the World Trade Center.

Asset Management Risk

Asset management companies are subject to specific legislation and regulations relating to third-party portfolio management in the countries in which they are located, and are generally subject to oversight by regulatory authorities.

The creation and management of mutual funds is particularly well regulated. In most countries, funds must be approved by the regulatory authorities before they are launched, and their activities are subject to controls by a statutory auditor and, in some cases, a custodian. Fund managers are required to respect the integrity of the markets and safeguard customers' interests.

Pledged Assets

Assets given as pledges do not represent material amounts at the Group level, and mainly comprise assets of Klépierre, the Group's listed real estate subsidiary.

Patents, Licenses and Contracts

The Group believes that the diversity of its patents, licenses and contracts does not make any of its activities dependent on any one of these patents, licenses or contracts individually.

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 liquidit*é) 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 €76,000. 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.

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).

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

Off-balance sheet items are converted to balance sheet equivalents by applying specified conversion factors, except in the case of off-balance sheet items relating to interest rates, currency exchange rates, securities, precious metals and commodities, which are discussed separately below. The converted balance sheet equivalent amounts are then multiplied by the applicable risk-weighting percentages described above, and the product is the risk-weighted equivalent value of the relevant item. For purposes of determining the applicable conversion factors, off-balance sheet items other than those relating to interest rates, currency exchange rates, securities, precious metals and commodities are first classified in four categories, with higher levels of capital required for the categories perceived as representing greater risk. Each off-balance sheet item is classified in the category that is deemed appropriate (according to instructions of the Banking Commission). The following table sets forth a summary description (which is not exhaustive) of the items in each category and the corresponding risk weighting.

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

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

Total capital requirements

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

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

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

Calculation of the CAD Ratio

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

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

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

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

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

Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at December 31, 2005.

	At December 31, 2005 (in billions of €, except percentages)
Total Capital:	
Tier 1	27.2
Tier 2	18.9
Deductions	-3.1
Tier 3	1.5
	44.5
Calculation of commercial banking portfolio capital requirement	
Risk-weighted value	364.4
Capital requirement	29.1
Calculation of trading portfolio capital requirement	
Risk-weighted value	9.8
Capital requirement	0.8
Total capital requirement	29.9
CAD Ratio	**149%**

Planned Changes to the BIS Capital Standards

On November 15, 2005, the Basel Committee issued an updated version of the International Convergence of Capital Measurement and Capital Standards published in June 2004 (commonly referred to as the "Basel II Accord"). Earlier versions of the proposed Basel II Accord were issued for comment by the Basel Committee in 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 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 regulation by each member state. The implementation date of the EU Capital Requirements Directive—which is intended to apply to all credit institutions and investment firms in the European Union—is scheduled for January 1, 2007, but institutions opting for the advanced approaches and authorized to do so by their supervisor, will be permitted to continue to use existing rules (i.e., rather than the standardized or the simplest IRB approaches) to determine their capital requirements until and including year-end 2007. The Bank has opted for the advanced approaches and therefore expects to fall into this latter category of institutions.

The Basel Committee is conducting further quantitative impact studies on Basel II and has said it will continue to review the calibration of the capital requirements as it monitors the results of these studies and 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 in banking supervisors' implementing measures, or what effect the Basel II Accord may have on the Bank's regulatory capital ratios, financial condition or results of operations, even though negative effects appear unlikely under current conditions.

Differences in the application of Basel II between the various jurisdictions in which the Bank operates could also 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. 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.

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 three 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, 2005 was €0.5 million.

The following table sets forth the names of the current members of the Board of Directors, their current function at the Bank, their business address and their principal business activities[*] outside of the Bank as at December 31, 2005, except where specified:

NAME	FUNCTION	BUSINESS ADDRESS	PRINCIPAL OUTSIDE ACTIVITIES
Michel Pébereau	Chairman, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** • Lafarge • Saint-Gobain • Total • *Pargesa Holding SA, Switzerland* **Member of the Supervisory Board of:** • Axa • *Banque Marocaine pour le Commerce et l'Industrie, Morocco* **Non-voting director of:** • *Société Anonyme des Galeries Lafayette* **Chairman of:** • *Fédération Bancaire Européenne* • *Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française* • *Conseil de Direction de l'Institut d'Études Politiques de Paris* • *Conseil de Surveillance de l'Institut Aspen France* • *Institut de l'Entreprise* **Member of:** • *Haut Conseil de l'Education* • *Institut International d'Etudes Bancaires* • *International Advisory Panel of the Monetary Authority of Singapore* • *International Capital Markets Advisory Committee of the Federal Reserve Bank of New York* • *International Monetary Conference* • *International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)*

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

Patrick Auguste	Executive, BNP Paribas (elected by employees)	14, rue Bergère, 75009 Paris, France	
Claude Bébéar		25, avenue Matignon, 75008 Paris, France	**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:** • *Axa Assurances Iard Mutuelle* • *Axa Assurances Vie Mutuelle* • *Axa Courtage Assurance Mutuelle* • *Axa Financial Inc., United States* **Member of the Supervisory Board of:** • Vivendi Universal **Non-voting director of:** • *Schneider Electric* **Chairman of:** • *Institut du Mécénat de Solidarité* • *Institut Montaigne* **Member of:** • *International Advisory Panel of the Monetary Authority of Singapore* • *International Advisory Board of the Tsinghua School of Economics and Management, Beijing*
Jean-Louis Beffa	Vice-Chairman	"Les Miroirs" 18, avenue d'Alsace 92096 La Défense, France	**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:** • Gaz de France • *Groupe Bruxelles Lambert, Belgium* • *Saint-Gobain Cristaleria SA, Spain* • *Saint-Gobain Corporation, United States* **Permanent representative of Saint-Gobain on the Board of** • Saint-Gobain PAM **Chairman of the Supervisory Board of:** • *A.I.I (Agence de l'Innovation Industrielle)* **Member of the Supervisory Board of:** • Le Monde SA • *Le Monde Partenaire AS (SAS)* • *Société Éditrice du Monde (SAS)*
Gerhard Cromme		August-Thyssen-Strasse 1 Postfach 10 10 10 40001 Dusseldorf, Germany	**Principal function:** Chairman of the Supervisory Board of *ThyssenKrupp AG* **Member of the Supervisory Board of:** • *Allianz AG, Germany* • *Axel Springer AG, Germany* • *Deutsche Lufthansa AG, Germany* • *E.ON AG, Germany* • *Hochtief AG, Germany* • *Siemens AG, Germany* • *Volkswagen AG, Germany*

			Director of: • Compagnie de Saint-Gobain • Suez **Chairman of:** • *German Governmental Commission on Corporate Governance* **Member of:** • *European Round Table of Industrialists (ERT)*
Jean-Marie Gianno	Employee, BNP Paribas (elected by employees)	21, avenue Jean Medecin, 06000 Nice, France	**Member of:** • *Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI)* • *European think tank "Confrontation"*
François Grappotte		128, avenue de Lattre de Tassigny 87045 Limoges, France	**Principal function:** Chairman of the Board of Directors of Legrand **Member of the Supervisory Board of:** • Michelin **Chairman of:** • *Legrand SAS* • *Lumina Management* **Director and Chief Executive Officer** of Legrand Holding SA **Director of:** • Valeo • *B. Ticino, Italy* • *Bufer Elektrik, Turkey* • *Eltas Elektrik, Turkey* • *Legrand Española, Spain* • *Lumina Parent, Luxembourg* • *Pass & Seymour, United States* • *The Wiremold Company, United States* **Member of:** • *Conseil consultatif de la Banque de France* • *Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens)* • *Bureau de la FIEEC (Fédération des Industries Électriques, Électroniques et de Communication)* • *Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)*
Alain Joly		75, quai d'Orsay 75007 Paris, France	**Principal function:** Chairman of the Supervisory Board of Air Liquide **Director of:** • Lafarge • Société d'Oxygène et d'Acétylène d'Extrême-Orient

Denis Kessler		1, av. du Général de Gaulle 92074 Paris La Défense, France	**Principal function:** Chairman and Chief Executive Officer of Scor **Chairman of:** • Scor Vie • *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:** • Bolloré Investissement SA • Dassault Aviation • *Amvescap Plc, United Kingdom* • *Cogedim SAS* • *Dexia SA, Belgium* • *Scor Canada Reinsurance Company, Canada* **Member of the Supervisory Board of:** • *Scor Deutschland, Germany* **Permanent representative of:** • *Fergascor* on the Board of SA Communication & Participation **Non-voting director of:** • *FDC SA* • *Gimar Finance SCA* **Member of:** • *Commission Économique de la Nation* • *Conseil Économique et Social* • *Conseil d'administration du Siècle, Association de Genève* • *Comité des Entreprises d'Assurance*
Jean-François Lepetit		24, rue St Nom 78112 Fourqueux, France	Associate professor at EDHEC **Director of:** • Smart Trade Technologies S.A.
Loyola de Palacio del Valle-Lersundi (membership started as at May 18, 2005)		C/de la Cancela, 2 C.P. 28016 Madrid, Spain	**Principal function:** Attorney **Director of** *Zeltia S.A., Spain* **Chairman of** *Groupe de Haut Niveau des Réseaux Paneuroméditerranéens de Transport à la Commission Européenne* **Counsel to** *Englefiel Renewable Energy Fund* **Coordinator of** *Projet Transeuropéen Lyon-Turin-Budapest* **Visiting Professor** *at the European University Institute of Florence, Italy*

Hélène Ploix		162, rue du Faubourg Saint Honoré 75008 Paris, France	**Principal function:** Chairman of *Pechel Industries SAS* and *Pechel Industries Partenaires SAS* **Director of:** • Lafarge • *Boots Group Plc, United Kingdom* • *Ferring SA, Switzerland* **Member of the Supervisory Board of:** • Publicis **Representative of Pechel Industries for:** • *Aquarelle.com Group* • *CAE International* • *CVBG-Dourthe Kressman* • *Pechel Service SAS* • *Quinette Gallay* • *Xiring* **Representative of Pechel Industries Partenaires SAS for:** • Board of Directors of SVP Management et Participations **Legal Manager of:** • *Hélène Ploix SARL* • *Hélène Marie Joseph SARL* • *Sorepe, Société civile* **Member of** *the Investment Committee for the United Nations Personnel Pension Fund*
Baudouin Prot	Chief Executive Officer, BNP Paribas	3, rue d'Antin 75002 Paris, France	**Director of:** • Pinault-Printemps-Redoute • Veolia Environnement • *Erbé SA, Belgium* • *Pargesa Holding SA, Switzerland* **Permanent representative of BNP Paribas on the Supervisory Board of:** • Accor **Chairman of** *the French Banking Federation*
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:** • *AstraZeneca, United Kingdom* **Vice-Chairman of the Supervisory Board of:** • *Philips, Netherlands* **Director of:** • Électricité de France • L'Oréal • Veolia Environnement • *AB VOLVO, Sweden* **Chairman of:** • *Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)* **Member of the Board of:** • *Fondation Nationale des Sciences Politiques* • *Institut Français des Relations Internationales* • *Musée du Louvre*

			• *Musée du Quai Branly* **Member of the Consultative Committee of:** • *Banque de France* • *Allianz, Germany*
Jean-François Trufelli	Employee, BNP Paribas (elected by employees)	212, Chemin des Femmes 91300 Massy, France	

Mr. Lindsay Owen-Jones resigned as a director on December 14, 2005.

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 2005, 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 Hélène Ploix.

Internal Control and Risk Management Committee

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

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
Philippe Bordenave	Head of Group Development and Finance
Jacques d'Estais	Head of Corporate and Investment Banking
Hervé Gouëzel	Head of Group Information Systems
Bernard Lemée	Head of Group Human Resources
Vivien Lévy-Garboua	Head of Compliance
Pierre Mariani	Head of International Retail Banking and Financial Services
Alain Papiasse	Head of Asset Management and Services

In December 2005, Jacques d'Estais succeeded Philippe Blavier as Head of Corporate and Investment Banking, and currently serves on the Executive Committee of BNP Paribas.

TAXATION

French Taxation

The following generally summarizes the material French tax consequences of purchasing, owning and disposing of the Bank's shares or rights. The statements relating to French tax laws set forth below are based on the laws in force as of the date hereof, and are subject to any changes in applicable laws and tax treaties after such date.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects of the purchase, ownership or disposition of the Bank's shares or rights.

The following summary does not address the treatment of shares or rights that are held by a resident of France (except for purposes of describing related tax consequences for other holders) or in connection with a permanent establishment or fixed base through which a holder carries on business or performs personal services in France, or by a person that owns, directly or indirectly, 5% or more of the stock of the Bank.

Taxation of Dividends on Shares

Withholding tax

In France, dividends are paid out of after-tax income. Dividends paid to non-residents normally are subject to a 25% French withholding tax. However, non-resident holders that are entitled to and comply with the procedures for claiming benefits under an applicable tax treaty may be subject to a reduced rate (generally 15%) of French withholding tax. If a non-resident holder establishes its entitlement to treaty benefits prior to the payment of a dividend, then French tax generally will be withheld at the reduced rate provided under the treaty.

Tax Credit

From 2006 on, French resident individuals are only taxed on 60% of the dividends they receive and, in addition to a €1,525 or €3,050 allowance (the amount of which depends on their personal situation), are entitled to a tax credit equal to 50% of all dividends received within one year (the "Tax Credit"). The Tax Credit is capped for the aggregate amount of all dividends received within the same year at €230 for married couples and members of a union agreement subject to joint taxation and €115 for single persons, widows or widowers, divorcees or married persons subject to separate taxation.

Dividends paid to non-residents are not normally eligible for the Tax Credit described above. However, qualifying non-resident individuals may, pursuant to the provisions of an applicable tax treaty entered into between France and their country of residence, benefit from a refund of the Tax Credit (net of applicable withholding tax) under certain conditions and subject to compliance with the procedures for claiming benefits under the applicable treaty. Non-resident holders that are legal entities, pension funds or other tax-exempt holders are no longer entitled to tax credit payments from the French Treasury. The French tax authorities have not yet issued guidance with respect to the procedures for the refund of the Tax Credit to non-resident individuals.

Distribution of Rights

Holders that are not residents of France will not be subject to tax in France upon their receipt of rights pursuant to the rights offering.

Exercise of Rights

Generally, the exercise of a right is not considered a taxable event under French law and is therefore not subject to tax.

Taxation on Sale or Disposition of Shares or Rights

Subject to the more favorable provisions of a relevant tax treaty, holders that are not residents of France for tax purposes, do not hold shares in connection with the conduct of a business or profession in France, and have not held more than 25% of the Bank's dividend rights (*droits aux bénéfices sociaux*), directly or indirectly, at any time during the preceding five years, are not subject to French income tax or capital gains tax on the sale or disposition of shares.

Generally, investors that are not French residents will not be subject to any French income tax or capital gains tax when they sell or dispose of our rights.

A 1.1% *ad valorem* registration duty (subject to a maximum of €4,000 per transfer) applies to certain transfers of shares in French companies. This duty does not apply to transfers of shares in listed companies that are not evidenced by a written agreement, or if any such agreement is executed outside France.

Estate and Gift Tax

France imposes estate and gift tax on shares of a French corporation that are acquired by inheritance or gift. The tax applies without regard to the tax residence of the transferor. However, France has entered into estate and gift tax treaties with a number of countries pursuant to which, assuming certain conditions are met, residents of the treaty country may be exempted from such tax or obtain a tax credit.

Wealth Tax

Individuals who are not residents of France for purposes of French taxation are not subject to a wealth tax (*impôt de solidarité sur la fortune*) in France as a result of owning an interest in the share capital of a French corporation, provided that such ownership interest is less than 10% of the corporation's share capital and does not enable the shareholder to exercise influence over the corporation. Double taxation treaties may provide for a more favorable tax treatment.

Taxation of U.S. Investors

The following is a general summary, under current law, of certain U.S. federal income tax and French tax consequences of the receipt, disposition and exercise of rights pursuant to the rights offering, as well as the acquisition, ownership and disposition of shares, by a beneficial owner of the rights and shares that is a citizen or resident of the United States or a domestic corporation or a person otherwise subject to U.S. federal income tax on a net basis in respect of the rights and shares (a "U.S. holder"). In addition, this summary assumes that U.S. holders of the shares will be eligible for benefits as U.S. residents under the current income tax convention between the United States and France (the "Treaty") in respect of their investment in those shares.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular shareholder, and does not address the tax treatment of shareholders who are subject to special rules. For example, special rules may apply if you are resident or engaged in business in a country other than the United States, if you do not hold the Issuer's shares as capital assets, if you maintain a functional currency other than the U.S. dollar, if you are subject to the alternative minimum tax, if you hold shares in the Issuer in connection with a conversion transaction, or if you are an insurance company, a tax-exempt organization, a financial institution, a securities dealer or a trader that marks securities to market. This summary does not discuss these special rules. The summary is based on the U.S. federal income tax rules and the Treaty in force on the date of this document, all of which are subject to change, possibly with retroactive effect. The summary does not discuss any state, local or non-U.S. tax rules. **You should consult your own tax advisers regarding the tax treatment of the rights offer in light of your particular circumstances.**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON

SHAREHOLDERS UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE RIGHTS OFFER AND MATTERS ADDRESSED HEREIN; AND (C) SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

U.S. Federal Income Tax Consequences in Respect of Rights

Distribution of Rights

U.S. holders will not be subject to U.S. federal income taxation upon their receipt of rights pursuant to the rights offering.

Basis in the Rights

If the rights are worth 15% or more of the fair market value of the shares with respect to which the rights are distributed on the distribution date, U.S. holders will be required to allocate their basis in those shares between those shares and those rights based on their relative fair market values on that date. Otherwise, a U.S. holder's basis in the rights will be zero unless the holder elects to allocate basis in the manner described in the previous sentence. Any such allocation will affect the tax treatment of a U.S. holder's exercise or sale of rights. The allocation will be disregarded if a U.S. holder allows a right to expire without selling or exercising that right, in which case the U.S. holder will not recognize loss and the holder's basis in the shares will not change.

Holding Period for the Rights

A U.S. holder's holding period in a right will include the holding period of the underlying share with respect to which the right is distributed.

Adjustments to Subscription Price or Conversion Ratio

Adjustments to the subscription price or the conversion ratio of the rights, or the failure to make such adjustments, may result under certain circumstances in the receipt of taxable constructive dividends by U.S. holders of those rights.

Exercise of Rights

The exercise of a right will not be a taxable transaction for U.S. federal income tax purposes.

A U.S. holder's basis in shares acquired by exercising rights will equal the sum of the U.S. dollar equivalent of the subscription price and the holder's basis, if any, in the rights. A U.S. holder's holding period in the shares so acquired will begin on the date the holder exercises the rights.

Sale of Rights

If a U.S. holder sells rights or if rights are sold on the holder's behalf, the holder generally will recognize capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. holder's U.S. dollar basis in the rights. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the U.S. holder's holding period for the rights is more than one year.

U.S. Federal Income Tax Consequences in Respect of Shares

Dividends on Shares

U.S. holders must include the gross amount of cash dividends and Tax Credit (as defined above in "French Taxation—Tax Credit") paid in respect of the shares, without reduction for French withholding tax, in ordinary income on the date that they receive them, translating dividends into U.S. dollars using the exchange rate in effect on the date of receipt.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. holder with respect to the shares before January 1, 2009 will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends received with respect to shares generally will be qualified dividends if the Issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). Based on the Issuer's audited financial statements and relevant market and holder data, the Issuer believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2005 taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Issuer does not anticipate becoming a PFIC for its 2006 taxable year.

French tax withheld from dividends will be treated, up to the 15% rate provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against the U.S. federal income tax liability of U.S. holders or, if they have elected to deduct such taxes, may be deducted in computing taxable income. Fluctuations in the dollar-euro exchange rate between the date that U.S. holders receive a dividend and the date that they receive a related refund of French withholding tax may give rise to foreign currency gain or loss, which generally is treated as ordinary income or loss for U.S. tax purposes.

Procedures for Claiming Treaty Benefits

The French tax authorities issued new guidelines in the Instruction n° 4 J-1-05, dated February 25, 2005, that significantly changed the formalities to be complied with by non-resident shareholders, including U.S. holders, in order to obtain the reduced withholding tax rate on distributions made on or after January 1, 2005.

Pursuant to the new guidelines, U.S. holders can claim Treaty benefits either under a simplified procedure or under the normal procedure. The procedure to be followed depends on whether the application for Treaty benefits is filed before or after the dividend payment.

In order to benefit from the lower rate of withholding tax applicable under the Treaty before the payment of the dividend, you must use the simplified procedure and are no longer allowed to file a Form RF 1 A EU-No. 5052 or a Form RF 1 B EU-No. 5053.

The simplified procedure entails completing and delivering, as set out in the Instruction n° 4 J-1-05 mentioned above, a certificate stating that:

- you are a U.S. resident within the meaning of the Treaty;
- the dividend is not derived from a permanent establishment or a fixed base that you own in France;
- the dividend received is subject to tax in the United States.

In order to be eligible for Treaty benefits, pension funds and certain other tax-exempt U.S. holders must comply with the simplified procedure described above, though they may be required to supply additional documentation evidencing their entitlement to those benefits.

If the certificate is not filed prior to the dividend payment, a withholding tax will be levied at the 25% rate, and you would have to claim a refund for the excess under the normal procedure by filing an application for refund no later than December 31 of the second year following the year in which the dividend is paid.

The applicable forms to claim a refund under the normal procedure are currently Form RF 1 A EU-No. 5052 or Form RF 1 B EU-No. 5053. These forms will likely be replaced by new forms in the near future.

Copies of the simplified certificate and of the forms to be used in the normal procedure are available from the U.S. Internal Revenue Service and from the Centre des Impôts des Non-Résidents (9 rue d'Uzès, 75094 Paris Cedex 2).

Finally, please note that, as mentioned above, the French tax authorities have not yet issued any guidance with respect to the procedures for the refund of the Tax Credit to non-resident individuals.

Taxable Dispositions of Shares

Sales or other taxable dispositions by U.S. holders of shares generally will give rise to capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. holder's U.S. dollar basis in the shares. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the shares were held for more than one year. The deductibility of capital losses is subject to limitations.

French Estate and Gift Tax

Under the estate and gift tax convention between the United States and France, a transfer of shares or rights by gift or by reason of the death of a U.S. holder entitled to benefits under that convention will not be subject to French gift or inheritance tax, so long as the donor or decedent was not domiciled in France at the time of the transfer, and the shares were not used or held for use in the conduct of a business or profession through a permanent establishment or fixed base in France.

French Wealth Tax

The French wealth tax does not generally apply to shares or rights of a U.S. holder if the holder is a resident of the United States for purposes of the Treaty.

Information Reporting and Backup Withholding

Proceeds received in connection with a U.S. holder's sale or other taxable disposition of rights or shares may be subject to information reporting and U.S. federal backup withholding tax unless (i) the U.S. holder furnishes an accurate tax identification number or otherwise complies with applicable U.S. information reporting or certification requirements (typically, by completing an IRS Form W-9) or (ii) the U.S. holder is otherwise exempt from backup withholding. Any amounts so withheld may be credited against the U.S. holder's U.S. federal income tax liability. Holders that are not U.S. persons may need to comply with certification procedures to establish non-U.S. status in order to avoid information reporting and backup withholding tax requirements.

PLAN OF DISTRIBUTION

BNP Paribas and the managers named below have entered into an underwriting agreement dated March 2, 2006 pursuant to Article 225-145 of the French Commercial Code (*garantie de bonne fin*) with respect to any new shares not subscribed for by holders of the rights (other than new shares to be issued upon exercise of rights by (i) the AXA group, (ii) subsidiaries of the Bank that currently hold shares and (iii) holders of options to subscribe for shares who exercise such options before March 14, 2006). Each manager has, severally and not jointly, agreed to subscribe for, and the Bank has agreed to issue to them, in the respective percentages set forth below, any such new shares not subscribed for in the rights offering.

Manager	Percentage of Unsubscribed Shares
Goldman Sachs International	37.07%
Mediobanca S.p.A.	17.43
CALYON	7.74
Credit Suisse Securities (Europe) Limited	7.74
J.P. Morgan Securities Ltd.	7.74
UBS Limited	7.74
IXIS Corporate and Investment Bank and Lazard Frères Banque, acting severally but not jointly under the name of Lazard-IXIS	4.84
Natexis Bleichroeder SA	4.84
Nomura International plc	4.84
Total	**100%**

BNP Paribas is acting as Global Coordinator, Joint Lead Manager and Joint Bookrunner and Goldman Sachs International is acting as Joint Lead Manager and Joint Bookrunner in connection with the offering.

The managers may effect any distribution of unsubscribed new shares, if any, from time to time in one or more transactions (which may include block transactions) on Euronext Paris, or in special offerings, exchange distributions and/or secondary distributions pursuant to and in accordance with the applicable rules of such exchange, in the over-the-counter market, in negotiated transactions, through the writing of options on unsubscribed new shares (whether such options are listed on an options exchange or otherwise), or a combination of such methods of sale. The price of the new shares sold in the underwritten offering, if any, will depend on market conditions and consequently could be above or below the subscription price indicated on the cover of this offering circular.

The Bank has agreed to pay the managers an underwriting commission equal to 0.8% of the aggregate gross proceeds of the offering (excluding the proceeds resulting from exercise of subscription rights by the AXA group and by the Bank's subsidiaries and any option holders as noted above). The Bank will also pay the Global Coordinator, Joint Lead Manager and Joint Bookrunner a separate commission. In addition, the Bank has agreed to pay a selling commission (*commission de guichet*) to financial intermediaries of 0.8% of the aggregate subscription price of the new shares acquired by investors through the exercise of subscription rights through them (subject to a minimum payment of €8 and a maximum payment of €250 per subscription).

The Bank has agreed to indemnify the managers against certain liabilities, including liabilities under the Securities Act.

The Bank has agreed with the managers that, during the period beginning from March 2, 2006 and continuing to and including the date 120 days after such date, it will not offer, sell, issue, contract to sell, pledge, grant any option to purchase or otherwise dispose of, except as provided hereunder, any ordinary shares or any securities of the Bank that are substantially similar to the new shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, ordinary shares or any such substantially similar securities, or make any short sale, engage in any hedging or other transaction that is designed to or that reasonably could be expected to lead to or result in a sale or disposition of ordinary shares or such substantially similar securities (even if such disposition would be by someone other than the Bank), or enter into a transaction with similar economic effect, or publicly announce its intention to do any of the foregoing, in each case, without the prior written consent of the Joint Lead Manager and Joint Bookrunner, which shall not be unreasonably withheld or delayed; *provided, however*, that the Bank may, without first obtaining such consent: (i) grant stock options in accordance with past practice or issue or sell shares upon the exercise of any stock options so granted or previously granted pursuant to plans that are described herein or pursuant to any adjustment of such options; (ii) issue shares free of charge to its employees and managers pursuant to Article L. 225-197-1 *seq.* of the French Commercial Code (*attributions gratuites d'actions*); (iii) issue or transfer shares in the context of acquisitions in which the party receiving such shares agrees to be bound by restrictions substantially identical to those set forth in this paragraph in respect of such shares for the remainder of the duration of the restrictions on the Bank, up to an aggregate maximum of 10% of the share capital outstanding as of the closing date of this offering; (iv) issue or transfer shares in the context of a merger; (v) issue or transfer shares in the context of a take-over bid by way of an exchange of securities; (vi) issue or sell shares to its employees, or to employees of its affiliates, in connection with a capital increase reserved to employees; and (vii) issue shares in the context of a share capital increase by incorporation of reserves and premiums.

The above restrictions will not prevent investment firms affiliated with the Bank from entering into hedging or other transactions consisting of, leading to or resulting in a sale or disposition of BNP Paribas shares or substantially similar securities, or into transactions with similar economic effects, including the issuance of securities linked to BNP Paribas shares (whether such instruments are cash or physically settled), provided such transactions are conducted as part of their normal business activities and in compliance with applicable regulations and they do not result in the issuance of new BNP Paribas shares.

The managers (and/or certain of their affiliates) have performed services for the Bank in the ordinary course of business. The managers may, from time to time, continue to engage in transactions with and perform services for the Bank in the ordinary course of business.

In connection with this offering, Goldman Sachs International (or persons acting on its behalf) as stabilizing manager may over-allot or effect other transactions that stabilize or maintain the market price of the rights or the shares or any options, warrants or rights with respect to, or interests in, the shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date on which the rights begin trading and, if begun, may be ended at any time but must end no later than 30 calendar days after such date. Such transactions may be effected on Euronext Paris, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Goldman Sachs International will report its stabilizing transactions pursuant to the provisions of Articles 631-9 and 631-10 of the general regulations of the AMF.

Selling Restrictions

General

No action has been taken in any jurisdiction by the Bank or the managers that would permit a public offering of the new shares or rights offered hereby, other than in France. No offer or sale of new shares may be made in any jurisdiction except in compliance with the applicable laws thereof. Persons receiving this offering circular are required by the Bank and the managers to inform themselves about and to observe any restrictions as to the offering of new shares or rights and the distribution of this offering circular.

France

This offering circular has not been and will not be submitted to the clearance procedures of the French AMF, and accordingly may not be distributed to the public in France or used in connection with any offer to purchase or sell any of the Bank's new shares to the public in France. For the purpose of the rights offering in France and the listing of the new shares on the Eurolist market of Euronext Paris, a *prospectus* in the French language has been prepared (consisting of (i) an annual report (*document de référence*), which was filed with the AMF on February 22, 2006 under no. D.06-0075, and (ii) a *note d'opération*) which received visa no. 06-055 dated March 2, 2006 from the AMF and includes a section describing certain risk factors relating to the Bank and the global offering, as well as a summary of the Bank.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any new shares or rights which are the subject of the offering contemplated by this offering circular may not be made in that Relevant Member State, other than the offers contemplated in the French *prospectus* once the *prospectus* has been approved by the competent authority in France and published in accordance with the Prospectus Directive as implemented in France, except that an offer to the public in that Relevant Member State of any new shares or rights may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Global Coordinator for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of new shares or rights shall result in a requirement for the publication by the Bank or any manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any new shares or rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any new shares or rights to be offered so as to enable an investor to decide to purchase any new shares or rights, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United States

The new shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Accordingly, in connection with sales outside of France, the Bank has been advised by the managers that (a) through their respective selling agents, the managers propose to offer the new shares to be subscribed through the exercise of preferential subscription rights in the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act in reliance on exemptions provided for private placements under article 4(2) of the Securities Act and (b) the managers propose to resell any new shares that are not subscribed for by existing shareholders through the exercise of preferential subscription rights in the underwritten offering and acquired pursuant to their underwriting commitment only to qualified institutional buyers as defined in Rule 144A under the Securities Act in reliance on the resale exemption in Rule 144A under the Securities Act and (c) the underwriters propose to offer and sell the new shares outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and in accordance with applicable law. Any offer or sale of new shares in the United States will be made by broker-dealers who are registered as such under the Exchange Act.

In addition, until the expiration of the period beginning 40 days after the commencement of the offering, an offer or sale of rights and new shares within the United States by a broker/dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to the foregoing.

United Kingdom

Each manager has represented 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 the rights or new shares in circumstances in which Section 21(1) of the FSMA would not, if the Bank was not an authorized person, apply to the Bank; 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 rights or new shares 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 rights or new shares 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 rights and the new shares may not and will not be offered, sold or delivered, nor may or will copies of this offering circular or any other documents relating to the rights or new shares 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, ("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 rights or new shares or distribution of copies of this offering circular or any other document relating to the rights or new shares 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 rights or new shares in the offering is solely responsible for ensuring that any offer or resale of the rights or new shares it has purchased in the offering occurs in compliance with applicable laws and regulations.

This offering circular and the information contained herein 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.

Italy has only partially implemented the Prospectus Directive; the provisions under the heading "European Economic Area" above shall apply with respect to Italy only to the extent that the relevant provisions of the Prospectus Directive have already been implemented in Italy.

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.

Japan

The rights and new shares have not been and will not be registered under the Securities and Exchange Law of Japan and each manager, its affiliates and any persons acting on its or their behalf has agreed not to offer or sell, directly or indirectly, any rights or new shares in Japan or for the account of any resident thereof.

Australia and Canada

Neither the rights nor the new shares may be offered, sold, exercised or acquired in Australia or Canada, except in accordance with applicable law.

LEGAL MATTERS

The validity of the new shares to be issued pursuant to the global offering will be passed on by Cleary Gottlieb Steen & Hamilton LLP, Paris, France, counsel to the managers.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Bank is organized under the laws of France with its registered office and principal place of business in France. A majority of its directors and officers named herein are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. Substantially all of the Bank's assets are located outside the United States. It may not be possible for you to effect service of process within the United States upon the Bank's directors and officers or to enforce against these persons, or the Bank, judgments of United States courts predicated upon civil liability provisions of the federal securities laws of the United States.

The Bank has been advised by its counsel that if an original action is brought in France, predicated solely upon the United States federal securities laws, French courts may not have the requisite jurisdiction to grant the remedies sought and that actions for enforcement in France of a judgment by courts in the United States, rendered against any of the French persons referred to in the second sentence of the preceding paragraph, would require such French person to waive their rights under Article 15 of the French Civil Code to be sued in France only. The Bank believes that no such French person has waived such right with respect to actions predicated solely upon the United States federal securities laws. In addition, actions in the United States under United States federal securities laws could be affected under certain circumstances by the French Law of 16 July 1980, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with such actions.

INDEPENDENT STATUTORY AUDITORS

The Group's financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 included herein, as well as the audited consolidated financial statements of the Group as of and for the years ended December 31, 2004 and 2003 included herein, have been audited by Barbier Frinault & Autres, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent statutory auditors (*Commissaires aux comptes*) as stated in their reports appearing herein.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

The financial information set forth in Note 10, "Financial Statements Prepared Under French GAAP for the Years Ended 31 December 2003 and 2004", of the BNP Paribas Group's 2005 consolidated financial statements included herein is prepared and presented in accordance with French generally accepted accounting principles (French GAAP applicable in France for banks' consolidated financial statements). Certain differences exist between French GAAP and United States generally accepted accounting principles (U.S. GAAP) which might be material to the BNP Paribas Group's consolidated financial information prepared under French GAAP for the years ended December 31, 2004 and 2003 as presented in Note 10 of the audited consolidated financial statements included in this offering circular. The matters described below summarize certain differences between French GAAP and U.S. GAAP applicable to the years ended December 31, 2004 and 2003 that may be material. The Group has not prepared a complete reconciliation of its consolidated financial information prepared under French GAAP for the years ended December 31, 2004 and 2003 to U.S. GAAP and has made no attempt to quantify the impact of such differences in those years. In making an investment decision, investors must rely upon their own examination of the BNP Paribas Group's operations, the terms of the offering and the financial information herein. Potential investors should consult their own professional advisors for an understanding of the differences between French GAAP applicable in France for banks' consolidated financial statements and U.S. GAAP for the years ended December 31, 2004 and 2003, and how those differences might have affected the financial information presented in Note 10 of the consolidated financial statements.

A description of certain of these significant differences between French GAAP and U.S. GAAP with respect to the BNP Paribas Group's consolidated financial information prepared under French GAAP for the years ended December 31, 2004 and 2003 is given below. A more detailed description of the French accounting principles as applied by the BNP Paribas Group in the consolidated financial information prepared under French GAAP for the years ended December 31, 2004 and 2003 is also provided in Note 10, "Financial Statements Prepared Under French GAAP for the Year Ended 31 December 2003 and 2004", of the BNP Paribas Group's consolidated financial statements.

Business Combinations

First time consolidation of Paribas and its subsidiaries

The BNP Paribas Group has applied Accounting Standards Committee (CRC) standard 99-07 "Consolidation rules applicable to institutions regulated by the Comité de la Réglementation Bancaire et Financière", with effect from January 1, 1999, in accordance with the early adoption provisions of section 5 of Rule 99-07.

Based on the National Accounting Council (CNC) Emerging Issues Task Force's interpretation of the rules governing the application of section 215 of the Appendix to CRC standard 99-07, the acquisition of Paribas by BNP in 1999 meets the criteria for application of the "pooling of interests" method. This method consists of replacing the purchase cost of the Paribas shares with the net book value of the assets and liabilities acquired, as restated in accordance with BNP Group accounting policies. The difference between the cost of the shares and the book value of the net assets acquired has been charged against the premium on the shares issued in exchange for Paribas shares.

Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" requires that all business combinations initiated after June 30, 2001 must be accounted for by the purchase method. SFAS 141 requires that intangible assets acquired in a business combination be recognized separately from goodwill only if they meet one of two criteria, the contractual-legal criterion and the separability criterion.

Restructuring charges related to the merger of BNP and Paribas

As a result of the merger between BNP and Paribas, a restructuring charge was recorded in the 1999 financial statements. The restructuring costs primarily relate to information systems and logistics, human resources and other costs.

Under U.S. GAAP, EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" establishes the criteria that must be met to recognize liabilities to exit certain activities or terminate certain employees at the acquired entity in a purchase business combination. The costs of a plan to (1) exit an activity of an acquired company, (2) involuntarily terminate employees of an acquired company, or (3) relocate employees of an acquired company, should be recognized as liabilities assumed in a purchase business combination and included in the allocation of the acquisition cost in accordance with FAS 141, if certain conditions are met. These costs are only recognized as a liability if they are incremental costs and bring no future economic benefit to the combined company, subject to certain other considerations. Provisions for those costs that do not meet the criteria of EITF 95-3 may be recorded only if they meet the recognition criteria of EITF 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" or FAS 146 "Accounting for Costs Associated with Exit or Disposal Activities." Finally, provisions may only be recorded under EITF 95-3 for qualifying costs that are expected to be incurred within one year of the consummation date of the business combination. Certain costs provided for in the BNP Paribas Group restructuring plan, primarily data processing and other integration costs to be incurred by outside consultants, would have been expensed as incurred under U.S. GAAP rather than being part of a restructuring provision recorded in purchase accounting at the time of acquisition.

Goodwill and other identifiable intangible assets

In relation to purchase accounting, significant differences between French GAAP and U.S. GAAP may relate primarily to:

- the different methods of determining the purchase price attributable to the issuance of ordinary shares of the BNP Paribas Group and settling/exchanging outstanding employee share options,
- the differences in the underlying accounting principles used for determining the value of net assets acquired between French GAAP and U.S. GAAP, and
- the identification and valuation of identifiable intangible assets.

In accordance with French GAAP, intangible assets, other than goodwill, can only be recorded separately in the consolidated balance sheet if their valuation can be made according to objective and relevant criteria, essentially based on future economic benefits that will result or on their market value where an active market exists.

In accordance with the BNP Paribas Group accounting principles applicable in 2003 and 2004, goodwill was amortized by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortization period had been determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Under U.S. GAAP, SFAS 72 "Accounting for Certain Transactions of Banking and Thrift Institutions" requires that, when assessing the fair value of the assets of an acquired financial institution, certain identifiable intangible assets must be recognized. These include the asset representing the value of retail depositor relationships, termed the "core deposit intangible", which is capitalized separately and amortized through the profit and loss account over the estimated average life of the retail depositor relationships.

In addition, under U.S. GAAP (SFAS 142 "Goodwill and Other Intangible Assets"), goodwill and indefinite lived intangible assets are no longer amortized and are subject to an (at least) annual impairment test. All other intangible assets are amortized over their estimated useful lives (limited to 40 years).

Further, SFAS 147 "Accounting of certain financial institutions, an amendment to SFAS 72 and 144 and FIN 9" requires that for acquisitions of financial institutions that occur after October 1, 2002 and which meet the definition of a business combination, the excess of assumed liabilities over acquired assets be treated as goodwill rather than as an unidentifiable intangible asset. In addition, the standard requires that long term customer relationship intangible assets of financial institutions be subject to the same impairment tests as required by FAS 144 "Impairment of Disposal of Long-Lived Assets."

Consolidation

Subsidiaries

Under the BNP Paribas Group French GAAP accounting policies and as described in Note 10 of the BNP Paribas Group's consolidated financial statements under "Principles and Basis of Consolidation", subsidiaries over which the BNP Paribas Group exercised exclusive control were fully consolidated. Exclusive control was considered as being exercised in cases where the BNP Paribas Group was in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business. Exclusive control could be the result of a number of situations as described in Note 10 including holding over 40% of the voting rights when no one held a larger percentage.

Under U.S. GAAP, consolidated financial statements generally include enterprises in which the parent has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority voting interest and as a general rule, ownership either directly or indirectly of over 50% of the outstanding voting shares. There are exceptions to this general rule in such cases where control is likely to be temporary or if it does not rest with the majority owner such as bankruptcy, foreign exchange restrictions, etc.

Joint ventures

In accordance with French GAAP, the BNP Paribas Group accounted for joint ventures using the proportional consolidation method.

Under U.S. GAAP APB No. 18 "The Equity Method of Accounting for Investments in Common Stock", joint ventures would have been accounted for using the equity method.

Special Purpose Entities ("SPE")

The BNP Paribas Group carries out securitization transactions both on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf. Securitization transactions carried out on the Group's own behalf concern the management of counter-party risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group may retain part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche of the asset-backed securities issue.

Under French GAAP (section 10052 of CRC 99-07), an SPE is consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that enterprise. This standard provides specific criteria to be used to determine whether an SPE is, in substance, controlled or not.

Under U.S. GAAP, SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities", an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, de-recognizes financial assets when control has been surrendered, and de-recognizes liabilities when extinguished.

Transfers of financial assets (all or a portion), in which the transferor surrenders control over those assets, shall be accounted for as a sale to the extent that consideration other than beneficial interest in the transferred assets is received in exchange. Specific conditions have to be met for a transferor to surrender control of the financial assets, including when a transfer is made to a qualifying special purpose entity (QSPE).

A QSPE is a trust or other legal vehicle that is demonstrably distinct from the transferor, its permitted activities (1) are significantly limited, (2) were entirely specified in the legal documents, and (3) may be significantly changed only with the approval of the holders of at least a majority of the beneficial interest held by entities other than any transferor or agents. SFAS 140 outlines the specific assets that can be held by a QSPE and the conditions for sale of non-cash financial assets.

If the transfer does not meet criteria for a sale, it must be accounted for as a secured borrowing with pledge of collateral.

Under U.S. GAAP, a debtor may de-recognize a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligations for the liability, or (b) the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities an interpretation of ARB No. 51" ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (hereafter referred to as FIN 46R) clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. FIN 46R requires the application of either FIN 46 or FIN 46R to all SPEs created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after December 15, 2003 (i.e., as of December 31, 2003 for an entity with a calendar year-end). All SPEs created after January 31, 2003 are required to be analyzed under FIN 46, and they must continue to do so, unless FIN 46R is adopted early. FIN 46R is applicable to all non-SPEs created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004.

Treasury Shares

Under French GAAP, in 2003 and 2004, BNP Paribas shares held within the BNP Paribas Group were valued and accounted for as follows:

- Shares acquired in order to stabilize the share price or in connection with index arbitrage transactions were recorded under "Trading account securities" at their market price.

- Shares held for allocation to employees were recorded at the lower of cost and market price under "Securities available for sale." Where appropriate, a provision was booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired for any of the above purposes that were intended to be cancelled were deducted from consolidated shareholders' equity at cost. If the shares were subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax were posted to retained earnings.

Under U.S. GAAP, when a company's own shares are repurchased, the shares are recorded at cost and shown as a deduction from shareholders' equity. Any profit or loss on the subsequent sale of the shares is shown as a change in equity.

Securities

Under French GAAP, in the years ended December 31, 2004 and 2003, in applying standard CRC 2000-02, securities were classified as "Trading account securities", "Securities available for sale", "Equity securities available for sale in the medium term", "Debt securities held to maturity", "Equity securities held for long-term investment", "Other participating interests" and "Investments in non-consolidated undertakings". Investments in companies carried under the equity method were recorded on a separate line of the consolidated balance sheet.

Trading account securities were securities held for up to six months and were valued individually at market value. Changes in market values were recorded in income.

Securities available for sale were securities not intended to be held to maturity or for trading purposes. Such securities were valued at the lower of cost or their probable market value, which was generally determined on the basis of market prices if available, or, for unlisted equity securities, the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available.

Equity securities available for sale in the medium term included investments made for portfolio management purposes, with the aim of realizing a profit in the medium term without investing on a long-term basis in the development of the issuer's business. They were recorded individually at the lower of cost or fair value under French GAAP.

Debt securities held to maturity included mainly fixed-income securities. The difference between cost and the redemption price of these securities was prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value was amortized to their redemption value over their remaining life.

Equity securities held for long-term investment were shares and related instruments that the BNP Paribas Group intended to hold on a long-term basis. They were recorded individually at the lower of cost and fair value. Fair value was determined based on available information using a multicriteria valuation approach, including the discounted future cash flows, net asset value methods as well as analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less the EUR 10 million may have been valued based on the average market price over the last three months.

Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment were stated at the lower of cost and fair value, corresponding mainly to the average market price for the last 24 months or the market value determined as close as possible to the year-end, in the case of investments that have suffered a permanent impairment in value until September 30, 2002. After that date, fair value was determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, net asset value methods as well as analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities.

In accordance with U.S. GAAP, SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities", marketable equity and all debt securities must be classified according to management's intent in one of the following categories: held to maturity, trading or available for sale. Held to maturity securities are recorded at amortized cost. Trading securities are recorded at fair value, with resulting unrealized gains and losses recognized in the income statement. All securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are recorded at fair value with the resulting unrealized gains and losses recorded as a separate component of shareholders' equity (other than temporary impairment) until realized, at which time the gain or loss is recorded within income.

When fair value declines below amortized cost, for individual securities classified as either available for sale or held to maturity, an enterprise should determine whether the decline is "other than temporary." If the decline in fair value is "other than temporary," the following applies:

- the cost basis of the individual security is written down to fair value as a new cost basis,
- the amount of the write-down is included in current earnings (i.e., accounted for as a realized loss), and
- the new cost basis is not changed for subsequent recoveries in fair value.

Subsequent increases in fair value of available for sale securities are included as a separate component of equity.

Derivatives

Under French GAAP, derivative financial instruments used for hedging purposes are accounted for as off-balance sheet transactions. The related gains and losses are accounted for on a basis in conformity with the underlying hedged position. Trading derivatives are marked-to-market with the unrealized gain or loss taken to the income statement.

Under U.S. GAAP, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" establishes accounting and reporting standards for derivative financial instruments. SFAS No. 133 requires all derivatives to be recognized on the balance sheet at fair value. Derivative financial instruments must be designated as hedges of a specific asset or liability or group of similar assets or liabilities in order to be accounted for as a hedge. Derivative financial instruments, which are not so designated, are accounted for as trading derivatives and recorded at fair value with changes in fair value reflected through the income statement.

For fair value hedges that qualify under SFAS No. 133, the changes in the fair values of the derivatives will be recognized in earnings together with the change in fair value of the hedged item attributable to the risk being hedged. For cash flow hedges that qualify under SFAS No. 133, the changes in the fair value of the derivatives will be recognized in other comprehensive income until the hedged item affects earnings. For all hedging activities, the ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Derivatives used to hedge or modify the interest rate characteristics of debt securities, which have been classified as available for sale under U.S. GAAP are carried at fair value with unrealized gains or losses deferred as a component of shareholders' equity.

SFAS 149 "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities" amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FIN 45 and (4) amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 that relate to SFAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to contracts entered into after June 30, 2003. SFAS 149 should be applied prospectively.

Under EITF Issue 02-03 "Issues involved in accounting for derivative contracts held for trading purposes and contracts involved in Energy Trading and Risk Management activities," recognition of a trading profit at inception of a derivative transaction is prohibited unless the fair value of that derivative is obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data.

Loan Fees and Costs

Under French GAAP, BNP Paribas recorded fees associated to the origination of loans either up front or on an accrual basis depending on the nature of the fee and recorded the costs associated with the origination of the loans in the income statement as incurred.

Under U.S. GAAP, SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," to the extent that loan origination fees are not offset by related direct costs, they are deferred and amortized through the profit and loss account as an adjustment to net interest income on an effective yield basis over the life of the loan.

Allowance for Loan Losses and discount on restructured loans

Under French GAAP, BNP Paribas recorded an allowance for probable losses on specific doubtful loans on the basis of an estimate of the amount of outstanding principal and accrued interest that would not be recovered.

Under French standard CRC 2002-03 applicable since January 1, 2003, specific treatment was applied to restructured loans that had been reclassified from doubtful to perfoming loans. Any difference between the current restructured interest rate and the lower of the original interest rate and the market rate prevailing at the time of the restructuring, gave rise, for its discounted present value, to a discount against the loan at the time of the restructuring. This discount was written back to the interest margin over the new period of the loan.

BNP Paribas also recorded general provisions for country risk and unforeseeable industry risks (refer to section "Provisions and allowances" below). Provisions for credit and country risks on assets were deducted from the carrying value of the assets. Provisions for unforeseeable industry risks and other risks were recorded as liabilities within "Provisions for contingencies and charges."

Under U.S. GAAP, SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," allowances for loan losses are determined based on the present value of expected future cash flows discounted at the loan's effective rate, or as a practical expedient, on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Regardless of the measurement method, a creditor measures impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable.

Large groups of smaller balance homogenous loans that are collectively evaluated for impairment, such as residential mortgage loans and consumer installment loans, are outside the scope of SFAS No. 114. Such loans are accounted for under the guidance of SFAS No. 5 "Accounting for Contingencies". General and specific provisions for loss are made against such loans when losses have been incurred but not identified as of the reporting date. Generally, such reserves are calculated using historical default frequencies and other statistical measures as they relate to the composition of the loan portfolio.

Statement of Position 03-3 " Accounting for certain Loans or Debt Securities Acquired in a Transfer" effective for loans acquired in a transfer on or after December 15, 2004 requires all loans to be recorded at fair value and prohibits carrying over valuation reserves in the initial accounting for all loans acquired in a transfer that have evidence of deterioration in credit quality since origination, when it is probable the investor will not be able to collect all contractual cash flows. Any valuation allowance relating to loan losses is adjusted for changes resulting from subsequent measurement. However, the net carrying amount of a loan should at no time exceed the recorded investment in the loan.

Provisions and Allowances

Under the French standard CRC 2000-06, a provision for non-banking operations should be recorded only in the cases where an obligation towards a third party exists at the period end, and no compensating economic benefit is expected from the third party. This standard does not apply to provisions for contingencies and charges arising from banking operations and banking-related operations as defined in French banking law.

Under U.S. GAAP, SFAS No. 5, liabilities are probable future sacrifices of economic benefits arising from present obligation of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

A contingent loss must be recognized as a provision if it is probable that future events will confirm its occurrence. The term "probable" means that the chance of occurrence is more than 50%. If the existence of a contingent loss is not probable but "reasonably possible," the contingent loss should not be recognized as a provision but should be disclosed in the financial statements. No disclosure is required if the possibility of a loss is "remote".

A provision requires that the enterprise have little or no discretion to avoid the obligation, regardless if it is a legal obligation or an obligation that is only economically binding. The reason for a provision must exist at the balance sheet date and should be clearly identifiable.

Country Risk and Unforeseeable Industry Risks

Under French GAAP, in 2003 and 2004, BNP Paribas recorded general provisions for country risk and unforeseeable industry risks.

Provisions for country risk were based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk, and the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries.

Provisions for unforeseeable industry risks and other risks could also be recorded in order to cover losses and expenses that were not certain to be incurred and the amount of which could not be reliably estimated. These provisions could be reversed and replaced by specific provisions in cases where the loss or expense became certain and could be reliably estimated.

Under U.S. GAAP, provisions for unforeseeable industry risks and country risks recorded in order to cover losses and expenses that are not certain to be incurred are not allowed.

Reserve for General Banking Risks (FRBG)

In accordance with EU banking regulations, BNP Paribas Group had set up a reserve for general banking risks. Specific additions to, and deductions from, this reserve were reflected in the consolidated income statement under “Movements in the reserve for general banking risks and miscellaneous risks.”

Such reserves are not allowed under U.S. GAAP.

Insurance Companies

Insurance company investments

The investments of insurance companies include admissible assets related to unit-linked business, property investments and various other investments, including shares in related companies. In 2003 and 2004, under French GAAP, property investments were stated at cost, excluding transaction costs. Buildings were depreciated over their estimated useful lives. Admissible assets related to unit-linked business were stated at the realizable value of the underlying assets at the year-end. Fixed or variable income marketable securities were stated at cost. Fixed income securities were accounted for using the same method as debt securities held to maturity. However, a provision for permanent impairment in value was recorded when the market value of listed variable-income securities permanently remained more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months. This provision was calculated based on the realizable value of the securities concerned, determined using a forward-looking multi-criteria approach. In addition, if the aggregate book value of property and variable–income instruments was higher than their aggregate market value, a technical reserve could be set up for the difference.

Technical reserves of insurance companies

Technical reserves correspond to the insurance company’s commitments towards policyholders and the insured. In 2003 and 2004, under French GAAP, technical reserves for unit-linked business were determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer’s commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves included unearned premium reserves (corresponding to the fraction of written premiums relating to the following year or years) and outstanding claims reserves, which included reserves for claims handling costs.

The capitalization reserve recorded in the statutory accounts of Group affiliates was considered in the consolidated accounts as representing a technical reserve and was recorded under “Policyholders’ surplus”.

Underwriting result and net investment income of insurance companies

This caption mainly included earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

Under U.S. GAAP, the net present value of the profits inherent in the long-term assurance business is not recognized. For contracts accounted for in accordance with SFAS No. 60, "Accounting and Reporting by Insurance Enterprises," which covers conventional products such as endowment and term assurance policies, premiums are recognized as revenue when due from policyholders. Costs of claims are recognized when insured events occur. A liability for future policy benefits to be paid to or on behalf of policyholders is established based upon the present value of future benefits less the present value of future net premiums.

Acquisition costs are charged to the income and expenditure account in proportion to the premium revenue recognized.

For contracts accounted for under SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" which covers unit-linked products and investment contracts, premiums, and front-end load type charges receivable from customers and acquisition costs relating to the acquisition of new contracts are capitalized and amortized in proportion to the present value of estimated gross profits.

Estimated gross profits are projected on best estimate assumptions with no provisions for adverse deviation. The liability for policy benefits is set equal to the nominal policyholders' account balance. Costs of claims are recognized when insured events occur.

Pension and Retirement Costs

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans managed by independent organizations.

In 2003 and 2004, under French GAAP, the working capital contributions made in France to the two nation-wide pension organizations in 1994 continued to be treated as prepaid expenses and amortized over the average number of years left to retirement of BNP SA participating employees, which was currently twenty years. For Paribas employees, the contribution had been deducted from the reserves of the Paribas pension fund.

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses to its employees in France and in most of the countries in which the Group does business.

In 2003 and 2004, under French GAAP, the Group estimated the net present value of these commitments and adjusted the related provision, as described in Note 10 "Financial Statements Prepared Under French GAAP for the Years Ended 31 December 2003 and 2004", under "Pensions and Other Post-retirement Benefit Obligation".

Under U.S. GAAP, SFAS No. 87 "Employers' Accounting for Pensions," SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions", accounting for pension costs and similar benefits is prescriptive as to the use of actuarial assumptions, frequency of actuarial valuation and method, recognition of gains and losses in the actuarial gains and losses. SFAS 87 requires assets to be assessed at fair value and the assessment of liabilities to be based on current settlement rates.

“Exceptional” Items

Non-recurring items reflected the impact on the financial statements of events that did not relate to the ordinary activities of the BNP Paribas Group’s various lines of business. These items included such costs as additions to provisions for employee benefits, additions to provisions for restructuring and discontinued operations, contributions ordered by the Competition Authorities, and others.

Under U.S. GAAP, the definition of extraordinary items is more restrictive and typically would include items that are both unusual and infrequent in occurrence. As a result, some of the provisions recorded in the non-recurring items line for French GAAP may have not qualified under U.S. GAAP and would have been reflected in normal operating income.

Guarantees given and commitments

Under French GAAP, guarantees given are commitments by which the BNP Paribas Group (the guarantor) for its own account or in favour of a third party (the order giver) is performing an obligation to a beneficiary.

When it becomes probable that the beneficiary will call on the guarantor, the latter should constitute a provision reflecting the extent of its commitment.

Under FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (“FIN 45”), upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee.

Stock-based compensation

The exercise of stock options may result in the issuance of new shares or the use of treasury shares held by the BNP Paribas Group.

In 2003 and 2004, under French GAAP, with respect to the issuance of new shares resulting from an employee stock option plan, as long as the option was not exercised no accounting entries were made; when the option was exercised, the issuance of shares was accounted for as a normal share capital issue, with share premium equal to the difference between the cash paid by employees (exercise price) and the nominal value of the shares issued.

Under U.S. GAAP applicable in 2003 and 2004, stock-based compensation required either a fair value based accounting methodology under SFAS 123 “Accounting for Stock-Based Compensation” as amended by SFAS 148 “Accounting for Stock-Based Compensation -- Transition and Disclosure an amendment of FASB Statement No. 123” or an intrinsic value based method under APB Opinion No. 25 “Accounting for Stock Issued to Employees.” A fair valued methodology was the preferred approach. If the intrinsic value method was used, certain disclosures of the pro forma effect of using the fair value method were required.

Under the fair value based method, compensation cost was measured at the grant date based on the value of the award and was recognized over the service period, which was usually the vesting period. The fair value was determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option.

Under the intrinsic value based method, compensation was the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must have paid to acquire the stock. Most fixed stock option plans had no intrinsic value at measurement date, which was usually the grant date, and no compensation expense was recognized for them. For variable stock option plans, the measurement date did not occur at the grant date and accrued compensation expense was adjusted at each balance sheet date until the measurement date was known.

In December 2004, the FASB issued SFAS 123 (Revised 2004), "Share based Payment" (SFAS 123-R), which replaced the existing SFAS 123 and supersedes APB 25, SFAS-R requires companies to measure and record compensation expense for stock option and other share-based payment based on the instruments' fair value. SFAS 123-R is effective for interim and annual reporting periods beginning after June 15, 2005 for public companies and December 31, 2005 for non-public companies.

In relation to the issuance of SFAS 123-R, the FASB updated its guidance regarding FAS 133. DIG C3 was revised to clarify that non-employee stock options will not be subject to FAS 123-R after the non-employee's performance is complete (e.g., when the goods are delivered). After that point, the issuer must account for non-employee stock options in accordance with FAS 133. DIG G1 was also revised to reflect FAS 123-R's fair-value model. It clarifies that a purchased call option indexed to an entity's own stock that is recorded as an asset may be designated as a hedging instrument in a cash flow hedge of the liability for non-vested stock appreciation rights (SARs) to the extent that vesting of the SARs is probable.

Hybrid financing instruments

Hybrid financing instruments used by BNP Paribas were accounted for under French GAAP as follows:

- Subordinated debts were classified as borrowings. Accrued interest on these securities was recorded on a separate line of the balance sheet and was debited to the profit and loss account. Bond issue and redemption premiums were amortized using the effective yield method. Bond issuance costs were amortized using the straight-line method over the life of the bonds.

- Preferred shares were classified under minority interests. The proceeds from the issuance of these instruments were included under minority interests and the corresponding remuneration was treated as a distribution to minority shareholders.

SFAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" provides guidance on how financial instruments with characteristics of both liabilities and equity are to be measured and classified in the balance sheets. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when the financial instrument embodies an obligation of the issuer. SFAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

- Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets;

- Financial instruments, other than outstanding shares, that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts;

- Unconditional obligations that can be settled with equity shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's equity shares.

SFAS 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety.

In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS 150 also requires disclosures about alternative ways of settling such instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation requires reporting of cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted.

Additional Disclosures

Compared to French GAAP, the financial statement disclosures required under U.S. GAAP are generally more comprehensive in many areas, including segments, pensions and other post-retirement benefits, stock compensation, derivatives and other financial instruments and guarantees.

Changes in French GAAP, U.S. GAAP or BNP Paribas' accounting policies under French GAAP applicable from January 1, 2005

It is not the purpose of this summary, as it primarily relates to the years ended December 31, 2004 and 2003, to discuss changes in French GAAP, U.S. GAAP or BNP Paribas' accounting policies under French GAAP effective on or after January 1, 2005. Those changes may have a significant impact on the nature of the differences between French GAAP and U.S. GAAP presented above.

Differences between IFRS (applicable for consolidated financial statements from January 1, 2005) and US GAAP are presented below.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN IFRS AND U.S. GAAP

The consolidated financial statements of BNP Paribas conform to International Financial Reporting Standards as endorsed by the European Commission for the financial years starting on or after January 1, 2005 (including the so-called “carve-out” version of International Accounting Standard (“IAS”) 39, “Financial Instruments: Recognition and Measurement”) (“IFRS”). Certain differences exist between IFRS and accounting principles generally accepted in the United States (“U.S. GAAP”), which might be material to the BNP Paribas’ Consolidated Financial Statements. The matters described below summarize certain differences between IFRS and U.S. GAAP that may be material. BNP Paribas is responsible for preparing the summary set out below.

BNP Paribas has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between IFRS and U.S. GAAP and has made no attempt to quantify the impact of such differences. Accordingly, no assurance is provided that the following summary of differences between IFRS and US GAAP is complete. In making an investment decision, investors must rely upon their own examination of BNP Paribas, the terms of the offering and available financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the available financial information.

Presentation of Financial Statements

Balance Sheet

Current obligations that have been refinanced after the balance sheet date, but prior to the release of the financial statements, may not be classified as non-current under IFRS. Accounting Research Bulletin No. 43, Chapter 3A as amended by Statement of Financial Accounting Standards (“SFAS”) No. 6 “Classification of Short-Term Obligations Expected to Be Refinanced” creates an exclusion in U.S. GAAP for short-term obligations expected to be refinanced on a long-term basis. Current obligations refinanced before the balance sheet is issued, should be classified as non-current under U.S. GAAP provided certain conditions are met. In summary, the scope of the exclusion is broader under U.S. GAAP, and more items could be classified as non-current liabilities under U.S. GAAP than under IFRS.

Minority interests are presented under IFRS as a component of equity. Under U.S. GAAP, minority interests cannot be presented as a part of equity.

Income Statement

IFRS requires entities to amend the opening balance of retained earnings for the effect of changes in accounting principles rather than presenting the cumulative effect of such changes in the income statement as required by US GAAP. This difference will be eliminated by SFAS 154, “Accounting Changes and Error Corrections”. SFAS 154 requires voluntary changes in accounting principles to be retrospectively applied to prior years’ financial statements and is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Under previous rules, voluntary changes in accounting principles were applied prospectively.

IFRS prohibits any amounts from being classified as extraordinary in the income statement. U.S. GAAP requires material amounts that are unusual and infrequent to be classified as extraordinary, but this line item is rarely presented in practice (a major exception relates to negative goodwill, which must be presented as an extraordinary gain, along with gains and losses from the extinguishment of debt if they meet the criteria in APB Opinion 30, “Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”).

Under IFRS, gains and losses recognised directly in equity can be presented either in the notes or separately highlighted within the primary statement of changes in shareholders’ equity. U.S. GAAP permits one of three possible formats: a single primary statement of income and comprehensive income containing both net income and other comprehensive income; a two-statement approach (as under IFRS); or a separate category highlighted within the primary statement of changes in equity (as under IFRS).

Merger of BNP and Paribas

The acquisition of Paribas by BNP was accounted for as a "pooling of interests" under French GAAP. Both IFRS and U.S. GAAP require the purchase method of accounting to be used for all business combinations to portray the financial effect of an acquisition. However, the IFRS 1 "First-time Adoption of International Financial Reporting Standards" introduces the difference between the two standards by providing the entities with exemption which allows BNP Paribas not to apply IFRS 3 "Business combinations" retrospectively to past business combinations. U.S. GAAP does not provide such an exemption.

Business Combinations, Goodwill and Other Intangible Assets

Negative goodwill

Under IFRS, when the purchase price allocation results in negative goodwill, the acquirer must reassess the identification and measurement of the acquired assets, liabilities and contingent liabilities. Any excess that remains is recognised immediately in the income statement.

U.S. GAAP, SFAS No. 141 "Business Combinations" requires any negative goodwill to be allocated on a pro-rata basis to all acquired assets other than all current assets, all financial assets (other than equity investments), assets to be disposed of by sale, prepaid assets relating to pensions, and deferred taxes. Any remaining negative goodwill is recognized as an extraordinary gain in the profit and loss.

Impairment test

IFRS requires an impairment review of goodwill annually or whenever an indication of impairment exists. If some of the goodwill allocated to a Cash Generating Unit ("CGU") was acquired in a business combination during the current annual period, the CGU is required to be tested for impairment before the end of the current period.

Under U.S. GAAP, goodwill is also reviewed for impairment, at the reporting unit level, at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed. However, the U.S. GAAP impairment model is different from IFRS, as highlighted below.

Under IFRS, a one-step impairment test is performed. The recoverable amount of the CGU (i.e., the higher of its asset's net selling price and its value in use) is compared to its carrying amount. The impairment loss is recognised as the excess of the carrying amount over the recoverable amount. If the impairment loss exceeds the book value of goodwill, the allocation must be made on a pro-rata basis to non-monetary assets.

SFAS 142 requires a two-step impairment test:

- the fair value and the carrying amount of the reporting unit including goodwill should be compared. If the fair value of the reporting unit is less than the book value, goodwill is considered to be impaired; then

- the goodwill impairment should be measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined by allocating fair value to the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination.

Contingent consideration

If part of the purchase consideration is contingent on a future event, such as achieving certain profit levels, IFRS 3 requires an estimate of the amount to be included as part of the cost at the date of the acquisition where it is probable that it will be paid and it can be reliably measured. Any revision to the estimate is subsequently adjusted against goodwill.

Under SFAS 141, contingent consideration is generally excluded from the initial purchase price. The additional cost is not recognized until the contingency is resolved or the amount is determinable. Any additional revision to the estimate is recognised as an adjustment to goodwill.

Minority interests

Under IFRS 3, “Business Combinations”, minority interest is measured as the minority’s proportion of the net fair value of the identifiable net assets acquired. This means that the acquired identifiable net assets will always be recorded based on their fair value at the acquisition date regardless of whether a minority interest exists. Under US GAAP, minority interest can be measured in the same way as IFRS or as the minority’s proportion of the pre-acquisition historical book value of the identifiable net assets acquired (the latter method being more prevalent in practice).

Step acquisitions

Step acquisitions under IFRS 3 “Business Combinations” require the revaluation of previous interests at fair value at each acquisition date. The treatment of step acquisitions under U.S. GAAP is similar to IFRS, except that the revaluation of previous interests in the acquirer’s net assets is not allowed.

Restructuring provisions

Under IFRS, the acquirer may only recognize restructuring provisions as part of the acquired liabilities only when the acquiree has at the acquisition date an existing liability for restructuring recognized in accordance with IAS 37.

Under U.S. GAAP, as of the acquisition date, management, having the appropriate level of authority, must begin to assess and formulate a plan to exit an activity of the acquired entity. The plan must be completed in detail as soon as possible, but no more than one year after the consummation date and management must communicate the termination or relocation arrangements to the employees of the acquired company. The restructuring provision must meet the definition of a liability in order to be recorded.

Subsequent adjustments

IFRS permits adjustments against goodwill to the provisional fair values recognised at acquisition, provided those adjustments are made within 12 months of the acquisition date. Adjustments after the 12 months must be recognized in the income statement.

Under U.S. GAAP, if favorable adjustments to restructuring provisions are made, they are always recognized as changes to goodwill. Unfavorable adjustments are recognised as changes to goodwill if they are made during the allocation period, or charged to expense if made after the allocation period. The allocation period, which cannot extend beyond one year following the date of the acquisition, is for adjustments relating to information that management has been waiting for to complete its purchase price allocation. Adjustments related to pre-acquisition contingencies that are finalized after the allocation period or events occurring after the acquisition date should be recognised in the income statement.

Deferred tax assets

Under IFRS, the recognition of a deferred tax asset of the acquirer not previously recognised that becomes recognizable because of a business combination is reported in income as a tax benefit. Under U.S. GAAP, the recognition of a deferred tax asset of either the acquirer or the acquiree not previously recognised that becomes recognizable because of a business combination results in an adjustment to goodwill.

The IASB and the FASB are currently conducting joint projects to address accounting for business combinations. The outcome of these projects could eliminate some of the differences in the application of the purchase method outlined above.

Consolidation

Subsidiaries

Under the Group's IFRS accounting policies and as described in note 2 "Accounting policies" of the BNP Paribas Group's consolidated financial statements as of and for the year ended December 31, 2005, subsidiaries over which the BNP Paribas Group exercises exclusive control are fully consolidated. Exclusive control is considered as being exercised in cases where the BNP Paribas Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business.

Under U.S. GAAP, a dual consolidation decision model exists. Under this model, consolidation decisions are evaluated based on variable interest models and traditional consolidation models. The usual condition for a controlling financial interest is ownership of a majority voting interest and as a general rule, ownership either directly or indirectly of over 50% of the outstanding voting shares. There are exceptions to this general rule in such cases where control is likely to be temporary or if it does not rest with the majority owner such as bankruptcy, foreign exchange restrictions, etc. Therefore, under U.S. GAAP, an entity will consolidate a variable interest entity ("VIE") for which it absorbs the majority of the VIE's expected losses, expected residual returns or both.

Joint ventures

Although the definitions of the enterprises under joint control are similar under IFRS and U.S. GAAP, they are accounted for using the proportional consolidation method in accordance for the IFRS purposes, but would be accounted for using the equity method under the US GAAP.

Special purpose entities

The BNP Paribas Group carries out securitization transactions both on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf. Securitization transactions carried out on the Group's own behalf concern the management of counter-party risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group may retain part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche of the asset-backed securities issue.

IFRS requires the consolidation of special purpose entities (SPEs) where the substance of the relationship indicates that an entity controls the SPE. Indicators of control arise where:

- the SPE conducts its activities on behalf of the entity; or
- the entity has the decision-making power; or
- the entity has other rights to obtain the majority of the benefits of the SPE; or
- the entity has the majority of the residual or ownership risks of the SPE, or of its assets.

The FASB Interpretation No. 46, "Consolidation of Variable Interest Entities an interpretation of ARB No. 51" ("FIN 46") requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (hereafter referred to as FIN 46R) clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46.

Specific criteria permit the transfer of financial assets to an SPE that is not consolidated:

- The SPE must be a qualifying SPE (as defined) and the assets must be financial assets (as defined).
- The assets must not arise from a structured transaction.

FIN 46R requires the application of either FIN 46 or FIN 46R to all SPEs created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after December 15, 2003 (i.e., as of December 31, 2003 for an entity with a calendar year-end). All SPEs created after January 31, 2003 are required to be analyzed under FIN 46, and they must continue to do so, unless FIN 46R is adopted early.

Due to differences in criteria applied under IFRS and US GAAP to determine whether an SPE should be consolidated, the scope of consolidation under IFRS and US GAAP might be different.

Pensions and other employee benefits

BNP Paribas operates a number of defined benefit and defined contribution plans. For defined contribution plans, there is no difference between IFRS and U.S. GAAP, except that under IFRS, corresponding mathematical reserves for internal insured plan should be recognised as employee benefit liability rather than insurance mathematical reserve. For defined benefit plans, the pension costs and related pension asset or liability are estimated in accordance with IAS 19 "Employee Benefits" and FAS87 using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating the terms of the related liability. Under both IAS19 and FAS87, net cumulative unrecognized actuarial gains and losses for defined benefit plans exceeding the corridor (greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognised in income over the average remaining service lives of the employees.

Under IAS19, the assets, which support the pension liabilities of an entity, must meet certain criteria in order to be classified as "qualifying pension plan assets". These criteria relate to the fact that the assets should be legally separate from BNP Paribas or its creditors. If these criteria are not met, then the assets will be included in the relevant caption on the balance sheet (such as investments, property, plant and equipment, etc.). If the assets meet the criteria, they are netted against the pension liability. The netting also applies to the income statement. If the pension assets qualify, BNP Paribas shows reduced income from assets (such as interests, dividends, etc.) and reduced employee pension costs. Because the conditions to be met by plan assets are somewhat less strict under FAS87, the liability recognised in the balance sheet under IFRS will be different than the one recognised under US GAAP. This is because the internal insured plans cannot be recognised as "plan assets" under IAS19, but can be under FAS87.

Employee benefit plans that provide long-term service benefits such as jubilee premiums (benefits provided during the career of the employees), but are not pension plans, are measured at present value using the projected unit credit method. For these types of benefits, gains and losses and past service cost should be amortised immediately.

Under IFRS, assumptions should be unbiased and mutually compatible. They represent the best estimates for the company. Financial assumptions should be based on market expectations at the balance sheet date. Discount rate should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. The currency and the term of the corporate bonds should be consistent with the currency and the term of the employee benefits obligations.

Under U.S. GAAP, SFAS No. 87 "Employers' Accounting for Pensions," SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," accounting for pension costs and similar benefits is prescriptive as to the use of actuarial assumptions, frequency of actuarial valuations and methods, recognition of gains and losses in the actuarial gains and losses. SFAS 87 requires assets to be assessed at fair value and the assessment of liabilities to be based on current settlement rates.

Past service cost arises when an enterprise initiates a plan that grants benefits for prior service or amends a plan. IFRS requires that all past service cost related to retirees and vested active employees be expensed immediately. US GAAP, on the other hand, requires that prior service cost related to retirees be amortised over the average remaining service period of active plan participants (if the plan participants are mainly active employees) or over the average remaining life expectancy of retirees (if the plan participants are mainly retirees).

Under IFRS, gains and losses on curtailments are recognised when curtailments/settlements occur. Gains and losses on curtailments/ settlements include changes in the present value of the defined benefit obligation, any resulting changes in the fair value of the plan assets and any related actuarial gains and losses and past-service cost that had not previously been recognised.

Curtailment losses are recognised under US GAAP when it is probable that a curtailment will occur and the effect of the curtailment is reasonably estimable. Curtailment gains are deferred until realised and are recognised in earnings, either when the related employees terminate, or the plan suspension or amendment is adopted. Settlement gains or losses are recognised when the event of settlement occurs. Gains and losses on curtailments include unrecognized prior-service cost for which services are no longer expected to be rendered, and changes in the projected benefit obligation (net of any unrecognized gains or losses and remaining transition asset). The maximum gain or loss on settlements to be recognised in profit or loss is equal to unrecognized net gain or loss plus any unrecognized transitional asset.

Equity Compensation Benefits

IFRS 2 "Share-Based Payments" requires costs relating to share-based payments to be measured and recognised in the income statement. The fair value of the services received is determined by reference to the fair value of the share options granted. Compensation expense is measured on the grant date based on the value of the options and is recognised over the vesting period of the options. The credit side of the entry will be a liability if the entity has an obligation to settle the transaction in cash. However, if there is no possibility of settling in cash, and the consideration for goods and services will therefore be achieved through the issuance of equity instruments, the credit entry is an increase in equity. Fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the expected volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option. When the options are exercised and new shares are issued, the proceeds received net of any transaction costs are credited to share capital (par value) and the surplus to share premium. If own shares have been repurchased for this purpose, treasury stock will be credited.

Under U.S. GAAP, stock based compensation requires either a fair value based accounting methodology (SFAS 123 "Accounting for Stock-Based Compensation" as amended by SFAS 148 "Accounting for Stock-Based Compensation – Transition and Disclosure" an amendment of FASB Statement No. 123) or an intrinsic value based methodology under APB Opinion No.25 "Accounting for Stock Issued to Employees". A fair value methodology is the preferred approach. If the intrinsic value method is used, certain disclosures of the pro forma effect of using the fair value method are required. Under the fair value based method, compensation expense is measured at the grant date based on the value of the award and is recognised over the service period, which is usually the vesting period. The fair value is determined using an option-pricing model. Under the intrinsic value method, compensation is the excess, if any, of the unquoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock. Most fixed stock option plans have no intrinsic value at measurement date, which is usually the grant date, and no compensation expense is recognised for them. For variable stock option plans, the measurement date does not occur at the grant date and accrued compensation expense is adjusted at each balance sheet date until the measurement date is known.

In December 2004, the FASB published FASB Statement No. 123 (revised 2004) "Share-Based Payments" (SFAS 123R) to replace SFAS 123 and supersede APB 25. SFAS 123R requires companies to recognize a compensation cost for the value of options granted in exchange for employee services, based on the grant date fair value of those instruments. SFAS 123R is effective for public entities as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. However, early application is possible.

Financial Instruments

Classification and measurement

Because IAS 39 and IAS 32 are not applied to periods ending prior to January 1, 2005, the following accounting for financial instruments will be applied as from January 1, 2005.

Under IAS 39, "Financial Instruments: Recognition and Measurement", measurement of financial assets depends on their classification in one of the following categories: held-to-maturity investments; loans and receivables; financial assets at fair value through profit or loss and available-for-sale financial assets. This classification determines the measurement and recognition as follows:

- Loans and receivables are initially measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method;

- Held-to-maturity investments consist of instruments with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method;

- Financial assets at fair value through profit or loss include (i) financial assets held for trading, including derivative instruments that do not qualify for hedge accounting, and (ii) financial assets that BNP Paribas has irrevocably designated at acquisition or first-time adoption of IFRS as held at fair value through profit or loss; and

- Available-for-sale financial assets are those that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value, and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in shareholders' equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gains or losses previously recognised in equity are recognised in profit or loss.

IAS 39 allows an entity to designate financial assets or financial liabilities to be measured at fair value with changes in value recognised in profit or loss, only when doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them on different bases; or

- a group of financial assets and/or financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the assets and or liabilities is provided internally to the entity's key management; or

- a contract contains significant embedded derivatives.

BNP Paribas has applied the fair value option to designate certain debt securities, subordinated debt and structured debt issues as "Financial liabilities at fair value through profit and loss.

The U.S. GAAP provisions on classification and measurement of the financial instruments are similar, except for that there is no option to designate any financial asset on initial recognition as at fair value through profit or loss; unless these are hybrid instruments. SFAS No. 155 "Accounting for Hybrid Financial Instruments" amended SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" to allow the option to designate the hybrid instruments as being accounted for at fair value through the profit and loss account. SFAS 155 is effective for fiscal years beginning after 15 September 2006. Under US GAAP, SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," debt securities must be classified according to management's intent to hold the security in one of the following categories: trading, held-to-maturity, or available-for-sale. Equity securities are classified as either trading or available for sale.

Differences exist between financial statements based on IFRS and those based on US GAAP in the treatment of gains and losses on foreign-currency-denominated debt securities. Differences arise for debt securities that are not denominated in the investor's functional currency that are classified as available-for-sale. Under IAS 39 (and IAS 21, "The Effects of Changes in Foreign Exchange Rates"), foreign exchange gains and losses on those securities (as well as other monetary items) are reported in net profit or loss (unless the security or other monetary item is designated as a hedging instrument). The portion of a change in fair value that is not due to a foreign exchange gain or loss is reported in equity. Under US GAAP, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" requires the total change in fair value of the available-for-sale security to be reported in equity.

Impairment

IAS 39 provides a list of observable data that constitutes objective evidence that a financial asset may be impaired. A significant or prolonged decline in the fair value of an equity instrument below its cost is objective evidence of impairment. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale cannot be reversed through profit or loss. Reversal of impairment loss recognised on a debt instrument classified as available-for-sale is permitted under IFRS if, in a subsequent period, the fair value of that debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Under US GAAP, when fair value declines below amortised cost, for individual securities classified as either available for sale or held to maturity, an enterprise should determine whether the decline in value is "other than temporary". If the decline in fair value is "other than temporary", the following applies:

- the cost basis of the individual security is written down to fair value as a new cost basis,
- the amount of the write-down is included in current earnings (i.e., accounted for as a realised loss), and
- the new cost basis is not changed for subsequent recoveries in fair value.

In December 2004, the FASB decided to reconsider in its entirety all guidance on disclosing, measuring and recognising other-than-temporary impairments of debt and equity securities and requires companies to continue to comply with existing accounting literature.

Reversal of an impairment loss is expressly prohibited under US GAAP.

Interest Income After Impairment Recognition

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, IFRS requires interest income thereafter to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

As amended by FAS 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures", FAS 114, "Accounting by Creditors for Impairment of a Loan" does not address how a creditor should recognize, measure or display interest income on an impaired loan. FAS 118 allows a creditor to use existing methods for recognising interest income on impaired loans, including a cash basis method, a cost recovery method, or some combination of both.

On December 12, 2003, the AICPA issued Statement of Position ("SOP") 03-03 which addresses the accounting for differences between the contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable to credit quality. This SOP is effective for loans acquired in accounting periods beginning after 15th December 2004. This SOP limits the yield that may be accreted (accretable yield) to the excess of the investor's estimate of undiscounted expected principal, interest, and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan. The investor (transferee) should recognize the accretable yield as interest income on a level-yield basis over the life of the loan. Subsequent increases in cash flows expected to be collected generally should be recognised prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognised as impairment as opposed to prospective decline in yield.

Transfers of Financial Assets

IAS 39 and US GAAP (SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities") both provide guidance for transfers and servicing of financial assets. Both require an evaluation of whether a transferor has surrendered control of transferred assets to determine whether a transfer is accounted for as a sale or as a secured borrowing. Differences between IFRS and US GAAP in the criteria for determining whether there has been a surrender of control and in the criteria for sale treatment may lead to significant differences in reported results depending on whether IAS 39 or US GAAP is applied.

Under IAS 39, a financial asset (or part of a financial asset) is derecognized only when:

- the contractual rights to the asset's cash flows expire; or
- the rights to the asset's cash flows and substantially all risks and rewards of ownership are transferred; or
- an obligation to transfer the asset's cash flows is assumed, substantially all risks and rewards are transferred and the following conditions are met: – no obligation to pay cash flows unless equivalent cash flows from the transferred asset collected; – prohibition from selling or pledging the asset other than as security to the eventual recipients for the obligation to pass through cash flows; – obligation to remit any cash flows without material delay; or
- substantially all the risks and rewards are neither transferred nor retained but control of the asset is transferred.

If an entity transfers substantially all the risks and rewards of ownership of the asset (for example, an unconditional sale of a financial asset), the entity derecognizes the asset. If an entity retains substantially all the risks and rewards of ownership of the asset, it continues to recognize the asset (the transaction is accounted for as a collateralized borrowing). If an entity neither transfers nor retains substantially all the risks and rewards of ownership of the asset, the entity has to determine whether it has retained control of the asset. Control is based on the transferee's practical ability to sell the asset. The asset is derecognized if the entity has lost control. If the entity has retained control, it continues to recognize the asset to the extent of its continuing involvement.

Under US GAAP, SFAS 140, an entity de-recognizes financial assets when control has been surrendered. Transfers of financial assets (all or a portion), in which the transferor surrenders control over those assets, shall be accounted for as a sale to the extent that consideration other than beneficial interest in the transferred assets is received in exchange. Specific conditions have to be met for a transferor to surrender control of the financial assets, including when a transfer is made to a qualifying special purpose entity (QSPE).

A QSPE is a trust or other legal vehicle that is demonstrably distinct from the transferor, its permitted activities: are significantly limited; were entirely specified in the legal documents; and may be significantly changed only with the approval of the holders of at least a majority of the beneficial interest held by entities other than any transferor or agents. SFAS 140 outlines the specific assets that can be held by a QSPE and the conditions for sale of non-cash financial assets. If the transfer does not meet criteria for a sale, it must be accounted for as a secured borrowing with pledge of collateral. Under US GAAP, a debtor may de-recognize a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligations for the liability, or (b) the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Provisions

IFRS requires recognition of a provision only when:

- the entity has a present obligation to transfer economic benefits as a result of past events;
- it is probable that such a transfer will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

A present obligation arises from an obligating event and may take the form of either a legal obligation or a constructive obligation. An obligating event leaves the entity no realistic alternative to settle the obligation created by the event. If the entity can avoid the future expenditure by its future actions, it has no present obligation and a provision is not recognised.

Under US GAAP, SFAS No. 5 "Accounting for Contingencies", liabilities are probable future sacrifices of economic benefits arising from present obligation of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. A contingent loss must be recognised as a provision if it is probable that future events will confirm its occurrence. The term "probable" means that the chance of occurrence is more than 50%. In contrast, IAS 37 uses the term "probable" to describe a situation in which the outcome is more likely than not to occur. The meaning of probable conveys a higher threshold than "more likely than not", therefore more provisions could possibly be recognised under IFRS.

Restructuring provisions

Under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a present obligation exists only when the entity is 'demonstrably committed' to the restructuring. An entity is usually demonstrably committed when there is a binding sale agreement (legal obligation), or when the entity has a detailed formal plan for the restructuring and is unable to withdraw because it has started to implement the plan or announced its main features to those affected (constructive obligation). However, a current provision is unlikely to be justified if there will be a delay before the restructuring begins, or the restructuring will take an unreasonably long time to complete.

SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" requires that a liability for costs associated with exit or disposal activities, other than in a business combination, is recognised when the liability is incurred. The liability is to be measured at fair value and adjusted for changes in estimated cash flows. Recognition of a liability based solely on commitment to a plan is prohibited under US GAAP. Restructuring provision must meet the definition of a liability, including certain criteria regarding the likelihood that no changes will be made to the plan or that the plan will be withdrawn.

Deferred Tax

Under IFRS, deferred tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted. US GAAP prohibits the use of substantively enacted tax rates.

Deferred tax assets are only recognised under IFRS if it is probable that sufficient taxable profit will be available against which the temporary difference can be utilized. Under US GAAP, the entire deferred tax asset is recorded net of a valuation allowance. If a deferred tax asset cannot be realised in its entirety, the valuation allowance is adjusted.

Hybrid Financing

Under IFRS, an instrument is classified as equity when it does not contain an obligation to transfer economic resources. An entity recognizes separately the components of a financial instrument that (a) creates a financial liability of the entity and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. For example, a bond or similar instrument convertible by the holder into a fixed number of ordinary shares of the entity is a compound financial instrument. From the perspective of the entity, such an instrument comprises two components: a financial liability (a contractual arrangement to deliver cash or another financial asset) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of the entity).

Under US GAAP, SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", effective for instruments entered into on or after 31 May 2003 and otherwise effective for interim periods on or after 15 June 2003 provides guidance on how financial instruments with characteristics of both liabilities and equity are to be measured and classified in the balance sheet. SFAS 150 requires an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances) when the financial instrument embodies an obligation of the issuer. For instance, conventional convertible debt is treated as a unit and recorded as a liability (and either presented in aggregate or in two parts – split between the bond and option portion, but both under liabilities).

The main impact is upon three types of financial instruments:

- mandatory redeemable shares, which the issuing company is obligated to buyback in exchange for cash or other assets;
- financial instruments, other than outstanding shares that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts; and
- unconditional obligations that can be settled with equity shares, the monetary value of which are fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's equity shares.

Derivatives and Hedging

IAS 39 and US GAAP guidelines for hedging activities are generally similar. Both require that derivatives be initially recorded at fair value on the balance sheet as either financial assets or liabilities. Both also require that derivatives be subsequently measured at fair value regardless of any hedging relationship that might exist. Both IFRS and US GAAP permit special accounting treatment for financial and derivative instruments that are designated as hedged items or as hedging instruments if certain criteria are met (hedge accounting). However, there are differences between the standards in what transactions will qualify for hedge accounting and in how some of the hedge accounting provisions are applied, as discussed in the following paragraphs.

IFRS and US GAAP are quite similar in defining the hedged items, except for the following with regard to fair value hedges. US GAAP and IAS 39 prohibit non-interest bearing immediately callable deposits to be hedged items in fair value hedges. However, the EU carve out of IAS 39 deleted the relevant part of IAS 39 that contained this prohibition, so under the EU carve out non-interest bearing demand deposits may be included within the hedged item.

IFRS permits the designation of any risk where effectiveness can be measured as hedged risk, including any portion of interest rate risk exposure. Under US GAAP, the hedged risk should be the risk of changes in the overall fair value or cash flow, benchmark interest rate, foreign currency exchange rates, or the credit risk of the obligor.

IFRS permits an entity to designate an amount of assets or liabilities in a given time bucket, scheduled based on expected repricing dates of a portfolio (fair value hedge accounting for a portfolio hedge of interest rate risk). The changes in the fair value of this hedged item are reflected in a single separate line item within assets or liabilities. The carrying amounts of the individual assets or liabilities in the portfolio are not adjusted. Under US GAAP, this practice is not allowed.

Under IFRS, where the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity may be transferred from equity and included in the initial measurement of that non-financial asset or liability (basis adjustment). US GAAP does not permit such basis adjustments. SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" requires entities to reclassify the gains and losses in accumulated other comprehensive income into earnings in the same period or periods during which the asset acquired or liability incurred affects earnings (such as in the periods that depreciation expense, interest expense, or cost of sales is recognised).

Only instruments that involve a party external to the reporting entity may qualify as hedging instruments under IFRS. As an exception, the foreign currency risk of an intragroup monetary item (e.g. a payable/receivable between two subsidiaries) may qualify as a hedged item in the consolidated financial statements if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation under in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". SFAS No. 133 "Accounting for Derivative

Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" allows a foreign currency derivative contract that has been entered into with another member of a consolidated group (internal derivative) to be a hedging instrument in a foreign currency cash flow hedge of a forecasted borrowing, purchase, or sale or an unrecognized firm commitment in the consolidated financial statements if certain conditions are satisfied:

- from the perspective of the member of the consolidated group using the derivative as a hedging instrument (hedging affiliate), the criteria for foreign currency cash flow hedge accounting are satisfied; and

- the member of the consolidated group not using the derivative as a hedging instrument (issuing affiliate) must either (1) enter into a derivative contract with an unrelated third party to offset the exposure that results from that internal derivative or (2) if certain conditions are met, enter into derivative contracts with unrelated third parties that would offset, on a net basis for each foreign currency, the foreign exchange risk arising from multiple internal derivative contracts.

IFRS allows designation of a non-derivative (such as a foreign currency borrowing) as a hedging instrument for foreign currency risk. SFAS 133 precludes designating a non-derivative financial instrument as a hedge of an asset, liability, unrecognized firm commitment, or forecasted transaction except that a non-derivative instrument denominated in a foreign currency may be designated as a hedge of the foreign currency exposure of an unrecognized firm commitment denominated in a foreign currency or a net investment in a foreign operation.

US GAAP allows, assuming stringent conditions are met, a short-cut method that assumes perfect effectiveness for certain hedging relationships involving interest rate swaps. This exemption from performing quantitative retrospective effectiveness tests is not allowed under IFRS.

Embedded derivatives

IAS39 AG30 (h) states that credit derivatives embedded in a host contract are not closely related and therefore should be separately identified and recognised as derivatives. SFAS 155 adds para 14B to SFAS133 to specifically state that changes in cash flows attributable to changes in the creditworthiness of an interest resulting from securitized financial assets and liabilities that are held by the issuing entity shall not be considered an embedded derivative.

Insurance

Insurance and Reinsurance Contracts

Classification

IFRS introduces a definition of an insurance contract based on the concept of insured event and significant insurance risk transfer. This definition applies to both insurance (and reinsurance) contracts issued and reinsurance contracts held.

BNP Paribas issues (and purchases) contracts that transfer insurance risk or financial risk or both. Contracts that transfer significant insurance risk are classified as insurance contracts or reinsurance contracts. These contracts can also transfer financial risk. Contracts that transfer financial risk without transferring enough insurance risk to be classified as insurance contracts under IFRS are classified as investment contracts.

The classification of contracts as insurance, reinsurance contracts or investment contracts determines subsequent valuation and income recognition (see specific rules below).

US GAAP does not provide a single accounting model for insurance contracts. The classification, subsequent valuation and income recognition rules of contracts is performed by reference to numerous accounting pronouncements, including most notably SFAS 60, SFAS 97 and SFAS 120. SFAS 60 distinguishes between short-duration contracts (coverage generally one year or less) and long-duration (coverage generally greater than one year). Non-life contracts are generally considered short-duration contracts and accounted for under SFAS 60. Life insurance contracts that are more "traditional" in nature, e.g. whole life contracts, are usually accounted for as long-duration contracts under SFAS 60. Life insurance contracts that are characterized by the flexibility and discretion granted to one or both parties to the contract are generally accounted for under SFAS 97. SFAS 97 also covers certain types of contracts that would be classified as investment contracts under IAS 39 for IFRS purposes. SFAS 120 addresses the accounting for participating life insurance contracts. Reinsurance contracts are principally subject to the requirements of SFAS 113.

Discretionary participation feature

The concept of a discretionary participation feature ("DPF") is unique to IFRS accounting. Most insurance or investment contracts contain a guaranteed benefit, in that the benefits are either fixed in amount or are not subject to the discretion of BNP Paribas. Some of them may also contain a DPF which is a feature that entitles the holder of the contract to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of BNP Paribas; and
- that are contractually based on: the performance of a specified pool of contracts or a specified type of contract; realised and/or unrealised investment returns on a specified pool of assets held by BNP Paribas; or the profit or loss of BNP Paribas, fund or other entity that issues the contract.

For life insurance and investment contracts with discretionary participating features, under IFRS, BNP Paribas may elect to recognize the guaranteed element separately from the DPF. If it does not do so it has to classify the whole contract as a liability. If it classifies them separately it has to classify the guaranteed element as a liability, but is permitted to classify the DPF either as a liability or as a separate component of equity.

This type of participation is described under US GAAP as policyholder dividends, and guidance is provided on accounting for dividends paid out of insurance contracts.

Entities must recognize a liability for the expected dividend payout based on an estimate of the amount to be paid. There are no requirements to disclose the portion of equity that arises from contracts that pay dividends. However, any dividend payments or declarations in excess of the liability are charged to profit or loss when paid or declared.

The possibility of such dividends being paid on financial instruments (investment contracts) is not contemplated in US GAAP. Current US GAAP reporters have adopted the insurance accounting guidelines for measuring the obligations under such contracts.

Measurement

The existing accounting policies for insurance contracts issued and reinsurance contracts held (including related intangible assets like deferred acquisition costs) are exempt from IFRS hierarchy and need not be changed on adoption of IFRS 4 "Insurance Contracts", except for the following five requirements:

- Provisions for possible claims under contracts that are not in existence at the reporting date (such as catastrophe and equalization provisions) are prohibited;
- Insurance liabilities must be tested for adequacy;
- Reinsurance assets must be tested for impairment;
- Insurance liabilities can be de-recognised only when they are discharged or cancelled or expire; and
- Insurance liabilities and income should not be offset against related reinsurance assets and expenses.

Thus, while US GAAP has specific measurement guidance for insurance contracts and reinsurance contracts, IFRS allows entities to essentially continue with their accounting policies developed under another GAAP. The differences between US GAAP and IFRS for BNP Paribas is therefore the same as the difference between US GAAP and BNP Paribas' existing insurance and reinsurance accounting policies that have been developed in line with BNP Paribas Accounting Principles.

Unbundling of deposit components and deposit accounting

IFRS allows the unbundling of the deposit component from an insurance contract on a voluntary basis if the deposit component can be reliably measured without considering the insurance component. The deposit component is then treated as an investment contract (without discretionary participation feature) and the insurance component as insurance product.

This right enables an insurer to use deposit accounting approach for unit-linked and universal life-type contracts that qualify as insurance contracts under IFRS. For these contracts, US GAAP requires the measurement of the liability as the policyholder's account balance with the insurer. Under IFRS the measurement of the unbundled deposit component liability is also the policyholder's account balance.

Segment Reporting

IAS 14, "Segment Reporting", and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", establish standards for reporting disaggregated financial information in annual financial statements.

IAS 14 requires that an enterprise report both business segments and geographical segments and identify one as primary, the other secondary, and provide more comprehensive disclosure for the primary segmentation. The dominant source and nature of an enterprise's risks and returns govern the designation as primary or secondary. In contrast, SFAS 131 adopts a management approach that relies on the form and content of information provided by an enterprise's internal reporting system for identifying reportable segments. The management approach requires an enterprise to report those segments whose operating results are regularly reviewed by the enterprise's chief operating decision maker.

IAS 14 encourages disclosure of vertically integrated segments as separate segments. SFAS 131 requires that they be disclosed separately if that is how the company is managed. This can result in differences in the information provided by enterprises with significant intersegment transactions.

The third significant area of difference relates to the basis of accounting used for reporting segment information. IAS 14 requires that segment information be prepared in conformity with the same accounting policies used for preparing the consolidated financial statements of the enterprise. SFAS 131 does not prescribe the accounting policies to be used and, thus, permits alternative bases of accounting for segments, as long as the basis used for reporting segment information is the same basis management uses for internal reporting purposes. Thus, reported segment results could differ significantly between the two standards.

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STATUTORY AUDITORS' REVIEW REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2005

Barbier Frinault & Autres
Ernst & Young
41, rue Ybry
92576 Neuilly-sur-Seine Cedex

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Mazars
Le Vinci - 4, allée de l'Arche
92075 Paris la Défense

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

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

BNP Paribas
16, boulevard des Italiens
75009 Paris

To the Shareholders,

As the statutory auditors appointed by the General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas for the year ended 31 December 2005.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

These consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They include comparative information in respect of financial year 2004, restated in accordance with the same standards, with the exception of IAS 32, IAS 39 and IFRS 4, which are applied with effect from 1 January 2005, as permitted by IFRS 1.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2005, and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments:

* BNP Paribas records provisions to cover the credit risks inherent to its business (notes 2 and 5.a to the consolidated financial statements). We examined the control procedures applicable for monitoring and provisioning credit risks, assessing irrecoverability risks and determining the related individual and portfolio-based provisions;

* BNP Paribas uses internal models and methodologies to value its positions on financial instruments which are not traded on an active market, as well as to determine certain provisions and assess whether the hedging designation is appropriate (in particular as regards financial assets and liabilities at fair value through profit or loss, available-for-sale assets, and financial instruments carried at amortized cost, whose fair value is disclosed in notes to the financial statements - note 2 to the consolidated financial statements). We examined the control procedures applicable to the verification of these models and the determination of the parameters used.

BNP Paribas raises provisions to cover its employee benefit obligations (notes 2 and 8.b to the consolidated financial statements). We examined the method adopted to measure these obligations, as well as the assumptions and parameters used.

We assessed whether these estimates were reasonable.

Our assessments on these matters were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and La Défense, 21 February 2006

The Statutory Auditors

Barbier Frinault & Autres	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Radwan Hoteit	Etienne Boris	Hervé Hélias

BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2005

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

INTRODUCTION

Applicable accounting standards

The financial statements contained in the present document comprise the balance sheet, profit and loss account, statement of changes in shareholders' equity and statement of cash flows, together with the notes thereto (the Financial Statements) as published for the first time by the BNP Paribas Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These standards are applicable to consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards that had been adopted within the European Union as of 31 December 2005.

The financial statements for the year ended 31 December 2004 as published under French generally accepted accounting principles (French GAAP) have been restated to comply with the requirements of IFRS as adopted by the European Union and as applicable in 2004, in order to provide comparatives with the financial statements published under IFRS in 2005.

However, there are material divergences between IFRS as applicable in 2004 and in 2005, primarily as a result of the application from 1 January 2005 of the standard on financial instruments. The principles for the recognition, classification and measurement of financial instruments contained in this standard are very different from the French GAAP principles that applied in 2004. Consequently, the effects of this standard on the financial statements of banks, especially their balance sheets, are very substantial.

The BNP Paribas Group has therefore decided to disclose not only the effects on the balance sheet at 31 December 2004 of the transition from French GAAP to IFRS as applicable in 2004, but also the effects of the transition from IFRS as applicable in 2004 to IFRS as applicable in 2005. This has been done by presenting a balance sheet at 1 January 2005, and using this as the basis for preparing the notes to the balance sheet.

Consequently, the balance sheet at 1 January 2005 and the notes thereto serve as the comparative for the balance sheet produced as of 31 December 2005.

Presentation of the financial statements during the transitional period

The following presentational rules have been applied to the financial statements during the transitional period. These rules take account of (i) information published under French GAAP for the 2003 and 2004 financial years, (ii) IFRS restatements made to the 2004 financial statements, and (iii) the effects of the non-retrospective application in 2005 of IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 4 (Insurance Contracts):

✓ *Profit and loss account for the year ended 31 December 2004*

The profit and loss account for the year ended 31 December 2004 and the notes thereto are presented after restatement to comply with IFRS as applicable in 2004 (i.e. excluding IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as "2004 IFRS".

However, the presentation of the profit and loss account is consistent with the new IFRS account headings and classifications, in accordance with the format recommended by the French accounting authorities (*Conseil National de la Comptabilité*). BNP Paribas has applied with effect from the 2004 financial year the terminology introduced by IAS 39 to show separately within the profit and loss account items relating to trading account activities and items relating to the various categories of securities.

✓ *Balance sheet at 1 January 2005*

The balance sheet at 1 January 2005 and the notes thereto are presented after restatement to comply with full-scope IFRS (i.e. including IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as "EU IFRS".

✓ *Shareholders' equity*

The statement of changes in shareholders' equity between 31 December 2003 and 1 January 2005 incorporates the effects of adjustments made to comply with IFRS as applicable at 1 January 2004 (the transition date) and 1 January 2005 respectively.

✓ *Effects of the first-time adoption of IFRS*

Note 1, "Effects of first-time adoption of IFRS", presents in detail the principal reclassifications and restatements made to shareholders' equity at 1 January 2004, to the profit and loss account for the year ended 31 December 2004 and to the balance sheet at 31 December 2004 in order to comply with 2004 IFRS, as well as those made to the balance sheet and shareholders' equity at 1 January 2005 in order to comply with IAS 32, IAS 39 and IFRS 4.

Note 1 also describes the main differences in accounting principles between IFRS and French GAAP.

✓ *Accounting policies*

Note 2 describes the accounting policies adopted by the BNP Paribas Group under 2004 IFRS (including French GAAP policies that continue to apply, in particular those related to financial instruments), followed by a description of the accounting policies applied under IAS 32, IAS 39 and IFRS 4 (as substituted for the relevant French GAAP accounting policies in 2005), which together with 2004 IFRS comprise the full-scope EU IFRS set of standards.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005 EU IFRS	Year to 31 Dec 2004 2004 IFRS
Interest income [1]	3.a	32,087	24,957
Interest expense [1]	3.a	(24,354)	(17,403)
Commission income [1]		8,701	7,164
Commission expense [1]		(4,154)	(2,791)
Net gain/loss on financial instruments at fair value through profit or loss[2]	3.b	5,212	3,366
Net gain/loss on available-for-sale financial assets[3]	3.c	1,353	1,450
Income from other activities	3.d	21,607	16,544
Expense on other activities	3.d	(18,598)	(13,918)
NET BANKING INCOME		**21,854**	**19,369**
Operating expense		(12,627)	(11,243)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.k	(742)	(800)
GROSS OPERATING INCOME		**8,485**	**7,326**
Cost of risk	3.e	(610)	(685)
OPERATING INCOME		**7,875**	**6,641**
Share of earnings of associates		352	407
Net gain/loss on non-current assets		211	64
Change in value of goodwill		(14)	7
PRE-TAX NET INCOME		**8,424**	**7,119**
Corporate income tax	3.f	(2,138)	(1,764)
NET INCOME		**6,286**	**5,355**
of which minority interests		434	416
NET INCOME BEFORE MINORITY INTERESTS		**5,852**	**4,939**
Basic earnings per share	9.a	7.02	5.87
Diluted earnings per share	9.a	6.97	5.85

(1) Commission treated as an additional component of interest and hence as an integral part of the effective interest rate in accordance with IAS 39 has been retained on the "Commission income" line, as IAS 39 was not applicable in 2004. In 2005, such commission is included with interest income and expense.

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

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

BALANCE SHEET AT 31 DECEMBER 2005

In millions of euros	Note	31 Dec 2005 EU IFRS	1 January 2005 EU IFRS
ASSETS			
Cash and amounts due from central banks and post office banks		7,115	6,888
Financial assets at fair value through profit or loss	6.b	700,525	539,510
Derivatives used for hedging purposes	6.c	3,087	2,581
Available-for-sale financial assets	6.d	92,706	75,778
Loans and receivables due from credit institutions	6.a	45,009	40,983
Loans and receivables due from customers	6.e	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios		(61)	-
Held-to-maturity financial assets	6.g	15,445	26,130
Current and deferred tax assets	6.h	2,135	2,140
Accrued income and other assets	6.i	65,327	41,332
Investments in associates	6.j	1,823	2,720
Investment property	6.k	5,255	4,551
Property, plant and equipment	6.k	9,213	8,159
Intangible assets	6.k	1,225	1,175
Goodwill	6.l	8,079	6,328
TOTAL ASSETS		**1,258,079**	**1,002,503**
LIABILITIES			
Due to central banks and post office banks		742	256
Financial liabilities at fair value through profit or loss	6.b	610,681	457,126
Derivatives used for hedging purposes	6.c	1,015	450
Due to credit institutions	6.a	118,893	100,188
Due to customers	6.e	247,494	211,487
Debt securities	6.f	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios		901	1,022
Current and deferred tax liabilities	6.h	2,206	1,653
Accrued expenses and other liabilities	6.i	48,446	34,056
Technical reserves of insurance companies	6.m	76,523	64,518
Provisions for contingencies and charges	6.n	3,850	3,983
Subordinated debt	6.f	16,706	13,042
TOTAL LIABILITIES		**1,212,086**	**965,378**
SHAREHOLDERS' EQUITY			
Share capital and additional paid-in capital		*9,701*	*12,109*
Retained earnings		*19,694*	*11,670*
Net income for the period attributable to shareholders		*5,852*	*4,939*
Total capital and retained earnings attributable to shareholders		35,247	28,718
Unrealised or deferred gains and losses attributable to shareholders		5,471	3,593
Shareholders' equity		**40,718**	**32,311**
Minority interests		**5,275**	**4,814**
Total consolidated equity		**45,993**	**37,125**
TOTAL LIABILITIES AND EQUITY		**1,258,079**	**1,002,503**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 31 DECEMBER 2003 AND 31 DECEMBER 2005

In millions of euros	Shareholders' equity: Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 31 December 2003 under French GAAP	12,823		(1,905)	18,005	28,923
Appropriation of net income for 2003				(1,212)	(1,212)
Consolidated equity at 1 January 2004 under French GAAP	12,823	-	(1,905)	16,793	27,711
Effect of adoption of IFRS applicable in 2004 (1)			(64)	(680)	(744)
Consolidated equity at 1 January 2004 under 2004 IFRS	12,823	-	(1,969)	16,113	26,967
Movements arising from relations with shareholders					
Increase in share capital	252				252
Reduction in share capital	(966)		966		
Elimination of own equity instruments			(1,611)	(61)	(1,672)
Share-based payment plans			(79)	85	6
Interim dividends paid out of net income for the period					-
	(714)	-	(724)	24	(1,414)
Other movements				56	56
Unrealised or deferred gains and losses for the period :					
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2004				4,939	4,939
Consolidated equity at 31 December 2004 under 2004 IFRS	12,109	-	(2,693)	21,132	30,548
Effect of adoption of IFRS applicable at 1 January 2005			32	(1,862)	(1,830)
Consolidated equity at 1 January 2005 under EU IFRS before appropriation of net income	12,109	-	(2,661)	19,270	28,718
Appropriation of net income for 2004				(1,659)	(1,659)
Consolidated equity at 1 January 2005 under EU IFRS after appropriation of net income	12,109	-	(2,661)	17,611	27,059
Movements arising from relations with shareholders					
Increase in share capital	286				286
Reduction in share capital	(2,694)		2,694		-
Issue of preferred shares and equivalent instruments		2,424			2,424
Elimination of own equity instruments			(235)	(63)	(298)
Share-based payment plans			37	35	72
Preferred shares and equivalent instruments remuneration				(19)	(19)
Interim dividends paid out of net income for the period					-
Effect of acquisitions and disposals on minority interests				(92)	(92)
	(2,408)	2,424	2,496	(139)	2,373
Other movements				(37)	(37)
Unrealised or deferred gains and losses for the period :					
Changes in faire value of financial intruments through shareholders' equity					-
Changes in faire value of financial intruments through profit and loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	-	-	-	-
Net income for 2005				5,852	5,852
Consolidated equity at 31 December 2005 under EU IFRS	9,701	2,424	(165)	23,287	35,247

(1) In accordance with IFRS, BNP Paribas has recognised all existing cumulative translation differences as at 1 January 2004 as an irreversible component of retained earnings.

Shareholders' equity (cont'd)					Minority interests			
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	Total consolidated equity
(602)			**(602)**	**28,321**	**5,019**		**5,019**	**33,340**
			-	**(1,212)**	**(324)**		**(324)**	**(1,536)**
(602)	**-**	**-**	**(602)**	**27,109**	**4,695**	**-**	**4,695**	**31,804**
602			**602**	**(142)**	**66**		**66**	**(76)**
-	**-**	**-**	**-**	**26,967**	**4,761**	**-**	**4,761**	**31,728**
			-	252			-	252
			-	(1,672)			-	(1,672)
			-	6			-	6
			-	-	(157)		(157)	(157)
-	**-**	**-**	**-**	**(1,414)**	**(157)**	**-**	**(157)**	**(1,571)**
			-	**56**	**4**		**4**	**60**
(142)			(142)	(142)		(107)	(107)	(249)
(30)			(30)	(30)			-	(30)
(172)	**-**	**-**	**(172)**	**(172)**	**-**	**(107)**	**(107)**	**(279)**
				4,939	**412**		**412**	**5,351**
(172)	**-**	**-**	**(172)**	**30,376**	**5,020**	**(107)**	**4,913**	**35,289**
	3,329	**436**	**3,765**	**1,935**	**(95)**	**(4)**	**(99)**	**1,836**
(172)	**3,329**	**436**	**3,593**	**32,311**	**4,925**	**(111)**	**4,814**	**37,125**
			-	**(1,659)**	**(211)**		**(211)**	**(1,870)**
(172)	**3,329**	**436**	**3,593**	**30,652**	**4,714**	**(111)**	**4,603**	**35,255**
			-	286			-	286
			-	-			-	-
			-	2,424	163		163	2,587
			-	(298)			-	(298)
			-	72			-	72
			-	(19)			-	(19)
			-	-	(154)		(154)	(154)
			-	(92)	22		22	(70)
-	**-**	**-**	**-**	**2,373**	**31**	**-**	**31**	**2,404**
			-	**(37)**	**6**		**6**	**(31)**
	2,018	(190)	1,828	1,828		1	1	1,829
	(702)		(702)	(702)			-	(702)
545			545	545		203	203	748
(7)	212	2	207	207			-	207
538	**1,528**	**(188)**	**1,878**	**1,878**	**-**	**204**	**204**	**2,082**
			-	**5,852**	**431** [2]		**431**	**6,283**
366	**4,857**	**248**	**5,471**	**40,718**	**5,182**	**93**	**5,275**	**45,993**

(2) The portion of net income for the period attributable to minority shareholders in respect of whose shares the Group has granted a put option is transferred to retained earnings attributable to BNP Paribas shareholders, on the "Other movements" line. The amount involved in the year ended 31 December 2005 was EUR 3 million.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005	Year to 31 Dec 2004
Pre-tax net income		**8,424**	**7,119**
Non-monetary items included in pre-tax net income and other adjustments		**(2,723)**	**7,757**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,240	1,940
Impairment of goodwill and other non-current assets		(25)	(7)
Net addition to provisions		4,947	5,501
Share of earnings of associates		(352)	(407)
Net (income) loss from investing activities		(205)	47
Net loss (income) from financing activities		25	(159)
Other movements		(9,353)	842
Net decrease in cash related to assets and liabilities generated by operating activities		**(8,439)**	**(8,859)**
Net increase in cash related to transactions with credit institutions		15,493	12,613
Net decrease in cash related to transactions with credit institutions		(13,991)	(11,828)
Net decrease in cash related to transactions involving other financial assets and liabilities		(6,044)	(7,640)
Net increase in cash related to transactions involving non-financial assets and liabilities		(2,406)	(519)
Taxes paid		(1,491)	(1,485)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**(2,738)**	**6,017**
Net decrease in cash related to acquisitions and disposals of consolidated entities	9.c	(733)	(816)
Net decrease related to property, plant and equipment and intangible assets		(981)	(764)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		**(1,714)**	**(1,580)**
Decrease in cash and equivalents related to transactions with shareholders		(2,050)	(3,151)
Other increases in cash and equivalents generated by financing activities		7,320	958
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**5,270**	**(2,193)**
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**401**	**(183)**
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**
Balance on cash and equivalent accounts at the start of the period		**7,346**	**5,285**
Net balance of cash accounts and accounts with central banks and post office banks		6,634	5,395
Net balance of demand loans and deposits - credit institutions		712	(110)
Balance on cash and equivalent accounts at the end of the period		**8,565**	**7,346**
Net balance of cash accounts and accounts with central banks and post office banks		6,642	6,634
Net balance of demand loans and deposits - credit institutions		1,923	712
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 PREPARED UNDER IFRS

1. EFFECTS OF FIRST-TIME ADOPTION OF IFRS

1.a TRANSITION OF PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 DECEMBER 2004

In millions of euros	French GAAP	Reallocations between financial instrument categories	Reclassifications	Restatements	2004 IFRS
Net interest income	6,119		1,453	(18)	7,554
Net commission income	4,687		(326)	12	4,373
Net gains on trading account securities	4,713	(4,713)			
Net gain/loss on financial instruments at fair value through profit or loss (1)		4,713	(1,355)	8	3,366
Income from variable-income securities	294	(294)			
Net gains on securities available for sale	453	(453)			
Net gain/loss on available-for-sale financial assets (2)		747	724	(21)	1,450
Net other banking income	101		(101)		
Underwriting result and net investment income of insurance companies	1,919		(1,919)		
Net income from other activities	537		2,104	(15)	2,626
NET BANKING INCOME	**18,823**	**-**	**580**	**(34)**	**19,369**
Operating expenses	(10,837)		(323)	(83)	(11,243)
Depreciation, amortisation and impairment	(755)		(33)	(12)	(800)
GROSS OPERATING INCOME	**7,231**	**-**	**224**	**(129)**	**7,326**
Cost of risk	(678)		(7)		(685)
OPERATING INCOME	**6,553**	**-**	**217**	**(129)**	**6,641**
Share of earnings of associates	194			213	407
Net gain/loss on non-current assets	843		(605)	(174)	64
Net non-recurring expense	(389)		389		
Amortisation of goodwill	(384)			391	7
Movements in reserve for general banking risks	88			(88)	
PRE-TAX NET INCOME	**6,905**	**-**	**1**	**213**	**7,119**
Corporate income tax	(1,830)		(1)	67	(1,764)
NET INCOME	**5,075**	**-**	**-**	**280**	**5,355**
of which minority interests	407			9	416
NET INCOME BEFORE MINORITY INTERESTS	**4,668**	**-**	**-**	**271**	**4,939**

(1) Under 2004 IFRS, "Financial instruments at fair value through profit or loss" consists solely of trading account financial instruments.

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

The profit and loss account format recommended by the French accounting authorities does not retain the previous French GAAP headings to classify gains and losses on financial instruments covered by IAS 39. The Group has therefore used the recommended headings. Reallocations between French GAAP headings and IFRS-compliant headings are shown in the transition schedule.

1.a.1 Principal reclassifications made to comply with 2004 IFRS and with presentational rules adopted in France

In millions of euros	Reclassification of net non-recurring expense	Reclassification of gain/loss on disposal of investments	Reallocation of underwriting result & net investment income of insurance companies	Reclassification of interest on fixed-income trading account securities
Net interest income	(11)		286	1,356
Net commission income			(1)	
Net gain/loss on financial instruments at fair value through profit or loss	5			(1,356)
Net gain/loss on available-for-sale financial assets	2	604	124	-
Net other banking income				
Underwriting result and net investment income of insurance companies			(1,919)	
Net income from other activities	(23)		1,510	
NET BANKING INCOME	**(27)**	**604**	**-**	**-**
Operating expenses	(327)			
Depreciation, amortisation and impairment	(33)			
GROSS OPERATING INCOME	**(387)**	**604**	**-**	**-**
Cost of risk				
OPERATING INCOME	**(387)**	**604**	**-**	**-**
Net gain/loss on non-current assets	(1)	(604)		
Net non-recurring expense	389			
PRE-TAX NET INCOME	**1**	**-**	**-**	**-**
Corporate income tax	(1)			
NET INCOME	**-**	**-**	**-**	**-**

Reclassification of non-recurring items

The net non-recurring expense of EUR 389 million reported for the year ended 31 December 2004 has been reallocated mainly to "Operating expense" (EUR 327 million, primarily for employee benefit obligations and costs associated with the transition to IFRS and preparations for the new capital adequacy ratio calculation rules), "Depreciation, amortisation and impairment" (EUR 33 million), and "Net income from other activities" (EUR 23 million).

Reclassification of gains and losses on disposals of long-term investments

Gains and losses on disposals of long-term investments, shown under "Gains on long-term investments and changes in provisions" under French GAAP, have been reclassified to "Net Banking Income". The amount involved is EUR 604 million. Net realised gains and losses on disposals of property, plant and equipment and intangible assets used in operations, and on disposals of investments in consolidated undertakings still included in the scope of consolidation at the time of disposal, continue to be recorded on this line, now retitled "Net gain/loss on non-current assets" to reflect the change in content.

Reclassification of underwriting result and net investment income of insurance companies

BNP Paribas has reclassified all the items included on the line "Underwriting result and net investment income of insurance companies", so as to include them with items of a similar nature related to banking activities. The total amount involved (EUR 1,919 million) has been reclassified as follows: EUR 1,510 million to "Net income from other activities", EUR 124 million to "Net gain/loss on available-for-sale financial assets", and EUR 286 million to "Interest income".

Recognition of net operating lease income in "Net income from other activities"	Reclassification of "Net other banking income"	Other items	TOTAL Reclassifications
(261)	56	27	1,453
(215)	(113)	3	(326)
	(7)	3	(1,355)
-	(4)	(2)	724
(16)	(85)		(101)
			(1,919)
492	153	(28)	2,104
-	**-**	**3**	**580**
		4	(323)
			(33)
-	**-**	**7**	**224**
		(7)	(7)
-	**-**	**-**	**217**
			(605)
			389
-	**-**	**-**	**1**
			(1)
-	**-**	**-**	**-**

Reclassification of interest on fixed-income trading account securities

Interest income derived from fixed-income trading account securities, reported under French GAAP in "Net gains on trading account securities" (equivalent to "Net gain/loss on financial instruments at fair value through profit or loss" under IFRS), has been reclassified to "Interest income". The total amount involved is EUR 1,356 million.

Reclassification of net income from operating leases

Some leases contracted by the BNP Paribas Group as lessor qualify as operating leases under IFRS but were treated as finance leases under French GAAP. In the French GAAP financial statements, these leases generated income that was recorded partly in "Net interest income" (EUR 261 million) and partly in "Commission income" (EUR 2 million). Under IFRS, this income has been reclassified in full to "Net income from other activities". In addition, ancillary revenues generated by these leasing activities, mainly in the form of recharges of future maintenance costs, have been reclassified from "Commission income" (amount: EUR 213 million) and "Net other banking income" (amount: EUR 16 million) to "Net income from other activities".

Reclassification of "Net other banking income"

Items included in "Net other banking income" under French GAAP (apart from income generated by operating leases, as described in the previous paragraph), have been reallocated to other lines within net banking income according to the nature of the income or expense. In particular, EUR 56 million has been reclassified to "Interest income", payment instrument charges of EUR 113 million have been reclassified to "Commission income", and EUR 153 million of income (mainly comprising rental income from investment property) has been reclassified to "Net income from other activities".

1.a.2 Principal restatements made to comply with 2004 IFRS

In millions of euros	PP&E used in operations and investment property	Intangible assets	Leases	Share-based payment
	IAS 16, IAS 40	IAS 38	IAS 17	IFRS 2
Net interest income			(5)	
Net commission income				
Net gain/loss on financial instruments at fair value through profit or loss				
Net gain/loss on available-for-sale financial assets				
Net income from other activities	7		(21)	
NET BANKING INCOME	**7**	**-**	**(26)**	**-**
Operating expenses		2	3	(115)
Depreciation, amortisation and impairment	1	(13)	(1)	
GROSS OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Cost of risk				
OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Share of earnings of associates				
Net gain/loss on non-current assets				
Amortisation of goodwill				
Movements in reserve for general banking risks				
PRE-TAX NET INCOME	**8**	**(11)**	**(24)**	**(115)**
Corporate income tax	5	4	10	18
NET INCOME	**13**	**(7)**	**(14)**	**(97)**
of which minority interests	8		1	
NET INCOME BEFORE MINORITY INTERESTS	**5**	**(7)**	**(15)**	**(97)**

Note 1.c provides an explanation, for each standard, of the principal restatements made to comply with 2004 IFRS.

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS 19	IAS 31 & IAS 36	IAS 37		2004 IFRS
	(7)		(6)	(18)
	13		(1)	12
11			(3)	8
	(21)			(21)
			(1)	(15)
11	**(15)**	**-**	**(11)**	**(34)**
54	(27)			(83)
			1	(12)
65	**(42)**	**-**	**(10)**	**(129)**
				-
65	**(42)**	**-**	**(10)**	**(129)**
2	210		1	213
	(169)		(5)	(174)
	391			391
		(88)		(88)
67	**390**	**(88)**	**(14)**	**213**
(23)	53	2	(2)	67
44	**443**	**(86)**	**(16)**	**280**
	6	(1)	(5)	9
44	**437**	**(85)**	**(11)**	**271**

1.b TRANSITION OF BALANCE SHEET AT 31 DECEMBER 2004 AND 1 JANUARY 2005

In millions of euros	31 Dec 2004	Reclassification	Restatements	31 Dec 2004	Reclassification	Restatements	1 January 2005
	French GAAP	2004 IFRS		2004 IFRS	IAS 32, IAS 39 and IFRS 4		EU IFRS
ASSETS		1.b.1	1.b.3		1.b.2	1.b.4	
Cash and amounts due from central banks and post office	**6,843**	**-**	**2**	**6,845**	**43**	**-**	**6,888**
Securities portfolio	**273,676**	**65,319**	**(392)**	**338,603**	**(338,603)**		
- Treasury bills and money-market instruments	128,400		1	128,401	(128,401)		
- Bonds and other fixed-income instruments	66,899	39,367	256	106,522	(106,522)		
- Equities and other variable-income instruments	72,254	25,952	(156)	98,050	(98,050)		
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	6,123		(493)	5,630	(5,630)		
Financial assets at fair value through profit or loss					**538,526**	**984**	**539,510**
Derivatives used for hedging purposes					**402**	**2,179**	**2,581**
Available-for-sale financial assets					**69,761**	**6,017**	**75,778**
Loans and receivables due from credit institutions	**180,443**	**991**	**221**	**181,655**	**(140,702)**	**30**	**40,983**
Loans and receivables due from customers	**258,080**	**(4,700)**	**11,646**	**265,026**	**(19,920)**	**(878)**	**244,228**
- Loans and receivables	237,508	43	11,655	249,206	(19,920)	(851)	228,435
- Finance lease receivables	20,572	(4,743)	(9)	15,820	-	(27)	15,793
Held-to-maturity financial assets					**26,130**	**-**	**26,130**
Insurance company investments	**69,501**	**(69,501)**	**-**	**-**	**-**	**-**	**-**
Current and deferred tax assets		**1,474**	**402**	**1,876**	**-**	**264**	**2,140**
Accrued income and other assets	**99,808**	**112**	**143**	**100,063**	**(58,684)**	**(47)**	**41,332**
Investments in associates	**1,761**	**203**	**470**	**2,434**	**-**	**286**	**2,720**
Property, plant and equipment and intangible assets	**9,582**	**5,778**	**(854)**	**14,506**	**(621)**	**-**	**13,885**
- Investment property	3,773	1,309	90	5,172	(621)	-	4,551
- Property, plant and equipment	4,231	4,476	(548)	8,159	-	-	8,159
- Intangible assets	1,578	(7)	(396)	1,175	-	-	1,175
Goodwill	**6,244**	**(203)**	**367**	**6,408**	**(80)**	**-**	**6,328**
Total assets	**905,938**	**(527)**	**12,005**	**917,416**	**76,252**	**8,835**	**1,002,503**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Due to central banks and post office banks	**256**	**(256)**	**-**	**-**	**256**	**-**	**256**
Financial liabilities at fair value through profit or loss					**454,704**	**2,422**	**457,126**
Derivatives used for hedging purposes					**155**	**295**	**450**
Due to credit institutions	**244,707**	**-**	**57**	**244,764**	**(144,671)**	**95**	**100,188**
Due to customers	**237,712**	**1,245**	**(1,038)**	**237,919**	**(26,431)**	**(1)**	**211,487**
Debt securities	**103,966**	**-**	**12,544**	**116,510**	**(38,923)**	**10**	**77,597**
Remeasurement adjustment on interest-rate risk hedged					**-**	**1,022**	**1,022**
Current and deferred tax liabilities		**1,449**	**(83)**	**1,366**	**-**	**287**	**1,653**
Technical reserves of insurance companies	**69,378**	**(1,200)**	**(249)**	**67,929**	**(5,525)**	**2,114**	**64,518**
Accrued expenses and other liabilities	**198,128**	**(2,021)**	**104**	**196,211**	**(162,236)**	**81**	**34,056**
Negative goodwill	**15**	**-**	**(15)**	**-**	**-**	**-**	**-**
Provisions for contingencies and charges	**3,764**	**-**	**812**	**4,576**	**(758)**	**165**	**3,983**
Subordinated debt	**12,242**	**-**	**354**	**12,596**	**(63)**	**509**	**13,042**
Reserve for general banking risks	**752**	**-**	**(752)**	**-**	**-**	**-**	**-**
Shareholders' equity	**30,194**	**-**	**182**	**30,376**	**-**	**1,935**	**32,311**
Share capital and additional paid-in capital	12,109			12,109	-		12,109
Retained earnings	14,206		(706)	13,500	-	(1,830)	11,670
Unrealised or deferred gains and losses	(789)		617	(172)	-	3,765	3,593
Net income for the period	4,668		271	4,939	-		4,939
Minority interests	**4,824**	**-**	**89**	**4,913**	**-**	**(99)**	**4,814**
Total liabilities and shareholders' equity	**905,938**	**(783)**	**12,005**	**917,160**	**76,508**	**8,835**	**1,002,503**

1.b.1 Principal restatements made at 31 December 2004 to comply with 2004 IFRS, in accordance with the presentational rules adopted in France

In millions of euros	Reallocation of insurance company investments	Goodwill on associates	Reclassification of technical reserves of insurance companies	Equipment leases qualifying as operating leases
ASSETS				
Securities portfolio	**65,249**	**-**	**-**	**-**
- Bonds and other fixed-income instruments	39,367			
- Equities and other variable-income instruments	25,882			
Loans and receivables due from credit institutions	**991**			
Loans and receivables due from customers	**13**	**-**	**-**	**(4,713)**
- Loans and receivables	13			30
- Finance lease receivables				(4,743)
Insurance company investments	**(69,501)**			
Current and deferred tax assets				
Accrued income and other assets	**2,075**			**73**
Investments in associates		**203**		
Property, plant and equipment and intangible assets	**1,173**	**-**	**45**	**4,640**
- Investment property	1,173		45	
- Property, plant and equipment				4,640
- Intangible assets				
Goodwill		**(203)**		
Total assets	**-**	**-**	**45**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to customers			**1,245**	
Current and deferred tax liabilities				
Technical reserves of insurance companies			**(1,200)**	
Accrued expenses and other liabilities				
Total liabilities and shareholders' equity	**-**	**-**	**45**	**-**

Reallocation of insurance company investments

Under French GAAP, insurance company investments (EUR 69,501 million) were recorded on a separate line that included property investments, admissible investments related to unit-linked business, and any other admissible investment related to insurance contracts (especially life insurance contracts).

Under IFRS, these investments have been reclassified by type. Property investments (EUR 1,173 million) have been reclassified under "Investment property". Financial investments held by insurance companies using fixed-income or variable-income securities as the underlying asset have been reclassified to the relevant category of securities, resulting in the reclassification of EUR 39,367 million to "Bonds and other fixed-income instruments" and EUR 25,882 million to "Equities and other variable-income instruments". An amount of EUR 991 million has been reclassified to "Loans and receivables due from credit institutions", and the "Reinsurers' share of technical reserves", totalling EUR 2,075 million, has been reclassified to "Accrued income and other assets".

Goodwill on investments in associates

Goodwill arising on investments in associates (companies accounted for under the equity method) but not yet amortised, amounting to EUR 203 million at 31 December 2004, has been reclassified from "Goodwill" and is now included in the line "Investments in associates".

Reclassification of tax to specific account	Other reclassifications	TOTAL Reclassifications
-	70	65,319
		39,367
	70	25,952
		991
-	-	(4,700)
		43
		(4,743)
		(69,501)
1,474		1,474
(1,474)	(562)	112
		203
-	(80)	5,778
	91	1,309
	(164)	4,476
	(7)	(7)
		(203)
-	(572)	(527)

		1,245
1,449	-	1,449
		(1,200)
(1,449)	(572)	(2,021)
-	(572)	(527)

Reclassification of technical reserves of insurance companies

Technical reserves that have the characteristics of amounts due to reinsurers have been reclassified to “Due to customers” on the liabilities side of the balance sheet (EUR 1,245 million).

Equipment leases

Certain equipment leases that qualify as operating leases under IFRS were treated as finance leases under French GAAP and hence recorded as customer items under “Leasing receivables” in the balance sheet. Under IAS 16 and IAS 17, assets leased under operating leases are now recognised as property, plant and equipment in the lessor’s balance sheet (impact at 31 December 2004: EUR 4,640 million).

1.b.2 Principal reclassifications made at 1 January 2005 relating to the application of IAS 32, IAS 39 and IFRS 4

In millions of euros	Reallocation of securities portfolio	Designation of liabilities at fair value through profit or loss (fair value option)	Reclassification of repurchase agreements
ASSETS			
Cash and amounts due from central banks and post office banks	**43**		
Securities portfolio	**(338,603)**	**-**	**-**
- Treasury bills and money-market instruments	(128,401)		
- Bonds and other fixed-income instruments	(106,522)		
- Equities and other variable-income instruments	(98,050)		
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(5,630)		
Financial assets at fair value through profit or loss	**229,140**		**165,181**
Derivatives used for hedging purposes			
Available-for-sale financial assets	**69,232**		
Loans and receivables due from credit institutions	**1,199**		**(144,598)**
Loans and receivables due from customers	**716**	**-**	**(20,583)**
- Loans and receivables	716		(20,583)
Held-to-maturity financial assets	**26,130**		
Accrued income and other assets			
Property, plant and equipment and intangible assets	**-**	**-**	**-**
- Investment property			
Goodwill			
Total assets	**(12,143)**	**-**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities at fair value through profit or loss	**(12,467)**	**33,365**	**178,761**
Derivatives used for hedging purposes			
Due to credit institutions	**(72)**	**(1,146)**	**(141,099)**
Due to customers	**(460)**	**(327)**	**(37,662)**
Debt securities	**(163)**	**(31,634)**	
Accrued expenses and other liabilities	**1,019**		
Technical reserves of insurance companies			
Provisions for contingencies and charges			
Subordinated debt		**(258)**	
Total liabilities and shareholders' equity	**(12,143)**	**-**	**-**

Recognition of derivatives in the balance sheet	Liabilities related to securities transactions	Other reclassifications	TOTAL Reclassifications
			43
-	-	-	(338,603)
			(128,401)
			(106,522)
			(98,050)
			(5,630)
143,333		872	538,526
402			402
		529	69,761
		2,697	(140,702)
-	-	(53)	(19,920)
		(53)	(19,920)
			26,130
(54,248)		(4,436)	(58,684)
-	-	(621)	(621)
		(621)	(621)
		(80)	(80)
89,487	-	(1,092)	76,252

149,144	103,012	2,889	454,704
155			155
		(2,354)	(144,671)
		12,018	(26,431)
		(7,126)	(38,923)
(59,812)	(103,012)	(431)	(162,236)
		(5,525)	(5,525)
		(758)	(758)
		195	(63)
89,487	-	(1,092)	76,252

Securities portfolio

The application of IAS 32 and IAS 39 at 1 January 2005 has led to the reclassification of components of the securities portfolio to comply with the new rules requiring financial instruments to be classified by management intention and method of measurement.

At 31 December 2004, the securities portfolio amounted to EUR 338,603 million, after reclassification of insurance company investments. Of this total, EUR 229,140 million was classified as assets at fair value through profit or loss, EUR 69,232 million as available-for-sale assets, EUR 26,130 million as held-to-maturity assets, and EUR 12,467 million as borrowed securities, which are no longer recognised as assets under IFRS.

Fair value option (designation of liabilities as fair value through profit or loss)

In June 2005, the IASB issued an amendment to IAS 39 that allows the measurement at fair value of certain liabilities issued by an enterprise that are not part of the trading portfolio and that include embedded derivatives which are themselves hedged by derivative financial instruments. Because this amendment was adopted by the European Union in 2005, BNP Paribas has applied it with effect from 1 January 2005, and has used the fair value option to designate the following as "Financial liabilities at fair value through profit or loss" as of that date: debt securities of EUR 31,634 million, subordinated debt of EUR 258 million, and structured debt issues of EUR 1,146 million (interbank items) and EUR 327 million (customer items).

Reclassification of repurchase agreements initiated for trading purposes

Securities received under repurchase agreements, classified in "Loans and receivables due from credit institutions" under French GAAP, are presented at 1 January 2005 under "Financial assets at fair value through profit or loss"; the amount involved is EUR 144,598 million. A similar reclassification has been made for the EUR 20,583 million of securities received under repurchase agreements previously classified in "Loans and receivables due from customers".

On the liabilities side of the balance sheet, EUR 141,099 million and EUR 37,662 million relating to securities given under repurchase agreements with credit institutions and customers respectively have been reclassified to "Financial liabilities at fair value through profit or loss".

Balance sheet recognition of derivative instruments

Some derivative instruments were already recognised in the balance sheet under French GAAP, mainly in "Accrued income and other assets" (EUR 54,248 million) and "Accrued expenses and other liabilities" (EUR 59,812 million). These consisted of trading account derivatives already measured at market value under French GAAP, and premiums on options used in connection with hedging strategies. The amounts recognised under French GAAP represented the net remeasured value of each portfolio, shown as an asset if the net amount was positive and as a liability if the net amount was negative. These items have been reclassified as financial assets or financial liabilities at fair value through profit or loss as appropriate, and by individual instrument rather than by portfolios of instruments. The effect is to increase total assets and total liabilities by EUR 89,487 million.

Liabilities related to securities transactions

Liabilities related to short selling of securities and securities borrowing, classified in "Accrued expenses and other liabilities" under French GAAP and totalling EUR 103,012 million, have been reclassified to "Financial liabilities at fair value through profit or loss" in the EU IFRS balance sheet.

1.b.3 Restatements made at 31 December 2004 to comply with 2004 IFRS

In millions of euros	PP&E used in operations, investment property	Intangible assets	Leases	Share-based payment
	IAS16 & 40	IAS38	IAS17	IFRS2
ASSETS				
Cash and amounts due from central banks and post office banks				
Securities portfolio	-	-	-	-
- Treasury bills and money-market instruments				
- Bonds and other fixed-income instruments				
- Equities and other variable-income instruments				
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment				
Loans and receivables due from credit institutions				
Loans and receivables due from customers	-	-	(9)	-
Current and deferred tax assets	(6)	136	43	(15)
Accrued income and other assets			(16)	(140)
Investments in associates	1		(1)	
Property, plant & equipment and intangible assets	(370)	(396)	(88)	-
- Investment property	90			
- Property, plant and equipment	(460)		(88)	
- Intangible assets		(396)		
Goodwill				
Total assets	(375)	(260)	(71)	(155)
LIABILITIES & SHAREHOLDERS' EQUITY				
Due to credit institutions				
Due to customers				
Debt securities				
Current and deferred tax liabilities	(150)		11	
Technical reserves of insurance companies				
Accrued expenses and other liabilities	(26)			(153)
Goodwill				
Provisions for contingencies & charges			(18)	
Subordinated debt				
Reserve for general banking risks				
Shareholders' equity:	(238)	(260)	(61)	(2)
- Share capital				
- Additional paid-in capital	(312)			
- Retained earnings	69	(253)	(46)	95
- Net income for the period	5	(7)	(15)	(97)
Minority interests	39		(3)	
Total liabilities & shareholders' equity	(375)	(260)	(71)	(155)

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS19	IAS27,28,31&36	IAS37		2004 IFRS
	2			2
-	(392)	-	-	(392)
	1			1
	256			256
	(156)			(156)
	(493)			(493)
	221			221
-	11,655	-	-	11,646
189	41	2	12	402
	300		(1)	143
(1)	460		11	470
-	-	-	-	(854)
				90
				(548)
				(396)
	375		(8)	367
188	12,662	2	14	12,005
	57			57
	(1,038)			(1,038)
	12,544			12,544
	51	1	4	(83)
(249)				(249)
	258	3	22	104
	(15)			(15)
873	(40)		(3)	812
	354			354
		(752)		(752)
(437)	447	750	(17)	182
				-
				(312)
(481)	10	835	(6)	223
44	437	(85)	(11)	271
1	44		8	89
188	12,662	2	14	12,005

1.b.4 Restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4

In millions of euros	Impairment for credit risk	Measurement of financial instruments at fair value through profit or loss	Day one profit on financial instruments	Provision for regulated savings products
ASSETS				
Financial assets at fair value through profit or loss		680	56	
Derivatives used for hedging purposes				
Available-for-sale financial assets				
Loans and receivables due from credit institutions	(1)			
Loans and receivables due from customers	(929)	9		(28)
Current and deferred tax assets	288	248	134	129
Accrued income and other assets		(103)		
Investments in associates	(78)	22		
Total assets	(720)	856	190	101
LIABILITIES & SHAREHOLDERS' EQUITY				
Financial liabilities at fair value through profit or loss		1,392	660	
Derivatives used for hedging purposes		35		
Due to credit institutions				
Due to customers				
Debt securities		4		
Remeasurement adjustment on interest-rate risk hedged portfolios				
Current and deferred tax liabilities				
Technical reserves of insurance companies				
Accrued expenses and other liabilities		(31)	31	
Provisions for contingencies & charges	(73)	(84)		347
Subordinated debt				
Shareholders' equity:	(635)	(437)	(501)	(246)
Retained earnings	(635)	(437)	(501)	(246)
Unrealised or deferred gains and losses				
Minority interests	(12)	(23)	-	-
Total liabilities & shareholders' equity	(720)	856	190	101

The restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4, as published in the document entitled "Effects of the Transition to IFRS on the Financial Statements for the year ended 31 December 2004" filed on 16 September 2005 as a supplement to the *Document de Référence*, have been adjusted to take account of put options granted by BNP Paribas to some minority shareholders of subsidiaries under the exclusive control of BNP Paribas, and of a call option granted to the shareholders of a non-consolidated jointly-controlled subsidiary.

Net unrealised gains on securities portfolio	Net unrealised gains on derivatives used for hedging purposes	Fair value hedges	Other items	TOTAL EU IFRS restatements
			248	984
	548	1,631	-	2,179
5,624		168	225	6,017
		25	6	30
		7	63	(878)
		(503)	(32)	264
		(5)	61	(47)
350	(2)		(6)	286
5,974	546	1,323	565	8,835

			370	2,422
	67	194	(1)	295
		95	-	95
			(1)	(1)
		6	-	10
		1,022	-	1,022
677	97	(503)	16	287
1,965			149	2,114
	(47)		128	81
			(25)	165
		509	-	509
3,329	436	-	(11)	1,935
			(11)	(1,830)
3,329	436		-	3,765
3	(7)		(60)	(99)
5,974	546	1,323	565	8,835

The value of these options has been offset against minority interests (amount involved : EUR 51 million) and against retained earnings attributable to BNP Paribas shareholders (amount involved : EUR 49 million), in line with the accounting policy adopted by BNP Paribas and disclosed in Note 2, “Principal Accounting Policies Applied by the BNP Paribas Group”.

1.c NOTES ON PRINCIPAL RESTATEMENTS MADE TO COMPLY WITH IFRS

1.c.1 Restatements made to comply with 2004 IFRS

Property, plant and equipment and intangible assets used in operations, investment property (IAS 16, IAS 40)

As allowed under IAS 16, IAS 36 and IAS 40, the BNP Paribas Group has elected to use the historical cost method to measure property, plant and equipment and intangible assets used in operations, investment property, and any impairment of such assets. This elective treatment has the effect of cancelling out revaluations made by the Group to certain operating assets during the 1990s, and of introducing the component-based method.

The effect of these restatements at 1 January 2004, net of deferred taxes, is to reduce additional paid-in capital by EUR 312 million as a result of the adjustment to the value of property, plant and equipment and intangible assets, and to increase retained earnings by EUR 43 million as a result of applying the component-based approach.

Restatement in millions of euros	1 January 2005	1 January 2004
ASSETS	IAS16, IAS 40	
Current and deferred tax assets	(6)	(13)
Investments in associates	1	1
Property, plant & equipment and intangible assets	(370)	(378)
- Investment property	90	83
- Property, plant and equipment	(460)	(461)
Total assets	(375)	(390)
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	(150)	(152)
Accrued expenses and other liabilities	(26)	
Shareholders' equity:	(238)	(269)
- Additional paid-in capital	(312)	(312)
- Retained earnings	69	43
- Net income for the period	5	-
Minority interests	39	31
Total liabilities & shareholders' equity	(375)	(390)
PROFIT & LOSS ACCOUNT	2004	
Net banking income	7	
Depreciation, amortisation and impairment	1	
Corporate income tax	5	
Net income	13	
of which minority interests	8	
Net income, before minority interests	5	

Intangible assets: software (IAS 38)

Under French GAAP, software developed internally by the BNP Paribas Group is amortised on a straight line basis over five years. The application of IAS 38 has led BNP Paribas to redefine the criteria for capitalising internal development costs, and to apply different amortisation periods according to the nature of the software.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 253 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 38	
Current and deferred tax assets	136	132
Property, plant & equipment and intangible assets	(396)	(385)
- Intangible assets	(396)	(385)
Total assets	(260)	(253)
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity:	(260)	(253)
- Retained earnings	(253)	(253)
- Net income for the period	(7)	-
Total liabilities & shareholders' equity	(260)	(253)
PROFIT & LOSS ACCOUNT	2004	
Operating expense	2	
Depreciation, amortisation and impairment	(13)	
Corporate income tax	4	
Net income, before minority interests	(7)	

Assets leased under operating leases – lessor accounting (IAS 17)

Unlike French GAAP, IFRS do not allow lessors to use actuarial depreciation methods in accounting for operating leases. In addition, the depreciated amount of the leased asset is calculated net of its remeasured residual value, with each remeasurement of residual value reflected in a prospective change to annual depreciation expense. IFRS also requires direct negotiating costs and net arrangement fees incurred on inception of the lease to be included in the depreciable amount of the asset.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 46 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 17	
Loans and receivables due from customers	(9)	(5)
Current and deferred tax assets	43	33
Accrued income and other assets	(16)	(17)
Investments in associates	(1)	(1)
Property, plant & equipment and intangible assets	(88)	(68)
- Property, plant and equipment	(88)	(68)
Total assets	(71)	(58)
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	11	10
Provisions for contingencies & charges	(18)	(18)
Shareholders' equity:	(61)	(46)
- Retained earnings	(46)	(46)
- Net income for the period	(15)	-
Minority interests	(3)	(4)
Total liabilities & shareholders' equity	(71)	(58)
PROFIT & LOSS ACCOUNT	2004	
Net banking income	(26)	
Operating expense	3	
Depreciation, amortisation and impairment	(1)	
Corporate income tax	10	
Net income	(14)	
Of which minority interests	1	
Net income, before minority interests	(15)	

BNP Paribas share-based payment plans (IFRS 2)

Under IFRS 2, stock option plans granted to employees and share-based deferred bonuses are treated as a cost. This means that an expense must be recognised equal to the value of the options and shares granted as consideration for the services rendered by the employees.

The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 89 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IFRS 2	
Current and deferred tax assets	(15)	(33)
Accrued income and other assets	(140)	(63)
Total assets	(155)	(96)
LIABILITIES & SHAREHOLDERS' EQUITY		
Accrued expenses and other liabilities	(153)	(185)
Shareholders' equity:	(2)	89
- Retained earnings	95	89
- Net income for the period	(97)	-
Total liabilities & shareholders' equity	(155)	(96)
PROFIT & LOSS ACCOUNT	2004	
Operating expense	(115)	
Corporate income tax	18	
Net income, before minority interests	(97)	

Employee benefits (IAS 19)

Non-French employee benefits

BNP Paribas has elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date. The effect of this restatement, net of deferred taxes, is to reduce retained earnings by EUR 152 million.

Obligations to former BNP employees in France in respect of top-up banking industry pensions

The BNP Paribas Group has made a provision to cover its obligations in respect of the rights to top-up banking industry pensions vested in former BNP employees to 31 December 1993, and has written off in full the residual portion of the lump-sum payment made in 1994 to nationwide pension organisations in return for the transfer of the pension plans of the employees in question to these organisations. The effect of these two restatements, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 359 million.

Retirement bonuses

BNP Paribas has applied the accounting treatment prescribed by the French accounting authorities (*Conseil National de la Comptabilité*) for the impact of the French Pension Reform Act of 2004 on retirement bonuses. Consequently, the provision recorded in 2003 was written off against equity at 1 January 2004, and the past service cost is being recognised in profit or loss over the residual vesting period. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 180 million.

Mutual insurance plan obligations

The BNP Paribas mutual insurance plan, which entitles its members to supplementary healthcare benefits, has been reformed. Two separate plans have been established within the overall framework of the mutual plan:

- the plan for retired employees, in respect of which BNP Paribas extinguished its obligations by making a lump sum payment, the effect of which (net of deferred taxes) is to reduce retained earnings by EUR 97 million at 1 January 2004;
- the plan for active employees, which qualifies as a defined-contribution plan.

Other restatements

Various other restatements have the effect of reducing retained earnings by EUR 53 million. The main impact arises from the use of specific discounting rates that take account of the future settlement date of each type of obligation, and of inflation rates that take account of the payment date of the benefits (as opposed to French GAAP, which permitted the use of a single standard rate).

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 19	
Current and deferred tax assets	189	213
Investments in associates	(1)	(3)
Total assets	188	210
LIABILITIES & SHAREHOLDERS' EQUITY		
Technical reserves of insurance companies	(249)	(238)
Provisions for contingencies & charges	873	928
Shareholders' equity:	(437)	(481)
- Retained earnings	(481)	(481)
- Net income for the period	44	-
Minority interests	1	1
Total liabilities & shareholders' equity	188	210
PROFIT & LOSS ACCOUNT	2004	
Net banking income	11	
Operating expense	54	
Share of earnings of associates	2	
Corporate income tax	(23)	
Net income, before minority interests	44	

Consolidation: changes to scope of consolidation (IAS 27, IAS 28, IAS 31 and SIC 12) and amortisation of goodwill (IAS 36 and IFRS 3)

As permitted under IFRS 1, BNP Paribas has elected not to restate business combinations that took place before 1 January 2004. Under IAS 27, IAS 28 and IAS 31, the scope of consolidation has changed and goodwill is no longer amortised.

1. The main changes to the scope of consolidation relate to:

- Consolidation of special-purpose entities related to proprietary and third-party securitisation programmes that meet the consolidation criteria set out in interpretation SIC 12. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 8 million.
- Consolidation of directly-held private equity investments.

  Profit and loss account items of entities newly recognised as associates (i.e. accounted for by the equity method) under IFRS increase 2004 net income by EUR 210 million.

  In addition, “Net gain/loss on non-current assets” is reduced by EUR 169 million as a result of (i) the adjustment made at 1 January 2004 in respect of entities newly recognised as associates that were divested in 2004, and (ii) the new method of recognising gains and losses on disposal realised by mutual funds in which the Group holds units.

2. IAS 12 also requires a deferred tax liability to be recognised on the reserves of associates if the BNP Paribas Group does not control the distribution of dividends.

   The effect of this adjustment is to reduce retained earnings at 1 January 2004 by EUR 10 million.

3. Amortisation of goodwill, which was allowed under French GAAP, is disallowed under IFRS 3, which instead requires an annual impairment test. The impairment tests conducted by BNP Paribas indicate that there was no impairment of goodwill at either 1 January 2004 or 1 January 2005. The reversal of the amortisation charged under French GAAP in 2004 increases net income for 2004, as reported under IFRS, by EUR 391 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS27,28,31,36,SIC12&IFRS3	
Cash and amounts due from central banks and post office banks	**2**	**2**
Securities portfolio	**(392)**	**(260)**
- Treasury bills and money-market instruments	1	1
- Bonds and other fixed-income instruments	256	256
- Equities and other variable-income instruments	(156)	(156)
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(493)	(361)
Loans and receivables due from credit institutions	**221**	**221**
Loans and receivables due from customers	**11,655**	**11,652**
Current and deferred tax assets	**41**	
Accrued income and other assets	**300**	**303**
Investments in associates	**460**	**304**
Goodwill	**375**	
Total assets	**12,662**	**12,222**
LIABILITIES & SHAREHOLDERS' EQUITY		
Due to credit institutions	**57**	**57**
Due to customers	**(1,038)**	**(1,038)**
Debt securities	**12,544**	**12,544**
Current and deferred tax liabilities	**51**	**66**
Accrued expenses and other liabilities	**258**	**258**
Goodwill	**(15)**	**(18)**
Provisions for contingencies & charges	**(40)**	**(40)**
Subordinated debt	**354**	**354**
Shareholders' equity:	**447**	**1**
- Retained earnings	10	1
- Net income for the period	437	-
Minority interests	**44**	**38**
Total liabilities & shareholders' equity	**12,662**	**12,222**

PROFIT & LOSS ACCOUNT	2004
Net banking income	(15)
Operating expense	(27)
Share of earnings of associates	210
Net gain/loss on non-current assets	(169)
Changes in value of goodwill	391
Corporate income tax	53
Net income	**443**
Of which minority interests	6
Net income, before minority interests	**437**

Reserve for general banking risks (IAS 37)

The reserve for general banking risks recorded under French GAAP does not meet the criteria set out in IAS 37 for recognition as a liability, and hence has been written back to retained earnings. This has the effect of increasing shareholders' equity at 1 January 2004 by EUR 838 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 37	
Current and deferred tax assets	2	
Total assets	2	-
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	1	1
Accrued expenses and other liabilities	3	
Reserve for general banking risks	(752)	(840)
Shareholders' equity:	750	838
- Retained earnings	835	838
- Net income for the period	(85)	-
Minority interests	-	1
Total liabilities & shareholders' equity	2	-
PROFIT & LOSS ACCOUNT	2004	
Movements in reserve for general banking risks	(88)	
Corporate income tax	2	
Net income	(86)	
Of which minority interests	(1)	
Net income, before minority interests	(85)	

1.c.2 Restatements made to comply with IAS 32, IAS 39 and IFRS 4

Credit risk provisions

Specific impairment

IAS 39 does not alter the criteria for identifying impaired loans. However, the method of calculating impairment must now take into account the future cash flows from expected recoveries of interest and principal on impaired loans, discounted at the original effective interest rate of the loan. Discounting the recoverable cash flows used in the calculation of impairment has the effect of reducing retained earnings at 1 January 2005 by EUR 480 million, net of deferred taxes.

Portfolio impairment

IAS 39 requires impairment to be assessed on the basis of portfolios of loans which present objective characteristics of collective impairment where it is not possible to identify impaired loans individually.

BNP Paribas has reversed the provisions for country risk (EUR 1,416 million at 1 January 2005) and for general or industry risks (EUR 730 million at 1 January 2005) set up under French GAAP, which do not meet the criteria for provisions under IAS 39. They have been replaced by portfolio impairment provisions of EUR 2,365 million. These restatements have the effect, net of deferred taxes, of reducing retained earnings at 1 January 2005 by EUR 155 million.

In millions of euros at 1 January 2005	Impairment for credit risk
ASSETS	
Loans and receivables due from credit institutions	(1)
Loans and receivables due from customers	(929)
Current and deferred tax assets	288
Investments in associates	(78)
Total assets	(720)
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	(73)
Shareholders' equity:	(635)
Retained earnings	(635)
Minority interests	(12)
Total liabilities & shareholders' equity	(720)

Measurement of financial instruments at fair value through profit or loss

Disqualification of hedging instruments and remeasurement of other financial instruments reclassified as assets or liabilities at fair value through profit or loss

Under IAS 39 and IFRS 1, swaps used to hedge securities that were classified as held-to-maturity under French GAAP and continue to be classified as such under IFRS no longer qualify for hedge accounting, because interest rate risk on this category of securities cannot be a hedged item under IAS 39. These swaps have therefore been reclassified as trading account securities.

Because written options do not meet the criteria for hedging instruments, the related hedging strategies are disqualified from hedge accounting, and the options used in connection with these strategies have been reclassified as “financial instruments at fair value through profit or loss”.

The designation of certain financial instruments as “fair value through profit or loss” under the fair value option (see Note 1.b.2) has required the remeasurement of these instruments, and of derivatives used to hedge them.

The effect of these restatements, net of deferred tax, is to reduce retained earnings at 1 January 2005 by EUR 407 million.

Measurement of positions arising from financial instruments traded in active markets

Under IAS 39 rules concerning the measurement of derivatives traded in active markets, short positions are measured at bid price and long positions at asking price. This differs from French GAAP, under which an average rate was used.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 30 million.

In millions of euros at 1 January 2005	Measurement of financial instruments at fair value through profit or loss
ASSETS	
Financial assets at fair value through profit or loss	680
Loans and receivables due from customers	9
Current and deferred tax assets	248
Accrued income and other assets	(103)
Investments in associates	22
Total assets	856
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	1,392
Derivatives used for hedging purposes	35
Debt securities	4
Accrued expenses and other liabilities	(31)
Provisions for contingencies & charges	(84)
Shareholders' equity:	(437)
Retained earnings	(437)
Minority interests	(23)
Total liabilities & shareholders' equity	856

Structured derivatives: restatement of initial margin (day one profit)

Financial instruments held for trading account purposes are measured at fair value through profit or loss. Fair value is based on market prices if the instrument is listed on an active market, or on market parameters if the Group has to use valuation models.

If there are no observable parameters to measure the value of an instrument, its value is deemed to be the transaction price. Initial margin (day one profit) recognised in the profit and loss account on transactions yet to mature at 1 January 2005 has been reversed out if the transaction was measured on the basis of non-observable market parameters.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 501 million. The day one profit will be released to the profit and loss account over the period of non-observability of the market parameters used to measure the value of the instrument, or when the market parameters become observable.

In millions of euros at 1 January 2005	Day one profit on financial instruments
ASSETS	
Financial assets at fair value through profit or loss	56
Current and deferred tax assets	134
Total assets	190
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	660
Accrued expenses and other liabilities	31
Shareholders' equity:	(501)
Retained earnings	(501)
Total liabilities & shareholders' equity	190

Provisions for savings products at regulated rates of interest

Under IFRS, a provision for contingencies and charges is required to cover the interest rate risk arising on home savings (*Epargne-Logement*) contracts due to the differential between the regulated rate and the market rate for similar instruments during the two phases (savings and loan) of the contract.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 246 million.

In millions of euros at 1 January 2005	Provision for regulated savings products
ASSETS	
Loans and receivables due from customers	(28)
Current and deferred tax assets	129
Total assets	101
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	347
Shareholders' equity:	(246)
Retained earnings	(246)
Total liabilities & shareholders' equity	101

Net unrealised gains on the securities portfolio

The categories of securities which under French GAAP were recorded at the lower of cost or market (securities available for sale, participating interests, equity securities held for long-term investment, and some held-to-maturity securities) are now classified as “available-for-sale” and measured at fair value.

The remeasurement, amounting to EUR 3,329 million net of deferred taxes at 1 January 2005, has been taken to equity under “Unrealised or deferred gains and losses”.

In millions of euros at 1 January 2005	Net unrealised gains on securities portfolio
ASSETS	
Available-for-sale financial assets	5,624
Investments in associates	350
Total assets	5,974
LIABILITIES & SHAREHOLDERS' EQUITY	
Current and deferred tax liabilities	677
Technical reserves of insurance companies	1,965
Shareholders' equity:	3,329
Unrealised or deferred gains and losses	3,329
Minority interests	3
Total liabilities & shareholders' equity	5,974

Net unrealised gains on derivative instruments designated as cash flow hedges

Derivative instruments contracted as cash flow hedges are recognised in the balance sheet at fair value under “Derivatives used for hedging purposes”. Changes in the fair value of these instruments are taken to equity as “unrealised or deferred gains or losses”.

The remeasurement of derivative instruments designated as cash flow hedges at 1 January 2005 had a positive impact of EUR 436 million net of deferred taxes.

In millions of euros at 1 January 2005	Net unrealised gains on derivatives used for hedging purposes
ASSETS	
Derivatives used for hedging purposes	548
Investments in associates	(2)
Total assets	546
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	67
Current and deferred tax liabilities	97
Accrued expenses and other liabilities	(47)
Shareholders' equity:	436
Unrealised or deferred gains and losses	436
Minority interests	(7)
Total liabilities & shareholders' equity	546

Financial instruments covered by fair value hedges

Financial instruments covered by fair value hedges are remeasured at fair value to the extent of the hedged risk, symmetrically with the designated hedging instrument. These hedging transactions have no effect on retained earnings at 1 January 2005.

Derivative instruments used to hedge the inherent interest rate risk of the demand deposit portfolio had a value of EUR 1,022 million at 1 January 2005.

In millions of euros at 1 January 2005	Fair value hedges
ASSETS	
Derivatives used for hedging purposes	1,631
Available-for-sale financial assets	168
Loans and receivables due from credit institutions	25
Loans and receivables due from customers	7
Current and deferred tax assets	(503)
Accrued income and other assets	(5)
Total assets	1,323
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	194
Due to credit institutions	95
Debt securities	6
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022
Current and deferred tax liabilities	(503)
Subordinated debt	509
Total liabilities & shareholders' equity	1,323

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS GROUP

2.a ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

Because IAS 32, IAS 39 and IFRS 4 were not applied to the comparative period (the year to 31 December 2004), in accordance with option allowed under IFRS 1, the accounting policies previously applied under French GAAP and described in Note 10 ("Financial statements prepared under French GAAP for the years ended 31 December 2003 and 2004) continued to apply in 2004 in the following areas:

- Consolidation method of insurance companies
- Interbank and money-market items, customer items (assets)
- Securities
- Interbank and money-market items, customer deposits (liabilities)
- Debt securities
- Country risk provisions
- Provisions for unforeseeable industry risks
- Forward financial instruments
- Recognition of revenue and expense
- Net additions to provisions for credit risks and country risks (cost of risk)

The areas in which IFRS apply with effect from 2004 are as follows:

CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, the consolidation of which is material to the Group. An enterprise is regarded as material if it contributes at least EUR 8 million to consolidated net banking income, EUR 4 million to consolidated gross operating income or net income before tax, or EUR 40 million to total consolidated assets. Entities that hold shares in consolidated enterprises are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

The Group also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where the Group has no equity interest in the entity, provided that the substance of the relationship indicates that the Group exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of the Group, such that the Group obtains benefits from those activities;
- the Group has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);
- the Group has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings, to a share of its net assets, to benefit from of one or more assets, or to receive the majority of the residual assets in the event of liquidation;
- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the risk exposure of outside investors is significantly reduced as a result of a guarantee from a Group company.

CONSOLIDATION METHODS

Enterprises under the exclusive control of the Group are fully consolidated. The Group has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when the BNP Paribas Group owns, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when the Group has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the board of directors or equivalent governing body; or to cast the majority of votes at meetings of the board of directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

Enterprises under joint control are accounted for using the proportionate consolidation method. The Group exercises joint control when under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the board of directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

If the Group's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the associate are provided for only to the extent that the Group has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet. The calculation of minority interests takes account of outstanding cumulative preferred shares classified as equity instruments and issued by subsidiaries, and held outside the Group.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain/loss on non-current assets".

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of the BNP Paribas Group are expressed in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising on the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under "Cumulative translation adjustment" for the portion attributable to shareholders, and in "Minority interests" for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, the Group has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders' equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, and negative goodwill is recognised immediately in profit or loss, on the acquisition date.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

The BNP Paribas Group tests goodwill for impairment on a regular basis.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units, representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management and from analyses of long-term trends of the market positioning of the unit's activities. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Group as lessor under operating leases.

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by the BNP Paribas Group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under "Depreciation, amortisation and impairment of property, plant & equipment and intangible assets".

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. The BNP Paribas Group has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in "Depreciation, amortisation and impairment of property, plant & equipment and intangible assets".

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in "Net gain/loss on non-current assets".

Gains and losses on disposals of investment property are recognised in the profit and loss account in "Income from other activities" or "Expenses on other activities".

LEASES

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under "Interest income". The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

- Operating leases:

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor's balance sheet and depreciated on a straight line basis over the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight line basis over the lease term. Lease payments and depreciation expense are taken to the profit and loss account under "Income from other activities" and "Expenses on other activities".

LESSEE ACCOUNTING:

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payment, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

- Operating leases:

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight line basis over the lease term.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no "corridor" is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

Termination benefits are employee benefits payable as a result of a decision by the Group to terminate a contract of employment before the legal retirement age or a decision by an employee to accept voluntary redundancy in exchange for a benefit. Termination benefits falling due more than twelve months after the balance sheet date are discounted.

- Post-employment benefits

In accordance with IFRS, the BNP Paribas Group draws a distinction between defined contribution plans and defined benefit plans.

Defined contribution plans do not give rise to an obligation for the Group and consequently do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

Only defined benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined benefit plans are measured using actuarial techniques that take account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes account of various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. The Group applies the "corridor" method in accounting for actuarial gains and losses. Under this method, the Group is allowed to recognise, starting in the following period, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period. This amount is taken to profit or loss over the average remaining working life of the employees.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits" in respect of defined benefit plans comprises the current service cost (the rights vested in each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

SHARE-BASED PAYMENT

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or of a cash payment of which the amount is based on trends in the value of BNP Paribas shares.

IFRS 2 requires share-based payments to be recognised as an expense. The amount recognised is the value of the share-based payment made to the employee.

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment.

This expense, the credit entry for which is posted to shareholders' equity, is calculated on the basis of the overall plan value, determined at the grant date by the Board of Directors.

In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions offered to employees under the company savings plan

Share subscriptions offered to employees under the company savings plan (Plan d'Epargne Entreprise) do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of 5 years. This restriction is taken into account in measuring the benefit to the employees, which is reduced accordingly. The benefit equals the difference between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee at the subscription date, multiplied by the number of shares acquired.

PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and there is a legal right of offset.

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

2.b ACCOUNTING POLICIES APPLIED WITH EFFECT FROM 1 JANUARY 2005

The accounting policies described below replace with effect from 1 January 2005 the policies previously applied to the areas listed in Note 2.a.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight line basis over the life of the commitment.

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*comptes épargne-logement* – "CEL") and home savings plans (*plans d'épargne logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;
- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss comprise:

  - financial assets held for trading purposes;
  - financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39.

  Securities in this category are measured at fair value at the balance sheet date. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

  Income earned on fixed-income securities classified in this category is shown under "Interest income" in the profit and loss account.

  Fair value incorporates an assessment of the counterparty risk on these securities.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

  Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

- Available-for-sale financial assets

  Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as “fair value through profit or loss” or “held-to-maturity”.

  Assets included in the available-for-sale category are recorded at fair value in the balance sheet, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders’ equity, “Unrealised or deferred gains or losses”. On disposal, or on recognition of an impairment loss, these unrealised gains and losses are transferred from shareholders’ equity to the profit and loss account, where they are shown on the line “Net gain/loss on available-for-sale financial assets”.

  Gains and losses realised on disposal of available-for-sale financial assets are taken to the profit and loss account under “Net gain/loss on available-for-sale financial assets”. The gain or loss on disposal is calculated using the first in, first out method.

  Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in “Interest income” in the profit and loss account. Dividend income from variable-income securities is recognised in “Net gain/loss on available-for-sale financial assets” when the Group’s right to receive payment is established.

- Date of and criteria for recognition

Securities classified in the three categories described above are recognised in the balance sheet on the date on which the transaction is entered into, and remain in the balance sheet until the rights of the Group to receive cash flows from the assets have been extinguished or until the Group has transferred substantially all the risks and rewards of ownership of the asset.

- Investments in associates

Changes in the net assets of associates (companies accounted for under the equity method) are recognised in “Investments in associates” on the assets side of the balance sheet, and in the relevant component of shareholders’ equity.

Goodwill on associates is also included in “Investments in associates”.

- Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the Group’s balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category in the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in “Financial liabilities at fair value through profit or loss”.

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group’s balance sheet. The corresponding receivable is recognised in “Loans and receivables” except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in “Financial assets at fair value through profit or loss”.

Irrespective of the accounting classification, all repurchase agreements are initially recognised on the settlement date of the transaction.

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity is recognised in the balance sheet under “Financial liabilities at fair value through profit or loss”.

FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

- Monetary assets and liabilities[1] expressed in foreign currencies

  Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

- Non-monetary assets and liabilities expressed in foreign currencies

  Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

  Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified in "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified in "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

IMPAIRMENT OF FINANCIAL ASSETS

- Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in "Interest income" in the profit and loss account.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of

[1] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under “Cost of risk”.

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition. In the case of variable-income securities quoted in an active market, a prolonged or significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Impairment losses taken against fixed-income securities are recognised in “Cost of risk”, and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line “Net gain/loss on financial instruments at fair value through profit or loss”, and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

ISSUES OF DEBT SECURITIES

Financial instruments issued by the Group qualify as debt instruments if the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group may be obliged to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group’s own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Bonds redeemable for or convertible into equity instruments of the Group are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

The term “own equity instruments” refers to shares issued by the parent company (BNP Paribas SA) or by its fully-consolidated subsidiaries.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders’ equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

Equity instruments issued by subsidiaries under the exclusive control of BNP Paribas are in substance equivalent to equity instruments of the parent company. Consequently, when the Group acquires equity instruments issued by such subsidiaries, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- As equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued.
- As debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares.
- As derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are used in particular to hedge interest rate risk on fixed-rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed-rate loans).

Cash flow hedges are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign-currency revenues.

At the inception of the hedge, the Group prepares formal documentation of the hedging relationship identifying the instrument (or portion of the instrument or portion of risk) that is being hedged; the hedging strategy and the type of risk covered; the hedging instrument; and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, consistently with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under the so-called "carve-out" from IAS 39 adopted by the European Union, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

  - The risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits).

- The instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings (see Note 5c for the methods used to measure interest rate gaps, which include demand deposits based on behavioural modelling).
- The hedging instruments used consist exclusively of “plain vanilla” swaps.
- Prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in “Net gain/loss on financial instruments at fair value through profit or loss”, symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under “Remeasurement adjustment on interest rate risk hedged portfolios” in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders’ equity on a separate line, “Unrealised or deferred gains and losses”. The amounts taken to shareholders’ equity over the life of the hedge are transferred to the profit and loss account under “Net interest income” as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders’ equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders’ equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under “Net gain/loss on financial instruments at fair value through profit or loss”.

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders’ equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part.

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

DETERMINATION OF FAIR VALUE

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value, defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Method of determining fair value

Fair value is determined:

- on the basis of quoted prices in an active market; or,
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories; and
  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods.

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market, bids and offers are matched, or instruments are traded that are very similar to the instrument being valued.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is applied to the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

  - Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

    Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity risk and credit risk.

The margin generated when these financial instruments are traded is taken to the profit and loss account immediately.

- Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

  Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques or techniques that are based on data only partially observable on active markets.

  In the absence of observable data, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

  The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated by comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

- Unlisted equity securities

  The fair value of unquoted equity securities is measured by comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such reference is available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Group's share of net assets as calculated using the most recently available information.

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;
- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
- where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in “Available-for-sale financial assets” are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or when appropriate a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

The method used by the Group to recognise service-related commission income and expenses depends upon the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in “Net interest income”. Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under “Net commission income”. Commission payable or receivable for recurring services is recognised over the term of the service, also under “Net commission income”.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

INSURANCE

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts written by fully-consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the Group’s assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

Financial assets and non-current assets are accounted for using the policies described above. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in “Financial assets at fair value through profit or loss”, and are stated at the realisable value of the underlying assets at the balance sheet date.

LIABILITIES

The Group's obligations to policyholders and beneficiaries are shown in "Technical reserves of insurance companies", and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g. mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive, as a supplement to guaranteed benefits, a share of actual profits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in "Due to customers".

Unit-linked contract liabilities are measured by reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period.

A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to "Policyholders' surplus" on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders' surplus reserve resulting from the application of shadow accounting. This represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under "Income from other activities" and "Expenses on other activities".

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

2.c USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the Financial Statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the Financial Statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the Financial Statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the Financial Statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

The notes to the profit and loss account for the year ended 31 December 2005 are presented in accordance with EU IFRS. The figures for the comparative period (year ended 31 December 2004), initially published under French GAAP, have been restated to comply with IFRS as applicable during that period, referred to as "2004 IFRS".

3.a NET INTEREST INCOME

Under EU IFRS, the BNP Paribas Group includes in "Interest income" and "Interest expense" all income calculated using the effective interest method (interest, fees/commissions, transaction costs) on financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments. The change in fair value on these financial instruments (excluding accrued interest) is recognised in "Net gain/loss on financial instruments at fair value through profit or loss".

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

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Customer items	**14,269**	**(5,916)**	**8,353**	**11,955**	**(4,902)**	**7,053**
Deposits, loans and borrowings	13,279	(5,794)	7,485	10,952	(4,861)	6,091
Repurchase agreements	7	(83)	(76)	24	(41)	(17)
Finance leases	983	(39)	944	979	-	979
Interbank items	**3,548**	**(5,389)**	**(1,841)**	**3,716**	**(5,112)**	**(1,396)**
Deposits, loans and borrowings	3,378	(5,210)	(1,832)	3,509	(4,980)	(1,471)
Repurchase agreements	170	(179)	(9)	207	(132)	75
Debt securities issued	**-**	**(3,535)**	**(3,535)**	**-**	**(3,646)**	**(3,646)**
Cash flow hedge instruments	**1,801**	**(891)**	**910**	**-**	**-**	**-**
Interest rate portfolio hedge instruments	**424**	**(310)**	**114**	**-**	**-**	**-**
Trading book	**8,051**	**(8,313)**	**(262)**	**4,769**	**(3,665)**	**1,104**
Fixed-income securities	1,994	-	1,994	1,676	-	1,676
Repurchase agreements	6,022	(6,649)	(627)	3,093	(3,665)	(572)
Loans / Borrowings	35	(99)	(64)	-	-	-
Debt securities	-	(1,565)	(1,565)	-	-	-
Available-for-sale financial assets	**3,213**	**-**	**3,213**	**2,808**	**(78)**	**2,730**
Held-to-maturity financial assets	**781**	**-**	**781**	**1,709**	**-**	**1,709**
Total interest income/(expense)	**32,087**	**(24,354)**	**7,733**	**24,957**	**(17,403)**	**7,554**

Interest income on individually impaired loans amounted to EUR 201 million in 2005.

3.b NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This line includes all profit and loss items relating to financial instruments managed in the trading book and, with effect from 1 January 2005, to financial instruments that the Group has designated as fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (Note 3.a).

Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS
	Trading book	Assets designated at fair value through profit or loss	Total	Total
Fixed-income securities	63	82	145	190
Variable-income securities	10,423	(25)	10,398	4,164
of which dividends	*1,719*	*3*	*1,722*	*1,198*
Derivative instruments	(5,962)		(5,962)	(791)
Repurchase agreements	31	(4)	27	
Loans	5	37	42	
Borrowings	67	(80)	(13)	
Remeasurement of interest-rate risk hedged portfolios	59		59	
Remeasurement of currency positions	516		516	(197)
Total	**5,202**	**10**	**5,212**	**3,366**

3.c NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Under EU IFRS, this line includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Under 2004 IFRS, it comprises income from variable-income securities, and net gains arising on items included in the following French GAAP categories: securities available for sale (defined differently from under IFRS), investments in non-consolidated undertakings, other participating interests, and equity securities held for long-term investment.

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Fixed-income securities [(1)]	**93**	**168**
Gains and losses on disposals	93	168
Equities and other variable-income securities	**1,260**	**1,282**
Dividend income	293	329
Additions to impairment provisions	(71)	(269)
Reversals of impairment provisions		630
Gains and losses on disposals	1,038	592
Total	**1,353**	**1,450**

(1) Interest income from available-for-sale fixed-income securities is included in "Net interest income" (Note 3.a), and impairment losses related to potential issuer default are included in "Cost of risk" (Note 3.e).

Unrealised gains and losses recorded under "Unrealised or deferred gains and losses" at 1 January 2005 and taken to the profit and loss account during the year ended 31 December 2005 as a result of disposals amount to EUR 861 million.

3.d NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	16,875	(15,117)	1,758	12,931	(11,464)	1,467
Investment property	695	(229)	466	620	(241)	379
Assets leased under operating leases	3,433	(2,919)	514	2,389	(1,821)	568
Property development activities	121	(35)	86	173	(51)	122
Other	483	(298)	185	431	(341)	90
Total net income from other activities	**21,607**	**(18,598)**	**3,009**	**16,544**	**(13,918)**	**2,626**

Net income from insurance activities

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross premiums written	11,527	10,775
Movement in technical reserves	(7,329)	(4,820)
Claims and benefits expense	(5,442)	(5,423)
Reinsurance ceded, net	(7)	(14)
Change in value of admissible investments related to unit-linked business	2,953	942
Other income and expense	56	7
Total net income from insurance activities	**1,758**	**1,467**

"Claims and benefits expense" includes expenses arising from surrenders, maturities and claims relating to insurance contracts, and changes in the value of financial contracts (in particular unit-linked contracts). Interest paid on such contracts is recognised in "Interest expense".

Operating leases

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Future minimum lease payments receivable under non-cancellable leases	**2,972**	**2,185**
Payments receivable within less than 1 year	1,229	1,055
Payments receivable after more than 1 year but within less than 5 years	1,654	1,121
Payments receivable after more than 5 years	89	9

Future minimum lease payments receivable under non-cancellable leases comprise payments that the lessee is required to make during the lease term.

3.e COST OF RISK AND IMPAIRMENT LOSSES RECOGNISED FOR CREDIT AND COUNTERPARTY RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Additions to impairment provisions	(2,166)	(2,198)
Reversals of impairment provisions	1,651	1,552
Recoveries on loans and receivables previously written off	129	97
Irrecoverable loans and receivables not covered by impairment provisions	(224)	(136)
Total cost of risk for the period	**(610)**	**(685)**

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Loans and receivables due from credit institutions	10	8
Loans and receivables due from customers	(540)	(707)
Available-for-sale financial assets	9	1
Other assets	(2)	-
Off balance sheet commitments and other items	(87)	13
Total cost of risk for the period	**(610)**	**(685)**

Provisions for impairment: credit and counterparty risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Total impairment provisions at start of period	**11,328**	**11,705**
Additions to impairment provisions	2,166	2,198
Reversals of impairment provisions	(1,651)	(1,552)
Utilisation of impairment provisions	(1,468)	(1,497)
Effect of exchange rate movements and other items	719	(442)
Additions/reversals to provisions for impairment of interest on doubtful loans, recognised in net interest income		54
Total impairment provisions at end of period	**11,094**	**10,466**
Effect of adoption of IFRS applicable from 1 January 2005		862
of which impairment of loans and receivables due from customers		*860*
Total impairment provisions at 1 January 2005		**11,328**

Impairment provisions by asset type, in millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Impairment provisions deducted from assets		
Loans and receivables due from credit institutions	163	148
Loans and receivables due from customers	10,459	10,696
Available-for-sale financial assets	152	219
Other assets	20	-
Total impairment provisions against financial assets	**10,794**	**11,063**
Impairment provisions recognised as liabilities		
Impairment provisions for off balance sheet commitments		
- to credit institutions	2	6
- to customers	242	181
Other items subject to impairment	56	78
Total impairment provisions recognised as liabilities	**300**	**265**
Total impairment provisions	**11,094**	**11,328**

3.f CORPORATE INCOME TAX

Net corporate income tax expense

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Current tax expense for the period	(1,773)	(1,757)
Net deferred tax expense for the period (note 6.h)	(365)	(7)
Net corporate income tax expense	**(2,138)**	**(1,764)**

The tax saving arising from the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 45 million for the year ended 31 December 2005, compared with EUR 57 million for the year ended 31 December 2004.

The 2004 Amending Finance Act introduced a one-off tax on a portion of the special long-term capital gains tax reserve set up by French companies. The BNP Paribas Group recognised a tax expense of EUR 28 million in the year to 31 December 2004 corresponding to the unconditionally payable portion of this tax.

The reductions in the surtax rate and tax rate on long-term capital gains introduced respectively by the 2004 Amending Finance Act and the 2005 Finance Act in France generated a charge of EUR 21 million in the year ended 31 December 2004 as the result of a reduction in deferred tax assets.

Analysis of effective tax rate

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income	6,286	5,355
Corporate income tax expense	(2,138)	(1,764)
Effective tax rate	**25.4%**	**24.8%**
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-3.7%	-5.2%
Items taxed at reduced rate in France	-3.6%	-4.0%
Permanent timing differences	0.1%	1.9%
Other items	-0.7%	-1.2%
Effective tax rate	**25.4%**	**24.8%**

4. SEGMENT INFORMATION

The Group is composed of four core businesses:

- French Retail Banking
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services
- Corporate and Investment Banking, comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing)

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented includes agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance. Segment assets are determined by direct extraction from accounting data for each segment. Segment liabilities are determined on the basis of the normalised equity used for the capital allocation.

This capital allocation is made on the basis of risk exposure, taking account of various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

The geographical split of assets and income is based on the country in which the relevant activity is booked.

Information by business segment

• Income by business segment

In millions of euros,	French Retail Banking		IRBFS		AMS	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**5270**	**4,945**	**5,980**	**5,016**	**3,552**	**3,032**
Operating expense	(3,605)	(3,454)	(3,385)	(2,867)	(2,331)	(1,975)
Cost of risk	(195)	(222)	(559)	(445)	(8)	(6)
Operating income	**1,470**	**1,269**	**2,036**	**1,704**	**1,213**	**1,051**
Share of earnings of associates			112	123	1	4
Other non-operating items			39	16	52	7
Pre-tax net income	**1,470**	**1,269**	**2,187**	**1,843**	**1,266**	**1,062**

• Assets and liabilities by business segment

In millions of euros,	French Retail Banking		IRBFS		AMS	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**106,717**	**96,194**	**145,585**	**110,859**	**134,486**	**115,038**
- of which goodwill on acquisitions during the period	*25*		*994*	*994*	*175*	*185*
- of which investments in associates			*534*	*665*	*46*	*46*
Total segment liabilities	**101,376**	**91,236**	**132,511**	**100,348**	**128,913**	**110,380**

Information by geographic area

• Net banking income by geographic area

In millions of euros,	France		Other European countries		Americas	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**12,154**	**10,901**	**4,776**	**4,298**	**3,365**	**2,794**

• Assets and liabilities by geographic area

In millions of euros,	France		Other European countries		Americas	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**738,366**	**558,058**	**226,454**	**225,862**	**153,439**	**117,466**
Goodwill on acquisitions during the period	**173**	**320**	**67**	**8**	**835**	**902**

(1): including BNP Paribas Capital

Corporate & Investment Banking				Other Activities [1]		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
3,722	**3,392**	**2,700**	**2,292**	**630**	**692**	**21,854**	**19,369**
(2,577)	(2,340)	(1,134)	(1,021)	(337)	(386)	(13,369)	(12,043)
(1)	(9)	131	(49)	22	46	(610)	(685)
1,144	**1,043**	**1,697**	**1,222**	**315**	**352**	**7,875**	**6,641**
3	(6)			236	286	352	407
23	36	23	22	60	(10)	197	71
1,170	**1,073**	**1,720**	**1,244**	**611**	**628**	**8,424**	**7,119**

Corporate & Investment Banking		Other Activities [1]		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
827,919	**649,505**	**43,372**	**30,907**	**1,258,079**	**1,002,503**
7	*14*	*3*	*66*	*1,204*	*1,259*
11	*191*	*1,232*	*1,818*	*1,823*	*2,720*
818,607	**640,947**	**39,307**	**22,356**	**1,220,714**	**965,267**

Asia - Oceania		Other countries		Total	
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
927	**941**	**632**	**435**	**21,854**	**19,369**

Asia - Oceania		Other countries		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
127,450	**93,204**	**12,370**	**7,913**	**1,258,079**	**1,002,503**
8		**121**	**29**	**1,204**	**1,259**

5. RISK EXPOSURE AND HEDGING STRATEGIES

Organisation of the risk management function

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department, which is responsible for measuring, approving and controlling risks at Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM has a vocation to cover all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

The GRM function is organised with a differentiated approach by risk-type: Credit and Counterparty Risk, split into three sections (France, International, Banks and Financial Institutions); Market and Liquidity Risk; and Operational Risk. The GRM function also has specialist units involved in the analysis, summarising and reporting of data.

5.a CREDIT RISK

Credit risk is the risk of incurring a financial loss as the result of failure by a debtor to fulfil a contractual obligation. Credit risk is inherent in lending activities but may arise in other circumstances, for example when a counterparty to a market, investment or settlement transaction is in default.

Management of credit risk

General credit policy and credit control and provisioning procedures

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

- *Decision-making procedures*

A system of delegated lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management function. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may require consultation of an industry expert or of designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations.

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*

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of delegated lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. This Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- *Impairment procedures*

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the realisation of collateral.

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

Internal rating system

The Bank has a comprehensive rating system that already complies with the future requirements of the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. This system covers the majority of the Group, the exception being BancWest, which is scheduled to be brought within the scope of the rating system in 2007. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are 12 counterparty ratings. 8 cover excellent, good and average clients, 2 relate to clients in an uncertain situation subject to very close monitoring by GRM and 2 relate to clients in default. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. Adapted quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio policy

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

Risk reduction techniques

- *Structuring of transactions*

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to reduce risk. BNP Paribas will not enter into commitments unless it has in-depth knowledge of the borrower's business plan and of all the structural issues related to the transaction, and is sure of its ability to monitor these issues going forward. 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 collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

Credit risk exposure

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

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial assets at fair value through profit or loss (excluding variable-income securities)	582,201	448,825
Derivatives used for hedging purposes	3,087	2,581
Available-for-sale financial assets (excluding variable-income securities)	77,760	64,693
Loans and receivables due from credit institutions	45,009	40,983
Loans and receivables due from customers	301,196	244,228
Held-to-maturity financial assets	15,445	26,130
Balance sheet commitment exposure, net of impairment provisions	**1,024,698**	**827,440**
Financing commitments given	209,679	166,898
Guarantee commitments given	67,154	55,190
Provisions for off balance sheet commitments	(244)	(187)
Off balance sheet commitment exposure, net of provisions	**276,589**	**221,901**
Total net exposure	**1,301,287**	**1,049,341**

This exposure does not take account of the effect of master netting agreements in force at 31 December 2005 or of 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 31 December 2005 by approximately EUR 133 billion (approximately EUR 113 billion at 1 January 2005).

Nor does this exposure take account of guarantees and collateral obtained by the Group in connection with its lending activities.

Due to its size, the Group may have important exposure in absolute terms to certain counterparties, geographic areas or industries. However, the concentration of financial assets with credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a geographic area or industry.

5.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

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

- **Interest rate risk** covers potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- **Currency risk** is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- **Price risk** arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares, or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- **Credit spread risk on the trading book:** BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

  The Group also uses credit derivatives to hedge transactions exposed to credit or counterparty risk, or for position management purposes.

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

Risk acceptance process

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or "nominal" limits (limits on trading in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to control certain specific risks not fully captured by GEaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Market Risk Committee. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- daily calculation of the risk and value of the Group's trading positions;
- daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database;

- periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and assess the economic validity of the models, check the prices and parameters used, and check observability criteria;
- a weekly report aggregating all significant positions by activity;
- the Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

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

Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

GeaR

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

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

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

The banking authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

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

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GEaR in 99% of cases);
- historical data covering one year (260 days) of trading.

For the year to 31 December 2005, total average Value at Risk was EUR 74 million (with a minimum of EUR 43 million and a maximum of EUR 114 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 2005			31 December 2005	1 January 2005
	Average	Minimum	Maximum		
Interest rate risk	71	49	115	80	57
Currency risk	6	1	21	13	8
Equity price risk	44	17	66	43	36
Commodity price risk	11	5	22	17	6
Effect of netting	*(58)*	*(29)*	*(84)*	*(63)*	*(46)*
TOTAL	**74**	**43**	**114**	**90**	**61**

5.c MARKET RISKS RELATED TO BANKING INTERMEDIATION ACTIVITIES AND INVESTMENTS

These risks relate mainly to retail banking activities in France and abroad, the specialised financing subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management function, part of the Asset/Liability Management & Treasury (ALM Treasury) Department.

ALM Treasury, which is part of Corporate & Investment Banking, is supervised by two committees chaired by the Group Senior Advisor or a Chief Operating Officer:

- the ALM Commercial Banking Committee, responsible for decisions on the mismatch and match funding principles applicable to the balance sheet of the commercial banking business and on the related interest rate risks;
- the ALM Investment Banking Committee, responsible for establishing the Group's financing and liquidity management policy, managing solvency ratios and structural currency risk, and monitoring market risks relating to the Treasury function.

Interest rate risk

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialised financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM Treasury, in the equity intermediation book.

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

Positions are measured and transfers to ALM Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM Treasury, and the business line ALM managers (who report operationally to ALM Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

Measurement of interest rate risk

Banking book interest rate gaps are measured each month, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For retail banking products, behavioural models are based on historical data and econometric studies. The models deal with early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

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

In addition, a specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

During the year, the Market Risk Department continued to perform controls over risks arising from the use of behavioural and other models for Asset/Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in a specialist committee.

Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty on future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

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

The specialised financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralisation of risks at ALM Treasury level. The residual risk is controlled by technical interest rate gap limits, monitored by the ALM committee of the relevant business line.

Sensitivity of the value of banking intermediation books

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

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately EUR 460,000 at 31 December 2005, compared with approximately EUR 819,000 at 31 December 2004.

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

In thousands of euros	31 december 2005,under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	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)**

In thousands of euros	1 January 2005,under EU IFRS					
	less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	more than 5 years	TOTAL
EUR	17	(620)	(969)	1,360	(371)	(583)
USD	5	132	1,726	995	(2,907)	(49)
GBP	(1)	6	(108)	(42)	(36)	(181)
Other currencies	(2)	(13)	(17)	8	18	(6)
TOTAL	**19**	**(495)**	**632**	**2,321**	**(3,296)**	**(819)**

Currency risk

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management function is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on 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 intention 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.

Without exception, each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed ex post facto 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 non-euro revenue flows (especially interest and fee/commission income) derived from its principal activities, subsidiaries and branches. 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 fully or partially hedged future cash flows, split by forecast date of realisation:

In millions of euros	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
Period to realisation	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Cash flows hedged	668	1,843	1,969	4,480	936	1,235	1,528	3,699

In the year ended 31 December 2005, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

5.d LIQUIDITY RISK

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the 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 Central Committee, acting on recommendations from ALM Treasury, reviews and approves the general principles of the liquidity policy. The Committee is informed on a regular basis of the results of indicators and stress tests, and of the execution of financing programmes. It is also informed of any crisis situation, 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 Central Committee, ALM Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

Local ALM committees implement at local level the strategy approved by the ALM Central Committee.

The Risk Department is involved in defining the principles of liquidity policy, approves the management systems and stress tests used, and monitors compliance with policies, limits and indicators.

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

ALM Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium/long-term financing. The Treasury function is responsible for financing and short-term issues (certificates of deposit, commercial paper, etc). The Asset/ Liability Management function is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc), preferred share issues, and loan securitisation programmes for the retail banking business.

ALM Treasury is also tasked with providing finance to core businesses and business lines, and reinvesting their surplus cash.

The medium/long-term financing origination process helps the Group meet its regulatory capital targets via issues of financial instruments falling within the various categories of regulatory capital.

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

1. 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.

2. The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- the one-year ratio for outstandings with contractual maturities represents the gap, at one year plus, of outstanding loans as compared with applications of funds;
- the one-year internal liquidity ratio on total outstandings is defined as the gap, at one year plus, of all balance sheet and off balance sheet contractual commitments with no maturity, which is capped at 25%;
- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year gap on commitments with contractual maturities, 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 – 30% weighted) or theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

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

Regulatory ratios: the final plank in the liquidity risk management system

The 1-month regulatory liquidity coefficient is calculated monthly (as are observation ratios). This ratio covers the parent company BNP Paribas SA (French operations and foreign branches). Other Group subsidiaries required to comply with this ratio calculate it independently of the parent company.

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

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

6. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2005

The notes to the balance sheet at 1 January 2005 are presented after restatement to comply with EU IFRS.

6.a INTERBANK AND MONEY-MARKET ITEMS

Loans and receivables due from credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	7,799	5,195
Loans	32,700	28,651
Repurchase agreements	4,673	7,285
Total loans and receivables due from credit institutions, before impairment provisions	**45,172**	**41,131**
Provisions for impairment of loans and receivables due from credit institutions	(163)	(148)
Total loans and receivables due from credit institutions, net of impairment provisions	**45,009**	**40,983**

Amounts due to credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	5,879	4,486
Borrowings	100,298	85,761
Repurchase agreements	12,716	9,941
Total due to credit institutions	**118,893**	**100,188**

6.b FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as fair value through profit or loss at the time of acquisition or issue.

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument. The nominal value of financial liabilities at fair value through profit or loss at 31 December 2005 was EUR 44,523 million (EUR 33,087 million at 1 January 2005).

The measurement of financial liabilities at fair value through profit or loss does not take account of any change in fair value attributable to issuer risk relating to the BNP Paribas Group itself, which is regarded as immaterial.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS						
Negotiable certificates of deposit	**58,275**	**535**	**58,810**	**54,143**	**281**	**54,424**
Treasury bills and other bills eligible for central bank refinancing	47,041	10	47,051	49,552	7	49,559
Other negotiable certificates of deposit	11,234	525	11,759	4,591	274	4,865
Bonds	**125,547**	**6,079**	**131,626**	**78,998**	**5,405**	**84,403**
Government bonds	72,585	271	72,856	37,590	25	37,615
Other bonds	52,962	5,808	58,770	41,408	5,380	46,788
Equities and other variable-income securities	**84,264**	**34,060**	**118,324**	**64,860**	**25,825**	**90,685**
Repurchase agreements	**200,040**	**69**	**200,109**	**165,184**	**2**	**165,186**
Loans	**86**	**1,042**	**1,128**	**68**	**430**	**498**
to credit institutions	*7*	*1,042*	*1,049*	*-*	*430*	*430*
to corporate customers	*63*		*63*	*68*	*-*	*68*
to private individuals customers	*16*		*16*	*-*	*-*	*-*
Trading book forward financial instruments	**190,528**		**190,528**	**144,314**	**-**	**144,314**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**658,740**	**41,785**	**700,525**	**507,567**	**31,943**	**539,510**
of which loaned securities	*29,587*	*422*	*30,009*	*14,818*	*-*	*14,818*
FINANCIAL LIABILITIES						
Borrowed securities and short selling	137,381		137,381	90,553	-	90,553
Repurchase agreements	222,292		222,292	182,359	-	182,359
Borrowings	240	1,468	1,708		1,038	1,038
Credit institutions		*614*	*614*		*690*	*690*
Corporate customers	*240*	*854*	*1,094*		*348*	*348*
Debt securities		42,933	42,933		31,963	31,963
Trading book forward financial instruments	206,367		206,367	151,213	-	151,213
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**566,280**	**44,401**	**610,681**	**424,125**	**33,001**	**457,126**

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions contracted to protect the Group's loan book.

The table below shows the notional amount and positive or negative fair value of derivative instruments classified in the trading book. The notional amounts of derivative instruments in this table are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments. The positive and negative fair values represent the replacement value of these instruments, which may fluctuate significantly in response to changes in market parameters, such as interest rates or exchange rates.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
Currency derivatives	940,461	34,423	33,963	688,465	11,480	11,382
Interest rate derivatives	17,467,636	102,502	102,328	17,969,779	110,954	110,793
Equity derivatives	1,124,518	64,489	49,829	523,065	26,535	19,671
Credit derivatives	967,293	868	586	413,487	1,737	1,910
Other derivatives	226,262	4,085	3,822	73,163	507	558
Total trading book derivatives	**20,726,170**	**206,367**	**190,528**	**19,667,959**	**151,213**	**144,314**

Derivatives traded on organised markets represent approximately half of the Group's trading account derivatives transactions.

6.c DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the notional amount and fair value of derivatives used for hedging purposes.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	409	-	1	3,003	1	-
Interest rate derivatives	111,800	837	2,527	90,835	338	2,011
Other derivatives	-	-	10	731	-	-
FAIR VALUE HEDGES	**112,209**	**837**	**2,538**	**94,569**	**339**	**2,011**
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	71,676	82	98	39,319	-	28
Interest rate derivatives	94,344	96	451	33,478	111	542
Other derivatives	-	-	-	5	-	-
CASH FLOW HEDGES	**166,020**	**178**	**549**	**72,802**	**111**	**570**
DERIVATIVES USED AS NET INVESTMENT HEDGE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	120	-	-	-	-	
NET INVESTMENT HEDGE	**120**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES USED FOR HEDGING PURPOSES	**278,349**	**1,015**	**3,087**	**167,371**	**450**	**2,581**

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets.

6.d AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying amount	*of which unrealised gains and losses*	Carrying amount	*of which unrealised gains and losses*
Negotiable certificates of deposit	**15,210**	**251**	**16,524**	**227**
Treasury bills and other bills eligible for central bank refinancing	9,275	197	9,520	224
Other negotiable certificates of deposit	5,935	54	7,004	3
Bonds	**62,550**	**2,629**	**48,169**	**2,630**
Government bonds	43,960	1,887	29,491	1,695
Other bonds	18,590	742	18,678	935
Equities and other variable-income securities	**16,311**	**4,501**	**12,696**	**2,767**
Total available-for-sale financial assets, before provisions	**94,071**	**7,381**	**77,389**	**5,624**
of which fixed-income securities	*77,760*	*2,880*	*64,693*	*2,857*
of which loaned securities	*584*	*-*	*60*	*-*
Provisions for impairment of available-for-sale financial assets	**(1,365)**		**(1,611)**	
Fixed-income securities	(152)		(219)	
Variable-income securities	(1,213)		(1,392)	
Total available-for-sale financial assets, net of provisions	**92,706**	**7,381**	**75,778**	**5,624**

6.e CUSTOMER ITEMS

Loans and receivables due from customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	20,539	18,938
Loans to customers	273,305	217,254
Repurchase agreements	734	2,563
Finance leases	17,077	16,169
Total loans and receivables due from customers, before impairment provisions	**311,655**	**254,924**
Impairment of loans and receivables due from customers	(10,459)	(10,696)
Total loans and receivables due from customers, net of impairment provisions	**301,196**	**244,228**

<u>Detail of finance leases</u>

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Gross investment	**18,637**	**17,905**
Receivable within less than 1 year	5,791	5,922
Receivable after more than 1 year but within less than 5 years	10,005	9,373
Receivable after more than 5 years	2,841	2,610
Unearned interest income	(1,560)	(1,736)
Net investment before impairment provisions	**17,077**	**16,169**
Receivable within less than 1 year	5,346	5,335
Receivable after more than 1 year but within less than 5 years	9,117	8,251
Receivable after more than 5 years	2,614	2,583
Impairment provisions	(344)	(375)
Net investment after impairment provisions	**16,733**	**15,794**

Due to customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand deposits	102,945	84,294
Term accounts	91,125	77,731
Regulated savings accounts	41,292	39,712
Retail certificates of deposit	9,358	6,713
Repurchase agreements	2,774	3,037
Total due to customers	**247,494**	**211,487**

6.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Debt securities at fair value through profit or loss (note 6.b)	**42,933**	**31,963**
Other debt securities	**84,629**	**77,597**
Negotiable certificates of deposit	68,476	66,048
Bond issues	16,153	11,549
Subordinated debt	**16,706**	**13,042**
Redeemable subordinated debt	14,811	11,217
Undated subordinated debt	1,895	1,825
TOTAL	**144,268**	**122,602**

Redeemable subordinated debt

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

Undated subordinated debt

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	31 December 2005	1 January 2005
Undated floating-rate subordinated notes (TSDIs)	887	812
Other undated notes	589	550
Undated participating subordinated notes	304	304
Issue costs and fees, accrued interest	115	159
TOTAL	**1,895**	**1,825**

- The TSDIs issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution. The TSDIs meet the definition of debt instruments.

The TSDIs issued by BNP Paribas contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, subject to the prior approval of the banking authorities. The TSDIs are not subject to any interest uplift clause. The various TSDI issues are as follows:

In millions of euros				31 December 2005	1 January 2005
Issuer	Issue date	Currency	Original amount in issue currency		
Paribas SA	September 1984	USD	24 million	20	17
BNP SA	October 1985	EUR	305 million	305	305
Paribas SA	July 1986	USD	165 million	140	122
BNP SA	September 1986	USD	500 million	422	368
			TOTAL	887	812

- The other undated notes issued by BNP Paribas between 1996 and 1998 may be redeemed at par prior to maturity on a date specified in the issue particulars, and are entitled to an uplift in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

In millions of euros					31 December 2005	1 January 2005
Issuer	Issue date	Call option or interest uplift date	Currency	Original amount in issue currency		
BNP SA	July 1996	July 2006	USD	20 million	17	15
BNP SA	December 1996	December 2006	USD	200 million	169	147
BNP SA	January 1997	January 2007	USD	50 million	42	37
BNP SA	January 1997	December 2006	USD	50 million	42	37
BNP SA	May 1997	May 2007	EUR	191 million	191	191
BNP SA	July 1997	July 2007	USD	50 million	42	37
BNP SA	November 1997	November 2007	EUR	9 million	9	9
BNP SA	April 1998	April 2008	EUR	77 million	77	77
				TOTAL	589	550

- The undated participating subordinated notes issued by BNP Paribas between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of the liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 219,742 notes were retired in 2004 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

The carrying amount of debt securities (except for negotiable certificates of deposit, regarded as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2006	2007	2008	2009	2010	2011-2015	After 2015	TOTAL at 31 Dec 2005
Total senior and subordinated debt	7,368	9,935	7,438	4,360	7,907	23,739	15,045	75,792

Maturity or call option date, in millions of euros (unless otherwise indicated)	2005	2006	2007	2008	2009	2010-2014	After 2014	TOTAL at 1 January 2005
Total senior and subordinated debt	7,793	6,050	7,155	5,845	4,592	17,328	7,791	56,554

6.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Negotiable certificates of deposit	**3,360**	**6,290**
Treasury bills and other bills eligible for central bank refinancing	3,276	3,294
Other negotiable certificates of deposit	84	2,996
Bonds	**12,085**	**19,840**
Government bonds	11,451	19,451
Other bonds	634	389
Total held-to-maturity financial assets	**15,445**	**26,130**

6.h CURRENT AND DEFERRED TAXES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Current taxes	1,147	1,052
Deferred taxes	988	1,088
Current and deferred tax assets	**2,135**	**2,140**
Current taxes	647	472
Deferred taxes	1,559	1,181
Current and deferred tax liabilities	**2,206**	**1,653**

Deferred taxes on temporary timing differences relate to the following items :

In millions of euros	1 January 2005, under EU IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	31 december 2005, under EU IFRS
Provisions for employee benefit obligations	586	(133)		196	649
Other provisions	325	(74)		72	323
Unrealised finance lease reserve	(461)	36		(51)	(476)
Available-for-sale financial assets	(554)	(11)		(233)	(798)
Other items	11	(183)		(97)	(269)
Net deferred taxes	**(93)**	**(365)**	**-**	**(113)**	**(571)**
of which					
Deferred tax assets	1,088				988
Deferred tax liabilities	(1,181)				(1,559)

In millions of euros	1 January 2004, under 2004 IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	1 January 2005, under EU IFRS
Provisions for employee benefit obligations	592	(40)		34	586
Other provisions	(20)	(18)	416	(53)	325
Unrealised finance lease reserve	(488)	39		(12)	(461)
Available-for-sale financial assets	70	62	(681)	(5)	(554)
Other items	(300)	(50)	248	113	11
Net deferred taxes	**(146)**	**(7)**	**(17)**	**77**	**(93)**
of which					
Deferred tax assets	2,375				1,088
Deferred tax liabilities	(2,521)				(1,181)

Carryforwards of tax losses accounted for EUR 96 million of total deferred tax assets at 31 December 2005 (EUR 65 million at 1 January 2005).

Unrecognised deferred tax assets amounted to EUR 338 million at 31 December 2005 (EUR 373 million at 1 January 2005).

The effects of first-time adoption of IAS 32, IAS 39 and IFRS 4 are described in Note 1.b.4. Restatement of specific credit risk impairment gives rise to an additional deferred tax asset of EUR 217 million, and the recognition of a provision for regulated savings products generates a deferred tax asset of EUR 129 million.

The other deferred tax effects of EUR 248 million are mainly a result of restatements related to financial instruments reclassified as fair value through profit or loss.

6.i ACCRUED INCOME/EXPENSE, OTHER ASSETS/LIABILITIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee deposits and bank guarantees paid	22,221	17,016
Settlement accounts related to securities transactions	16,010	4,226
Collection accounts	2,110	3,545
Reinsurers' share of technical reserves	2,283	2,075
Accrued income and prepaid expenses	1,836	1,830
Other debtors and miscellaneous assets	20,867	12,640
Total accrued income and other assets	**65,327**	**41,332**
Guarantee deposits received	11,183	6,260
Settlement accounts related to securities transactions	15,336	5,679
Collection accounts	414	4,799
Accrued expenses and deferred income	3,127	3,456
Other creditors and miscellaneous liabilities	18,386	13,862
Total accrued expenses and other liabilities	**48,446**	**34,056**

The movement in "Reinsurers' share of technical reserves" breaks down as follows:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Reinsurers' share of technical reserves at start of period	**2,075**	**1,029**
Increase in technical reserves borne by reinsurers	294	292
Amounts received in respect of claims and benefits passed on to reinsurers	(90)	(72)
Effect of changes in exchange rates	4	-
Effect of changes in scope of consolidation	-	826
Reinsurers' share of technical reserves at end of period	**2,283**	**2,075**

6.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method) are shown below, with individual investments in excess of EUR 100 million shown separately:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Erbe	1,013	746
Verner Investissement	221	184
Société de Paiement Pass	196	90
Finaxa	-	931
Cofinoga	-	232
Other associates	393	537
Investments in associates	**1,823**	**2,720**

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec 2005	Net banking income or net sales Year to 31 Dec 2005	Net income Year to 31 Dec 2005
Erbe (1)	1,615		139
Verner Investissement (1)	1,963	205	-
Société de Paiement Pass	2,751	364	51

(1) data as at 31 December 2004 or for the year then ended

6.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	**6,119**	**(864)**	**5,255**	**5,345**	**(794)**	**4,551**
Land and buildings	2,871	(840)	2,031	2,547	(734)	1,813
Equipment, furniture and fixtures	3,726	(2,457)	1,269	3,399	(2,247)	1,152
Plant and equipment leased as lessor under operating leases	7,931	(2,646)	5,285	6,819	(2,267)	4,552
Other property, plant and equipment	1,210	(582)	628	1,160	(518)	642
PROPERTY, PLANT AND EQUIPMENT	**15,738**	**(6,525)**	**9,213**	**13,925**	**(5,766)**	**8,159**
Purchased software	1,359	(1,021)	338	1,091	(799)	292
Internally-developed software	615	(326)	289	543	(236)	307
Other intangible assets	791	(193)	598	788	(212)	576
INTANGIBLE ASSETS	**2,765**	**(1,540)**	**1,225**	**2,422**	**(1,247)**	**1,175**

The main changes in investment property in the year to 31 December 2005 related to the acquisition of shopping centres by Klépierre for EUR 545 million. In addition, the acquisition of Commercial Federal Corporation generated an increase of approximately EUR 121 million in property, plant and equipment.

The main changes in investment property in the year to 31 December 2004 related to the acquisition of shopping centres by Klépierre for EUR 673 million. The main changes in property, plant and equipment related to the Union Safe Deposit Bank and Community First Bankshares acquisitions (approximately EUR 116 million) and disposals of computer equipment to a subsidiary set up jointly with IBM (EUR 76 million).

Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at historical cost at 31 December 2005 was EUR 8,747 million (EUR 6,818 million at 1 January 2005).

Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2005 was EUR 766 million (EUR 775 million for the year ended 31 December 2004).

Net reversals of impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2005 amounted to EUR 24 million, compared with a net increase of EUR 25 million in impairment losses in the year ended 31 December 2004.

6.1 GOODWILL

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross value at start of period	**6,328**	**5,578**
Accumulated impairment at start of period	**-**	**-**
Carrying amount at start of period	**6,328**	**5,578**
Acquisitions	1,204	1,259
Divestments	(30)	(61)
Impairment loss recognised during the period	(14)	-
Translation adjustments	589	(247)
Other movements	2	(201)
Gross value at end of period	**8,093**	**6,328**
Accumulated impairment recognised during the period	**(14)**	**-**
Carrying amount at end of period	**8,079**	**6,328**

As part of the impairment testing process for the relevant cash-generating unit, goodwill was tested for impairment at 1 January 2004, 31 December 2004 and 31 December 2005. The value tested was the new gross value at the reference date, net of accumulated amortisation and any impairment losses recognised at 31 December 2003 in accordance with IFRS 1. These impairment tests indicated no impairment of goodwill at either 1 January 2004 or 31 December 2004. At 31 December 2005, BNP Paribas recognised an impairment loss against goodwill related to the Peregrine sub-group in order to reflect prevailing market conditions in the Corporate Finance and Equity segments in Asia, where the sub-group's entities operate.

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2005	Carrying amount at 1 January 2005
International Retail Banking and Financial Services	**6,561**	**5,069**
of which BancWest Corp	*4,206*	*2,968*
of which Consumer Credit	*1,396*	*1,295*
of which Leasing with Services	*744*	*726*
Asset Management and Services	**1,221**	**962**
of which Cortal Consors	*385*	*385*
Corporate and Investment Banking	**84**	**84**
French Retail Banking	**23**	**-**
Other Activities	**190**	**213**
Total	**8,079**	**6,328**

6.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Liabilities related to insurance contracts	**64,406**	**48,228**
Gross technical reserves		
- Unit-linked contracts	26,146	18,925
- Other insurance contracts	38,260	29,303
Liabilities related to financial contracts	**8,892**	**14,252**
Liabilities related to financial contracts with discretionary participation feature	8,892	14,252
Policyholders' surplus	**3,225**	**2,038**
Total technical reserves of insurance companies	**76,523**	**64,518**
Liabilities related to unit-linked financial contracts (1)	4,090	5,525
Total liabilities related to contracts written by insurance companies	**80,613**	**70,043**

(1) Liabilities related to unit-linked financial contracts are included in “Due to customers” (Note 6.e) .

The deferred policyholders’ surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

Movement in liabilities related to insurance contracts:

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Liabilities related to contracts at start of period	**70,043**	**61,121**
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	12,417	9,285
Claims and benefits paid	(5,063)	(4,414)
Contracts portfolio disposals	176	-
Effect of changes in scope of consolidation	-	1,015
Effect of movements in exchange rates	87	(20)
Effect of changes in value of admissible investments related to unit-linked business	2,953	942
Effect of adoption of IFRS applicable from 1 January 2005 (note 1.b.4)	-	2,114
Liabilities related to contracts at end of period	**80,613**	**70,043**

Refer to Note 6.i for details of reinsurers’ share of technical reserves.

6.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Total provisions at start of period	**3,983**	**4,934**
Additions to provisions	1,047	1,052
Reversals of provisions	(585)	(1,126)
Provisions utilised	(620)	(204)
Effect of movements in exchange rates and other movements	25	(80)
Total provisions at end of period	**3,850**	**4,576**
Effect of adoption of IFRS applicable from 1 January 2005		(593)
Total provisions at 1 January 2005		**3,983**

At 31 December 2005, provisions for contingencies and charges mainly include provisions for post-employment benefits (Note 8.b), for impairment related to credit and counterparty risks (Note 3.e), for risks on regulated savings products and for litigation in connection with banking transactions.

The effect on the movement in provisions for contingencies and charges of adopting IFRS applicable at 1 January 2005 includes a reduction of EUR 758 million due to the reclassification of a portion of the impairment of at-risk loans and of provisions for country risk, now shown as a deduction from assets in the balance sheet as presented in Note 1.c.2, and an increase of EUR 165 million for the restatements mentioned in Note 1.b.4.

Provisions for regulated savings product risks

Deposits, loans and savings - home savings plans (PEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings plans	**16,432**	**16,420**
Aged more than 10 years	6,234	5,966
Aged more than 4 years but less than 10 years	8,484	7,057
Aged less than 4 years	1,714	3,397
Outstanding loans granted under home savings plans	**304**	**442**
Provisions recognised in respect of home savings plans	**350**	**305**
Aged more than 10 years	182	97
Aged more than 4 years but less than 10 years	135	84
Aged less than 4 years	33	124

Deposits, loans and savings - home savings accounts (CEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings accounts	**3,555**	**3,519**
Outstanding loans granted under home savings accounts	**499**	**596**
Provisions recognised in respect of home savings accounts	**38**	**70**

Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec 2005	
	Provisions recognised in respect of home savings plans	Provisions recognised in respect of home savings accounts
Total provisions at 1 January 2005	**305**	**70**
Additional provisions during the period	78	-
Reversals and utilisations	(33)	(32)
Total provisions at 31 December 2005	**350**	**38**

7. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

7.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financing commitments given:		
- to credit institutions	18,165	17,805
- to customers:	191,514	149,093
Confirmed letters of credit	149,525	123,956
Other commitments given to customers	41,989	25,137
Total financing commitments given	209,679	166,898
Financing commitments received:		
- from credit institutions	54,894	32,418
- from customers	774	4,366
Total financing commitments received	55,668	36,784

Financing commitments given to customers mainly comprise documentary credits and other confirmed letters of credit.

Financing commitments received mainly comprise standby commitments.

7.b GUARANTEE COMMITMENTS

Financial instruments given and received as guarantees

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial instruments received as guarantees	15,800	11,060
Financial instruments given as guarantees	29,694	26,855

Guarantee commitments given

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee commitments given:		
to credit institutions	8,484	6,840
to customers:	58,670	48,350
- Property guarantees	1,191	965
- Sureties provided to tax and other authorities, other sureties	18,639	15,361
- Other guarantees	38,840	32,024
Total guarantee commitments given	67,154	55,190

7.c SECURITISATION

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities, which may be on behalf of customers (in some cases with a guarantee or liquidity facilities) or proprietary programs (in connection with the management of counterparty risk on certain portfolios or asset-liability management for certain subsidiaries). In these cases, the Group retains part of the risk by paying a guarantee deposit or subscribing to subordinated tranches. Special-purpose entities over which the Group does not exercise control are not consolidated.

Customer securitisation programmes

Short-term refinancing

At 31 December 2005, five non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on securitised receivables managed for customers by these entities up to an amount of EUR 629 million, and has granted liquidity facilities totalling EUR 12,176 million to these entities.

Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issue medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2005, BNP the Group had granted liquidity facilities totalling EUR 331 million to seven such funds (BEI-Iris 4, Tiepolo Finance, Telecom Italia SV, RCI-Renault, Camber 1, LFE 3 and Tenzing), representing EUR 2,600 million of securitised receivables.

Proprietary securitisation programmes

- For asset/liability management purposes, the subsidiary Centro Leasing has sold finance lease receivables to non-consolidated securitisation vehicles. Centro Leasing has given these vehicles a limited guarantee covering the default risk on the sold receivables. At 31 December 2005, the gross amount of securitised receivables was EUR 865 million (Ponte Vecchio Finance and Ponte Vecchio Finance 2, maturing 2007 and 2010 respectively).

- To reduce the credit risk on certain portfolios, BNP Paribas carries out synthetic securitisations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks.

  Synthetic securitisation programmes via special purpose entities cover EUR 13 billion of consolidated assets, representing loans to major European and American companies. The risk retained by BNP Paribas relates to the equity instruments issued by the intermediate vehicles and acquired by the Group.

Synthetic securitisation (31 December 2005, EUR million)

Securitisation vehicle	Date launched	Life of the vehicle scheduled to end in	Gross counterparty risk before securitisation	Gross risk retained by the Group (1)
Consolidated vehicle				
Euroliberté (France)	2001	2008	2,001	184
Unconsolidated vehicle				
Global Liberté 1 to 2 (France)	2005	2010	10,517	496
			12,518	**680**

(1) This risk is retained by BNP Paribas because it holds equity instruments issued by entities that will bear the first losses incurred on the assets guaranteed by that entity.

8. SALARIES AND EMPLOYEE BENEFITS

8.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2005 came to EUR 7,903 million (EUR 7,163 million for the year to 31 December 2004).

Fixed and variable remuneration, incentive plans and profit-sharing amounted to EUR 5,935 million (EUR 5,179 million in 2004); retirement bonuses, pension costs and social security taxes to EUR 1,662 million (EUR 1,678 million in 2004); and payroll taxes to EUR 306 million (EUR 306 million in 2004).

8.b EMPLOYEE BENEFIT OBLIGATIONS

Post-employment benefits under defined-contribution plans

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan. The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2005 was approximately EUR 286 million (EUR 275 million for the year to 31 December 2004).

Post-employment benefits under defined-benefit plans

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised ; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2005 totalled EUR 1,378 million (EUR 1,782 million at 31 December 2004), comprising EUR 865 million for French plans and EUR 513 million for other plans.

1) Pension plans, employee welfare plans and other post-employment benefits

In France, the BNP and Paribas pension funds pay a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. These rights vested as a result of employer and employee contributions paid into these funds prior to 31 December 1993. The residual pension obligations are covered by a provision in the consolidated financial statements.

BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom),* or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States).* Some plans are top-up schemes linked to statutory pensions *(Norway).* Some plans are managed by insurance companies *(Spain)* or by independent fund managers *(United Kingdom*).

At 31 December 2005, 81% of the gross obligations under these plans were concentrated on 16 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 57% equities, 35% bonds, 8% other financial instruments.

Group employees also have rights under collective welfare benefit plans and miscellaneous contractual post-employment benefits such as bonuses payable on retirement. In 2005, BNP Paribas transferred to a third-party insurer contracts taken out to cover bonuses payable on retirement in France and defined-benefit pension plans, previously managed by French subsidiaries of BNP Paribas.

- *Reconciliation of assets and liabilities recognised in the balance sheet*

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Excess of obligations over plan assets of funded plans	**1,179**	**1,835**
Gross present value of obligations wholly or partially funded by plan assets	2,914	3,063
Fair value of plan assets	(1,735)	(1,228)
of which financial instruments issued by BNP Paribas	*3*	*3*
of which property and other assets used by BNP Paribas	*3*	*3*
Present value of unfunded obligations	**237**	**179**
Fair value of surplus assets	**(78)**	**-**
Fair value of segregated assets (1)	**(73)**	**(249)**
Cost not yet recognised in accordance with IAS 19	**(129)**	**(332)**
Past service cost	76	(194)
Net actuarial losses/gains	(205)	(138)
Other amounts recognised in the balance sheet	**41**	**36**
Net obligation recognised in the balance sheet for defined-benefit plans	**1,177**	**1,469**

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- *Movements in the net obligation in the balance sheet*

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net obligation at start of period	**1,469**	**1,664**
Pension cost recognised in profit or loss for the period	(10)	158
BNP Paribas contributions to plan assets	(140)	(176)
Benefits paid to recipients of unfunded benefits	(24)	(176)
Other movements	(118)	(1)
Net obligation at end of period	**1,177**	**1,469**

- *Components of pension cost*

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Service cost for the period	126	90
Expense arising on discounting of the obligation	133	155
Expected return on plan assets	(93)	(80)
Amortisation of actuarial gains and losses	28	1
Amortisation of past service cost	6	14
Effect of plan curtailments or settlements	(213)	(20)
Other items	3	(2)
Total expense recorded in "Salary and employee benefit expenses"	**(10)**	**158**

- *Effective rate of return on plan assets (including reimbursement rights)*

In %,	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Actual return on plan assets (1)	4.20%-5.00%	8.45%-14.12%	8.32%-19.49%	3.01%-7.90%	4.30%-4.90%	2.60%-7.63%	7.00%-9.50%	4.65%-9.66%

(1) Range of values, reflecting the existence of several plans within a single country or zone

- *Main actuarial assumptions used in employee benefit calculations at the balance sheet date*

In %	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	2,76%-3,59%	3,40%-3,82%	4.81%	5.50%	2.52%-4.21%	4.35%	5.20%-5.25%	5.75%
Expected return on plan assets (1)	4,00%-4,20%	2,52%-6,40%	5,40%-7,30%	7,00%-9,00%	4.30%-4.90%	4.50%-6.50%	5.40%-6.30%	7.00%-9.00%
Future rate of salary increases	2,50%-5,50%	2,00%-4,00%	3,75%-5,40%	4.00%	2.50%-5.50%	3.00%-4.50%	3.70%-4.50%	4.00%

(1) Range of values, reflecting the existence of several plans within a single country or zone

2) Post-employment healthcare plans

The Group has several healthcare benefit plans for retired employees, mainly in the United States. Provisions for obligations under these plans at 31 December 2005 amounted to EUR 50 million (EUR 45 million at 31 December 2004).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

Termination benefits

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans is provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 171 million at 31 December 2005 (EUR 201 million at 31 December 2004).

8.c SHARE-BASED PAYMENT

BNP Paribas has granted benefits to some employees in the form of share-based loyalty bonus plans and stock option plans.

1) Share-based loyalty bonus plans

As part of the Group's variable remuneration policy, some high-performing employees are awarded a loyalty bonus plan, entitling them to specific share-based remuneration over a three-year period subject to their remaining with the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights.

The Group recognises share-based deferred bonus entitlements linked to the performance of certain categories of employee in 2002 and 2003 as an expense over the remaining vesting period of the rights. The total recognised as an expense in the year ended 31 December 2005 was EUR 50 million (EUR 92 million in the year ended 31 December 2004).

2) Stock option plans

Various stock option plans have been granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas. All unexpired plans involve potential settlement in BNP Paribas shares.

Expense for the year

The expense recognised in the year to 31 December 2005 in respect of stock subscription option plans granted since November 2002 was EUR 32 million (EUR 23 million in the year to 31 December 2004).

Description of the plans

Under authorisations granted by the Shareholders' General Meeting, BNP Paribas grants a stock subscription option plan every year.

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2005:

Stock subscription option plans

Characteristics of the plan							Number of options exercised during the period (1)	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period (2)	Option expiry date	Exercise price (in euros)		Number of options	Remaining period until expiry of options (years)
BNP	22/05/1997	64	476,000	23/05/2002	22/05/2007	18.45	88,160	119,480	1
BNP	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	37.28	577,421	629,002	2
BNP	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.64	185,349	283,472	3
BNP (4)	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	45.16	1,287,612	3,197,668	4
BNP (4)	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.50	561,071	899,629	4
BNP Paribas SA (2)	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	49.00	62,511	5,743,489	5
BNP Paribas SA (2)	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	60.00	-	2,002,530	6
BNP Paribas SA (3)	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	37.10	5,000	6,501,400	7
BNP Paribas SA (3)	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.80	-	1,703,850	8
BNP Paribas SA (3)	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	55.1 (5)	-	4,307,650	7
							2,767,124	**25,388,170**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) The options are subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of BNP Paribas shares relative to the Dow Jones Euro Stoxx Bank index.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met.

(5) Rounded average of the opening quoted stock market prices for the twenty trading days preceding 25 March 2005.

Stock purchase option plans

Characteristics of the plan							Number of options exercised during the period	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period	Option expiry date	Exercise price (in euros) (1)		Number of options (1)	Remaining period until expiry of options (years)
Paribas (CFP)	20/01/1997	526	5,178,206	20/01/2002	20/01/2005	17.30	162,973	-	-
Paribas (CFP)	07/07/1997	4	77,125	07/07/2002	07/07/2005	19.47	8,678	-	-
Cetelem	22/09/1997	117	332,893	23/09/2002	21/09/2005	17.19	108,570	-	-
Paribas (CB)	30/09/1997	149	615,608	01/10/2002	29/09/2005	19.71	225,491	-	-
Paribas (CFP)	26/12/1997	319	6,370,545	26/12/2002	26/12/2005	23.47	1,811,881	-	-
Paribas	17/11/1998	975	7,255,377	17/11/2003	17/11/2006	20.41	1,133,590	1,481,847	1
Paribas	04/05/1999	1	30,850	04/05/2004	04/05/2007	31.88	8,342	22,508	1
							3,459,525	**1,504,355**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

- For Compagnie Bancaire, Compagnie Financière Paribas and Banque Paribas, based on the following conversion rates: 9 Paribas shares for 5 Compagnie Bancaire shares, 1 Paribas share for 1 Compagnie Financière Paribas share, 1 Paribas share for 1 Banque Paribas share, 3.085 BNP Paribas shares for 1 Paribas share.

- For Cetelem (fully consolidated Paribas subsidiary), the number of options and the exercise price are expressed in BNP Paribas shares calculated after the exchange: 1.791 Paribas shares for 1 Cetelem share, 3.085 BNP Paribas shares for 1 Paribas share.

The exercise price and number of options used in the preparation of this table were calculated on the basis of the exchange ratio after 1 July 2002.

(2) Exercise dates set at the time of grant. However, the BNP-Paribas merger agreement stipulates that grantees may not exercise their options until the 5th anniversary of the date of grant, as required under French tax rules, irrespective of the original exercise date.

Movements during the year

Stock subscription option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**24,359,164**	44.58	**23,960,398**	43.30
Options granted during the period	4,332,550	55.10	1,779,850	49.80
Options exercised during the period	(2,767,124)	41.69	(1,381,084)	28.79
Options expired during the period	(536,420)		-	
Options outstanding at 31 December	**25,388,170**	46.63	**24,359,164**	44.58
Options exercisable at 31 December [1]	**8,932,740**	45.38	**6,438,164**	42.27

(1) The number of options exercisable at 31 December 2005 does not take into account the tranche of the options granted on 15 May 2001 of which exercise is contingent upon the financial performance of the Group (1,940,000 options outstanding at the end of 2005). Because the minimum annual average performance requirement of 16% was not reached in the past reference period, the exercise period for this tranche is extended until the requirement is met over a rolling 3-year period.

The average quoted stock market price for the option exercise period in 2005 was EUR 59.11 (EUR 51.54 in 2004).

Stock purchase option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**4,963,880**	21.39	**8,624,313**	20.86
Options exercised during the period	(3,459,525)	21.74	(3,660,433)	20.14
Options outstanding at 31 December	**1,504,355**	20.58	**4,963,880**	21.39
Options exercisable at 31 December	**1,504,355**	20.58	**4,963,880**	21.39

The average quoted stock market price for the option exercise period in 2005 was EUR 58.76 (EUR 51.54 in 2004).

Value attributed to stock options

As required under IFRS 2, BNP Paribas attributes a value to stock options granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights) or to performance-linked conditions (return on equity).

The Group's stock option plans are valued by an independent specialist firm. Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of BNP Paribas shares relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

The value of options granted by BNP Paribas in 2005 was EUR 9.84 (EUR 11.41 euros in 2004).

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Quoted price of BNP Paribas shares at date of grant	55.60	48.23
Option exercise price	55.10	49.80
Implied volatility of BNP Paribas shares	20.0%	24.7%
Early exercise of options	7.5 years	8 years
Expected dividend on BNP Paribas shares (1)	3.6%	3.0%
Risk-free interest rate	3.7%	4.1%
Loss of rights rate	1.5%	2.0%

(1) The dividend rate shown above is an average of the series of annual dividends over the life of the option.

9. ADDITIONAL INFORMATION

9a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2003	**903,171,615**	**2**		
Increase in share capital by exercise of stock subscription options on 28 January 2004	443,989	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 17 May 2004	(25,000,000)	2	14 May 03	24 March 04
Exercise of stock subscription options on 6 July 2004	606,978	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,477,862	2	14 May 03	04 Feb 04
Number of shares outstanding at 31 December 2004	**884,700,444**	**2**		
Increase in share capital by exercise of stock subscription options on 25 January 2005	518,758	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 10 May 2005	(13,994,568)	2	28 May 04	23 March 05
Increase in share capital by exercise of stock subscription options on 20 July 2005	1,397,501	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,000,000	2	14 May 03	04 Febr 04
Reduction in share capital by cancellation of treasury shares on 29 November 2005	(39,374,263)	2	18 May 05	13 June 05
Number of shares outstanding at 31 December 2005	**838,247,872**	**2**		

At 31 December 2005, the share capital of BNP Paribas SA consisted of 838,247,872 fully-paid ordinary shares with a par value of 2 euros (compared with 884,700,444 ordinary shares at 1 January 2005). Under BNP Paribas stock subscription plans, 1,369,623 new shares with a par value of 2 euros each and ranking for dividend from 1 January 2005 were subscribed for by employees during the year ended 31 December 2005. These shares were issued on 23 January 2006.

The 11th and 12th resolutions of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by up to EUR 1.34 billion, representing 500,000,000 shares with pre-emptive rights and 170,000,000 securities without pre-emptive rights. The aggregate nominal value of debt securities giving immediate or future access to BNP Paribas shares under these authorisations is limited to EUR 10 billion in the case of shares, and EUR 8 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months. No securities had been issued pursuant to these authorisations as of 31 December 2005.

The 13th resolution of the Shareholders' General Meeting of 28 May 2004 also authorised the Board of Directors to increase the share capital by capitalising reserves up to a maximum aggregate par value of EUR 1 billion. This authorisation allows the successive or simultaneous capitalisation of some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital by the issuance and allotment of consideration-free shares, by raising the par value of the shares, or by a combination of these two methods. This authorisation was granted for a period of 26 months.

The 16th resolutions of the Shareholders' General Meetings of 28 May 2004 and 18 May 2005 authorised the Board of Directors to cancel, by means of a reduction in share capital, some or all of the own shares held or acquired under the authorisation granted by the Shareholders' General Meeting, up to a maximum of 10% of the share capital in any 24-month period. These authorisations were granted for a period of 18 months. In 2005, 53,368,831 shares were cancelled pursuant to these authorisations.

Preferred shares and equivalents

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the law of the United States, which do not dilute ordinary BNP Paribas shares. The shares pay a dividend of 7.738% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The proceeds of this issue are shown under "Minority interests" in the balance sheet, and the dividends are reported in "Minority interests" in the profit and loss account.

In 2000, a further USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a dividend of 9.003% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, a further two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over 5 years minimum, and shares in the second issue pay a dividend of 6.625% over 10 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7%.

Shares in the second issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, a further two undated non-cumulative preferred share issues, of EUR 660 million and EUR 650 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a dividend of 7.2% paid quarterly over 5 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

Shares in the second issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7.20%.

In January 2003, a further non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. Shares in this issue pay an annual dividend of 5.868%. The shares are redeemable after the end of a ten-year period, and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed dividend quarterly.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP US Funding	December 1997	USD	500 million	10 years	Weekly Libor + 2.8%
BNPP Capital Trust	October 2000	USD	500 million	10 years	3-month Libor + 3.26%
BNPP Capital Trust II	October 2001	EUR	350 million	5 years	7%
BNPP Capital Trust III	October 2001	EUR	500 million	10 years	3-month Euribor + 2.6%
BNPP Capital Trust IV	January 2002	EUR	660 million	10 years	3-month Euribor + 2.33%
BNPP Capital Trust V	June 2002	USD	650 million	5 years	7.20%
BNPP Capital Trust VI	January 2003	EUR	700 million	10 years	3-month Euribor + 2.48%

Undated Super Subordinated Notes, equivalent to preferred shares, issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 1,350 million. The issue pays a fixed annual remuneration of 5.186%. The notes are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2015, they will pay quarterly coupon at 3-month USD Libor plus 1.68%.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of EUR 1,000 million. The issue pays a fixed annual remuneration of 4.875%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 400 million. The issue pays a fixed annual remuneration of 6.250%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

The capital raised by this issue is included in “retained earnings” within shareholders’ equity in the balance sheet, with the remuneration on the notes treated as dividend.

Own equity instruments (shares issued by BNP Paribas shares and held by the Group)

The sixth resolution of the Shareholders' Meeting of 28 May 2004 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: stabilising the share price; allotting or selling shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; subsequent cancellation of the shares; sale, exchange or transfer of the shares; or pursuing balance sheet or financial management strategies.

The fifth resolution of the Shareholders' Meeting of 18 May 2005 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: cancellation of the repurchased shares on the terms approved by an extraordinary resolution of the shareholders; meeting obligations arising from (i) issuance of securities giving access to BNP Paribas shares, (ii) stock purchase option plans, (iii) allotment of consideration-free shares to employees and corporate officers or (iv) allotment or sale of shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; retention for future delivery in exchange or as payment for an acquisition; stabilising the share price by buying or selling shares in the light of market conditions.

In addition, a BNP Paribas subsidiary involved in market index trading and arbitrage activities carries out, as part of these activities, short selling of shares issued by BNP Paribas SA.

At 31 December 2005, the BNP Paribas Group held 4,724,282 BNP Paribas shares, representing an amount of EUR 165 million, deducted from shareholders' equity in the balance sheet. At 1 January 2005, a total of 54,512,739 BNP Paribas shares, representing an amount of EUR 2,661 million, were deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2003	44,818,443	1,905			44,818,443	1,905
Acquisitions	35,751,407	1,794			35,751,407	1,794
Reduction in share capital	(25,000,000)	(966)			(25,000,000)	(966)
Other movements	(457,241)	(40)	(599,870)	(32)	(1,057,111)	(72)
Shares held at 31 December 2004	55,112,609	2,693	(599,870)	(32)	54,512,739	2,661
Acquisitions	11,677,068	676			11,677,068	676
Reduction in share capital	(53,368,831)	(2,694)			(53,368,831)	(2,694)
Other movements	(4,360,827)	(214)	(3,735,867)	(264)	(8,096,694)	(478)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165

Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options granted are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income used to calculate basic and diluted earnings per share (in millions of euros) [(1)]	**5,822**	**4,939**
Weighted average number of ordinary shares outstanding during the year	**829,515,172**	**840,921,530**
Effect of potentially dilutive ordinary shares:		
number of potentially dilutive shares derived from exercisable stock subscription options	5,318,375	3,481,413
Weighted average number of ordinary shares used to calculate diluted earnings per share	**834,833,547**	**844,402,943**
Basic earnings per share (in euros)	**7.02**	**5.87**
Diluted earnings per share (in euros)	**6.97**	**5.85**

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes are treated as dividends.

A dividend of 2.00 euros per share was distributed in 2005 out of 2004 net income (compared with 1.45 euros paid in 2004 out of 2003 net income).

9.b SCOPE OF CONSOLIDATION

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
BNP Paribas SA					France	Full	100,00%	100,00%
French Retail Banking								
Banque de Bretagne					France	Full	100,00%	100,00%
BNP Paribas Developpement					France	Full	100,00%	100,00%
BNP Paribas Factor					France	Full	100,00%	100,00%
Catesienne de Participation		6			France			
IRBFS								
Retail Bankig - United States of America								
BancWest Corporation					U.S.A.	Full	100,00%	100,00%
Bank of the West					U.S.A.	Full	100,00%	100,00%
FHL Lease Holding Cy					U.S.A.	Full	100,00%	100,00%
First Hawaïan Bank					U.S.A.	Full	100,00%	100,00%
Union Safe Deposit Bank			6		U.S.A.			
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100,00%	99,96%
All In One Allemagne					Germany	Full	100,00%	99,96%
Antin Bail					France	Full	100,00%	100,00%
Aprolis Finance					France	Full	51,00%	50,98%
Avelingen Finance BV			1		Netherlands	Equity	50,00%	49,98%
Barloworld Heftruck BV			1		Netherlands	Equity	50,00%	49,98%
BNP Paribas Lease Group					France	Full	99,96%	99,96%
BNP Paribas Lease Group BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group Holding SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group Netherlands BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group UK PLC					UK	Full	100,00%	99,96%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100,00%	99,96%
BNP Paribas Lease Group SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group (Rentals) Ltd ex Bureau Services Limited					UK	Full	100,00%	99,96%
BNP Paribas Leasing Gmbh					Germany	Full	100,00%	99,96%
Centro Leasing SPA					Italy	Equity	37,30%	37,28%
Claas Financial Services					France	Full	60,11%	60,09%
Claas Leasing Gmbh					Germany	Full	100,00%	60,09%
CNH Capital Europe					France	Full	50,10%	50,08%
CNH Capital Europe Limited					UK	Full	50,10%	50,08%
Commercial Vehicle Finance Limited					UK	Full	100,00%	99,96%
Diamond Finance UK Limited					UK	Full	60,00%	59,98%
Equipment Lease BV			1		Netherlands	Full	100,00%	99,96%
Evergo Finanzaria	6				Italy			
Finance et Gestion SA					France	Full	70,00%	69,97%
Geveke Rental BV			1		Netherlands	Equity	50,00%	49,98%
H.F.G.L Limited	2				UK	Full	100,00%	99,96%
HIH Management Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N°1 Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N° 4 Limited					UK	Full	100,00%	99,96%
Humberclyde Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Industrial Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Investments Limited	2				UK	Full	100,00%	99,96%
Humberclyde Management Services Limited					UK	Full	100,00%	99,96%
Humberclyde Spring Leasing Limited					UK	Full	100,00%	99,96%
Leaseco International BV			1		Netherlands	Full	100,00%	99,96%
Natiobail					France	Full	100,00%	99,96%
Natiocrédibail					France	Full	100,00%	99,96%
Natiocrédimurs					France	Full	100,00%	99,96%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Leasing - Finance Leases (cont'd)								
Natioénergie					France	Full	100,00%	99,96%
Norbail Snc			5		France			
Norbail Location			5		France			
Paricomi					France	Full	100,00%	100,00%
S C A U			5		France			
SAS MFF			2		France	Full	51,00%	50,98%
Same Deutz-Fahr Finance					France	Full	99,97%	99,93%
Same Deutz Fahr Finance Limited					UK	Full	100,00%	99,96%
Socappa	6				France			
UFB Asset Finance Limited					UK	Full	100,00%	99,96%
United Care Group Limited					UK	Full	100,00%	99,96%
United Care (Cheshire) Limited					UK	Full	100,00%	99,96%
United Corporate Finance Limited					UK	Full	100,00%	99,96%
United Inns Management Limited					UK	Full	100,00%	99,96%
Consumer Credit								
Attijari Cetelem			1		Marocco	Full	100,00%	93,01%
Axa Banque Financement			5		France			
Banco Cetelem Argentine			5		Argentina			
Banco cetelem Portugal					Portugal	Full	100,00%	100,00%
Banco Cetelem SA					Spain	Full	100,00%	100,00%
Caisse d'Epargne Financement - CEFI					France	Equity	33,00%	33,00%
Carrefour Administration Cartos de Creditos - CACC					Brazil	Equity	40,00%	40,00%
Cetelem					France	Full	100,00%	100,00%
Cetelem America					Brazil	Full	100,00%	100,00%
Cetelem Bank Gmbh					Germany	Full	50,10%	50,10%
Cetelem Bank SA			2		Poland	Full	100,00%	100,00%
Cetelem Belgium					Belgium	Full	100,00%	100,00%
Cetelem Benelux BV					Netherlands	Full	100,00%	100,00%
Cetelem Brésil	9				Brazil	Full	100,00%	100,00%
Cetelem Capital Company Limited	5				South Korea			
Cetelem CR					Czech Rep.	Full	100,00%	100,00%
Cetelem Polska Expansion SA	9				Poland	Full	100,00%	100,00%
Cetelem Thailande					Thailand	Full	100,00%	100,00%
Cetelem UK (ex Halifax Cetelem Credit Limited)	7				UK	Full	100,00%	100,00%
Cofica Bail					France	Full	100,00%	100,00%
Cofidis France					France	Equity	15,00%	15,00%
Cofinoga					France	Prop.	0,00%	48,16%
Cofiparc					France	Full	100,00%	99,99%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce					France	Full	100,00%	100,00%
Credial		6			France			
Crédit Moderne Antilles					France	Full	100,00%	100,00%
Crédit Moderne Guyane					France	Full	100,00%	100,00%
Crédit Moderne Océan Indien					France	Full	97,81%	97,81%
Domofinance SA			2		France	Full	55,00%	55,00%
Effico Iberia			2		Spain	Full	100,00%	100,00%
Effico Soreco					France	Full	99,94%	99,94%
Eurocredito					Spain	Full	100,00%	100,00%
Facet					France	Full	99,69%	99,69%
Fidem					France	Full	51,00%	51,00%
Fimestic Expansion SA					Spain	Full	100,00%	100,00%
Findomestic					Italy	Prop.	50,00%	50,00%
Fortis Crédit				4	Belgium			
Laser				11	France	Prop.	48,16%	48,16%
Loisirs Finance					France	Full	51,00%	51,00%
Magyar Cetelem					Hungary	Full	100,00%	100,00%
Norrsken Finance	2				France	Full	51,00%	51,00%

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Consumer Credit (cont'd)								
Sa Leval 3	5				France			
Servicios Financieros Carrefour EFC					Spain	Equity	40,00%	40,00%
Société de Paiement Pass					France	Equity	40,01%	40,01%
Special Purpose Entities								
FCC Findomestic		3			Italy	Prop.		
FCC Master Dolphin		2			France	Prop.		
FCC Master Noria		3			France	Full		
FCC Retail ABS Finance				2	France	Full		
Property Loans								
Abbey National France			1	6	France			
Banca UCB SPA					Italy	Full	100,00%	100,00%
BNP Paribas Invest Immo		2			France	Full	99,99%	99,99%
SAS Prêts et Services					France	Full	100,00%	100,00%
Services et Prêts Immobiliers		6			France			
UCB					France	Full	100,00%	100,00%
UCB Hypotheken	2				Netherlands	Full	100,00%	100,00%
Union de Creditos Immobiliarios - UCI (Groupe)			10		Spain	Prop.	50,00%	50,00%
Special Purpose Entities					France	Full		
FCC Domos 2003					France	Full		
FCC Master Domos		3			France	Full		
FCC Master Domos 4		3			France	Full		
FCC Master Domos 5		3			France	Full		
FCC U.C.I 2-14 (ex FCC U.C.I 2-9)		3	10		Spain	Prop.		
Long term leasing with services								
Arius Finance				6	France			
Arius SA					France	Full	100,00%	99,99%
Arma Beheer BV		1			Netherlands	Full	100,00%	99,99%
Artegy Limited		2			UK	Full	100,00%	99,99%
Artegy SAS					France	Full	100,00%	99,99%
Arval Belgium					Belgium	Full	100,00%	99,99%
Arval BV (ex Arma Nederland)		1			Netherlands	Full	100,00%	99,99%
Arval Deutschland GmbH (ex Arval PHH Deutschland Gmbh)					Germany	Full	100,00%	99,99%
Arval ECL SAS					France	Full	100,00%	99,99%
Arval Limited					UK	Full	100,00%	99,99%
Arval Luxembourg					Luxembourg	Full	100,00%	99,99%
Arval Nederland				6	Netherlands			
Arval NV (ex Arma Belgique)		1			Belgium	Full	100,00%	99,99%
Arval PHH Buisiness Services Limited					UK	Full	100,00%	99,99%
Arval PHH Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Arval PHH Holding SAS					France	Full	100,00%	99,99%
Arval PHH Holdings Limited					UK	Full	100,00%	99,99%
Arval PHH Holdings UK Limited					UK	Full	100,00%	99,99%
Arval PHH Limited					UK	Full	100,00%	99,99%
Arval Portugal					Portugal	Full	100,00%	99,99%
Arval Schweiz AG (ex Leasing Handels und Service AG)					Switzerland	Full	100,00%	99,99%
Arval Service Lease					France	Full	100,00%	99,99%
Arval Service Lease Espagne					Spain	Full	99,98%	99,97%
Arval Service Lease Italia					Italy	Full	100,00%	99,99%
Arval Service Lease Polska SP					Poland	Full	100,00%	99,99%
BNP Paribas Fleet Holdings Limited					UK	Full	100,00%	99,99%
Dialcard Fleet Information Services Limited					UK	Full	100,00%	99,99%
Dialcard Limited					UK	Full	100,00%	99,99%
Gestion et Location Holding					France	Full	99,99%	99,99%

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Long term leasing with services (cont'd)								
Harpur Assets Limited			5		UK			
Harpur UK Limited					UK	Full	100,00%	99,99%
Overdrive Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Overdrive Credit Card Limited					UK	Full	100,00%	99,99%
PHH Financial services Limited					UK	Full	100,00%	99,99%
PHH Holdings (1999) Limited					UK	Full	100,00%	99,99%
PHH Investment Services Limited					UK	Full	100,00%	99,99%
PHH Leasing (N°9) Limited					UK	Full	100,00%	99,99%
PHH Treasury Services Limited					UK	Full	100,00%	99,99%
PHH Truck Management Services Limited					UK	Full	100,00%	99,99%
Pointeuro Limited					UK	Full	100,00%	99,99%
The Harpur Group UK Limited					UK	Full	100,00%	99,99%
Emerging and overseas markets								
Banque International Commerce et Industrie Burkina Faso					Burkina Faso	Full	51,00%	50,47%
Banque International Commerce et Industrie Cote d'Ivoire					Ivory Coast	Full	67,49%	67,32%
Banque International Commerce et Industrie Gabon					Gabon	Full	46,67%	46,67%
Banque International Commerce et Industrie Senegal					Senegal	Full	54,11%	53,89%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75,00%	75,00%
Banque Marocaine du Commerce et de l'Industrie					Marocco	Full	65,05%	65,05%
Banque Marocaine du Commerce et de l'Industrie Leasing					Marocco	Full	72,03%	46,86%
Banque Marocaine du Commerce et de l'Industrie Offshore					Marocco	Full	100,00%	65,05%
Banque pour le Commerce et l'Industrie de la Mer Rouge					Djibouti	Full	51,00%	51,00%
BNP Intercontinentale - BNPI					France	Full	100,00%	100,00%
BNP Paribas BDDI Participations					France	Full	100,00%	100,00%
BNP Paribas Cyprus Limited					Cyprus	Full	100,00%	100,00%
BNP Paribas El Djazair	1				Algeria	Full	100,00%	100,00%
BNP Paribas Guadeloupe					France	Full	100,00%	100,00%
BNP Paribas Guyane					France	Full	100,00%	100,00%
BNP Paribas Le Caire					Egypt	Full	95,19%	95,19%
BNP Paribas Martinique					France	Full	100,00%	100,00%
BNP Paribas Nouvelle Caledonie					France	Full	100,00%	100,00%
BNP Paribas Réunion					France	Full	100,00%	100,00%
Sifida					Luxembourg	Full	91,69%	94,68%
Société Financière pour pays d'Outre Mer - SFOM			5		Switzerland			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Groupe)			1		Turkey	Prop.	50,00%	50,00%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50,00%	50,00%
Union Tunisienne de Leasing					Tunisia	Full	70,48%	35,24%

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AMS								
Insurance								
Antarius		4			France			
Banque Financiere Cardif					France	Full	100,00%	100,00%
BNP Paribas Assurance					France	Full	100,00%	100,00%
Cardif Asset Management					France	Full	100,00%	100,00%
Cardif Assicurazioni SPA					Italy	Full	100,00%	100,00%
Cardif Assurance Vie Polska			2		Poland	Full	100,00%	100,00%
Cardif do Brasil Seguros					Brazil	Full	100,00%	100,00%
Cardif Leven					Belgium	Full	100,00%	100,00%
Cardif Levensverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Nederland Holding BV					Netherlands	Full	100,00%	100,00%
Cardif RD					France	Full	100,00%	100,00%
Cardif SA					France	Full	100,00%	100,00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Seguros de Vida	5				Chile			
Cardif Société Vie					France	Full	100,00%	100,00%
Centro Vita Assicurazioni					Italy	Prop.	49,00%	49,00%
Compagnie Bancaire Uk Fonds C					UK	Full	100,00%	100,00%
Compania de Seguros de Vida	5				Argentina			
Compania de Seguros Generales					Chile	Full	100,00%	100,00%
Cybele RE					France	Full	100,00%	100,00%
Darnell Limited	2				Ireland	Full	100,00%	100,00%
European Reinsurance	5				UK			
GIE BNP Paribas Assurance					France	Full	59,50%	59,50%
Investlife sa					Luxembourg	Full	100,00%	100,00%
Natio Assurance					France	Prop.	50,00%	50,00%
Natiovie				6	France			
Pinnacle Insurance PLC					UK	Full	100,00%	97,55%
Pinnacle Insurance Holding PLC					UK	Full	97,55%	97,55%
Pinnacle Insurance Management Services PLC					UK	Full	100,00%	97,55%
State Bank of India Insurance Company Limited	5				India			
Private Banking								
Bank von Ernst			1	6	France			
Bergues Finance Holding					Bahamas	Full	100,00%	99,99%
BNP Paribas Espana SA					Spain	Full	99,55%	99,55%
BNP Paribas Investment Services LLC					U.S.A.	Full	100,00%	100,00%
BNP Paribas Private Bank					France	Full	100,00%	100,00%
BNP Paribas Private Bank Monaco					France	Full	100,00%	99,99%
BNP Paribas Private Bank Switzerland					Switzerland	Full	100,00%	99,99%
BNP Paribas Private Banking Japan	4				Japan			
Conseil Investissement					France	Full	100,00%	100,00%
Nachenius				1	Netherlands	Full	100,00%	100,00%
Société Monégasque de Banque Privée			1	6	France			
United European Bank Switzerland					Switzerland	Full	100,00%	99,99%
United European Bank Trust Nassau					Bahamas	Full	100,00%	99,99%
Online Brokerage								
B*Capital					France	Full	99,96%	99,96%
Cortal Consors Belgique	5				Belgium			
Cortal Consors Espana SV		6			Spain			
Cortal Consors France					France	Full	100,00%	100,00%
Cortal Consors Internationa Holding GmbH		6			Germany			
Cortal Consors Luxembourg			6		Luxembourg			
FundQuest (ex Cortal Consors Fund Management)					France	Full	100,00%	100,00%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Asset Management								
BNP PAM Group					France	Full	100,00%	100,00%
BNP Paribas Asset Management					France	Full	100,00%	100,00%
BNP Paribas Asset Management Brasil Limitada			2		Brazil	Full	100,00%	100,00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99,66%	99,66%
BNP Paribas Asset Management SGR Milan SPA			5		Italy			
BNP Paribas Asset Management UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Asset Servicing SAS			2		France	Full	100,00%	100,00%
BNP Paribas Epargne et Retraite Entreprise					France	Full	100,00%	100,00%
BNP Paribas Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
BNP Paribas Gestion Epargne Salariale	6				France			
Fauchier General Partners Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners Asset Management Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners LLP				2	UK	Prop.	100,00%	42,50%
Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
Fauchier Partners Management Limited			1		UK	Prop.	50,00%	50,00%
Fischer Francis Trees and Watts					U.S.A.	Equity	24,90%	81,42%
Fund Quest Incorporation				1	U.S.A.	Full	100,00%	100,00%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100,00%	100,00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100,00%	100,00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100,00%	100,00%
BNP Paribas Fund Services Holdings					UK	Full	100,00%	100,00%
BNP Paribas Fund Services UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Securities Services - BPSS					France	Full	100,00%	100,00%
BNP Paribas Securities Services International Holding SA					France	Full	100,00%	100,00%
Antin Vendôme					France	Full	96,77%	96,77%
Asset Partenaires				1	France	Full	99,95%	96,72%
Atis Real Expertise		1			France	Full	100,00%	100,00%
Atisreal Auguste-Thouard	1	9			France	Full	95,84%	95,84%
Atisreal Auguste-Thouard Habitat Foncier	1	9			France	Full	99,98%	95,98%
Atisreal Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Benelux SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Consult	1	9			France	Full	100,00%	100,00%
Atisreal Consult GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Espana SA	1	9			Spain	Full	100,00%	100,00%
Atisreal GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Holding Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Holding France	1	9			France	Full	100,00%	100,00%
Atisreal Holding GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal International	1	9			France	Full	100,00%	100,00%
Atisreal Limited	1	9			UK	Full	82,35%	82,35%
Atisreal Luxembourg SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Management GmbH	1	9		6	Germany			
Atisreal Netherlands BV	1	9			Netherlands	Full	100,00%	100,00%
Atisreal Property Management GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Property Management Services	1	9			Belgium	Full	100,00%	100,00%
Atisreal Proplan GmbH	1	9			Germany	Full	75,18%	75,18%
Atisreal Services	1	9			France	Full	96,04%	96,04%
Atisreal USA Inc.	1	9			U.S.A.	Full	100,00%	100,00%
Atisreal Weatheralls Financial Services Limited	1	9			UK	Full	82,35%	82,35%
Auguste-Thouard Fimorem	1	9		6	France			
Auguste-Thouard Residencial SL	1	9		6	Spain			
Banque Centrale de Données Immobilières	1	9		6	France			
BNP Paribas Immobilier					France	Full	100,00%	100,00%
BNP Paribas Participations Finance Immobilier					France	Full	100,00%	100,00%
BNP Paribas Immobilier Property Management (ex Sa Meunier Participation)					France	Full	100,00%	100,00%

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Property services (cont'd)								
BSA Immobilier				1	France	Full	100,00%	100,00%
Chancery Lane Management Services Limited	1	9			UK	Full	82,35%	82,35%
F G Ingenerie et Promotion Immobilière	1				France	Full	100,00%	100,00%
Immobiliere des Bergues					France	Full	100,00%	100,00%
Meunier Promotion					France	Full	100,00%	100,00%
Partenaires Gerance Soprofinance				1	France	Full	100,00%	96,77%
SA Comadim					France	Full	100,00%	100,00%
SA Gerer					France	Full	100,00%	100,00%
SA Procodis					France	Full	100,00%	100,00%
SAS Astrim					France	Full	100,00%	100,00%
SAS Meunier Developpements					France	Full	100,00%	100,00%
SAS Meunier Habitat					France	Full	100,00%	100,00%
SAS Meunier Immobilières d'Entreprises					France	Full	100,00%	100,00%
SAS Meunier Mediterranee					France	Full	96,50%	96,50%
SAS Meunier Rhône Alpes					France	Full	100,00%	100,00%
Sinvim				6	France			
Sofiane				1	France	Full	100,00%	100,00%
SNC Cezanne			5		France			
SNC Comadim Residences Servives					France	Full	100,00%	99,97%
SNC Espaces Immobiliers					France	Full	100,00%	100,00%
SNC Lot 2 Porte d'Asnières		2			France	Full	100,00%	100,00%
SNC Matisse			4		France			
SNC Meunier Gestion					France	Full	100,00%	100,00%
Soprofinance				1	France	Full	100,00%	96,77%
Weatheralls Consultancy Services Limited	1	9			UK	Full	82,35%	82,35%

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Corporate & Investment Banking								
FRANCE								
BNP Paribas Arbitrage					France	Full	100,00%	100,00%
BNP Paribas Equities France					France	Full	99,96%	99,96%
BNP Paribas Equity Strategies France					France	Full	100,00%	100,00%
BNP Paribas Peregrine Group	2				France	Full	100,00%	100,00%
BNP Paribas Stratégies Actions					France	Full	100,00%	100,00%
Capstar Partners Sas					France	Full	93,33%	93,33%
Paribas Dérivés Garantis Snc					France	Full	100,00%	100,00%
Parifergie	2				France	Full	100,00%	100,00%
Parilease					France	Full	100,00%	100,00%
Sas Esomet			2		France	Full	100,00%	100,00%
EUROPE								
BNP AK Dresdner Bank AS			4		Turkey			
BNP AK Dresdner Financial Kiralama			4		Turkey			
BNP Capital Finance ltd					Ireland	Full	100,00%	100,00%
BNP Factor					Portugal	Full	100,00%	100,00%
BNP Ireland Limited					Ireland	Full	100,00%	100,00%
BNP Paribas (Bulgaria) AD					Bulgaria	Full	100,00%	100,00%
BNP Paribas Bank (Hungaria) RT					Hungary	Full	100,00%	100,00%
BNP Paribas Bank (Polska) SA					Poland	Full	100,00%	100,00%
BNP Paribas Bank NV					Netherlands	Full	100,00%	100,00%
BNP Paribas Capital Investments Limited					UK	Full	100,00%	100,00%
BNP Paribas Capital Markets Group Limited					UK	Full	100,00%	100,00%
BNP Paribas Commodity Futures Limited					UK	Full	100,00%	100,00%
BNP Paribas E & B Limited					UK	Full	100,00%	100,00%
BNP Paribas Equities Italia SIM SPA	5				Italy			
BNP Paribas Finance plc					UK	Full	100,00%	100,00%
BNP Paribas Fixed Assets Limited					UK	Full	100,00%	100,00%
BNP Paribas Guernesey Limited	5				UK			
BNP Paribas Luxembourg sa					Luxembourg	Full	100,00%	100,00%
BNP Paribas Net Limited					UK	Full	100,00%	100,00%
BNP Paribas Services					Switzerland	Full	100,00%	99,99%
BNP Paribas Sviluppo					Italy	Full	100,00%	100,00%
BNP Paribas Suisse SA					Switzerland	Full	99,99%	99,99%
BNP Paribas UK Holdings Limited					UK	Full	100,00%	100,00%
BNP Paribas UK Limited					UK	Full	100,00%	100,00%
BNP PUK Holding Limited					UK	Full	100,00%	100,00%
BNP Paribas ZAO					Russia	Full	100,00%	100,00%
Dealremote Limited					UK	Full	100,00%	100,00%
ISIS Factor SPA					Italy	Full	100,00%	100,00%
Paribas Management Service Limited					UK	Full	100,00%	100,00%
Paribas Trust Luxembourg SA					Luxembourg	Full	100,00%	100,00%
Robin Flight Limited			2		Ireland	Full	100,00%	100,00%
Swalow Flight Limited			2		Ireland	Full	100,00%	100,00%
Utexam Limited	2				Ireland	Full	100,00%	100,00%
AMERICAS								
BNP Andes					Perou	Full	100,00%	100,00%
BNP Paribas Asset Management Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Brasil SA					Brazil	Full	100,00%	100,00%
BNP Paribas Brokerage Services Incorporated			6		U.S.A.			
BNP Paribas Canada					Canada	Full	100,00%	100,00%
BNP Paribas Capstar Partners Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Commodities Futures Incorporated					U.S.A.	Full	100,00%	100,00%

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AMERICAS (cont'd)								
BNP Paribas Leasing Corporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas North America Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas RCC Incorporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas Securities Corporation					U.S.A.	Full	100,00%	100,00%
Capstar Partners LLC					U.S.A.	Full	93,00%	93,00%
Cooper Neff Advisors Incorporated					U.S.A.	Full	100,00%	100,00%
Cooper Neff Group Incorporated					U.S.A.	Full	100,00%	100,00%
French American Banking Corporation - F.A.B.C					U.S.A.	Full	100,00%	100,00%
Paribas North America					U.S.A.	Full	100,00%	100,00%
Petits Champs Participaçoes e Serviços SA					Brazil	Full	100,00%	100,00%
ASIA - OCEANIA								
BNP Equities Asia Limited					Malaysia	Full	100,00%	100,00%
BNP Paribas (China) Limited					China	Full	100,00%	100,00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Asia Equities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Equities Group Australia Limited	5				Australia			
BNP Paribas Equities Hong Kong	5			12	Hong-Kong		100,00%	100,00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100,00%	100,00%
BNP Paribas Peregrine (Malaisie) Limited	5				Malaysia			
BNP Paribas Peregrine (Singapour) Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Peregrine Capital Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Futures Limited	5				Hong-Kong			
BNP Paribas Peregrine Investment Limited	5				Hong-Kong			
BNP Paribas Peregrine Securities (Thailande) Limited					Thailand	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Korea Company Limited					South Korea	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Pte Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Securities Australia Limited	5				Australia			
BNP Paribas Securities (Taiwan) Co Limited			2		Taiwan	Full	100,00%	100,00%
BNP Paribas Peregrine Services Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Securities Limited					Hong-Kong	Full	100,00%	100,00%
Credit Agricole Indosuez Securities Limited				1	Japan	Full	100,00%	100,00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100,00%	99,99%
PT BNP Lippo Utama Leasing			5		Indonesia			
PT BNP Paribas Peregrine	9				Indonesia	Full	99,00%	99,00%
Special Purpose Entities								
54 Lombard Street Investments Limited		1			UK	Full		
APAC Finance Limited				2	New Zeland	Full		
APAC Investments Limited				2	New Zeland	Full		
APAC NZ Holdings Limited (ex BNP Paribas (New Zealand) Finance Limited)		2			New Zeland	Full		
ARV International Limited			2		Cayman Islds	Full		
Altels Investment Limited			2		Cayman Islds	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A.	Full		
BNP Paribas New Zealand Limited					New Zeland	Full		
BNP Paribas Principal Incorporated					U.S.A.	Full		
Bougainville BV		1			Netherlands	Full		
China Lucie Finance 1				2	France	Full		
China Lucie Finance 2				2	France	Full		
China Lucie Finance 3				2	France	Full		
China Samantha Finance 1			2		France	Full		
China Samantha Finance 2			2		France	Full		

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Special Purpose Entities (cont'd)								
China Samantha Finance 3			2		France	Full		
China Samantha Finance 4				2	France	Full		
China Samantha Finance 5				2	France	Full		
China Samantha Finance 6				2	France	Full		
China Samantha Finance 7				2	France	Full		
China Samantha Finance 8				2	France	Full		
China Samantha Finance 9				2	France	Full		
Crisps Limited					Cayman Islds	Full		
Eliopée Limited		3		5	Jersey			
Epimetheus Investments Limited					Cayman Islds	Full		
Epsom Funding Limited				2	Cayman Islds	Full		
Euroliberté PLC		3			Ireland	Full		
European Hedged Equity Limited	2				Cayman Islds	Full		
Fidex PLC					UK	Full		
Filip Partnership	5				UK			
Forsete Investments SA					Luxembourg	Full		
Global Guaranteed Cliquet Investment					Cayman Islds	Full		
Global Guaranteed Equity Limited	2				Cayman Islds	Full		
Global Hedged Equity Investment Limited					Cayman Islds	Full		
Global Protected Alternative Investments Limited	2				Cayman Islds	Full		
Global Protected Equity Limited	2				Cayman Islds	Full		
Harewood Investments N°1 Limited		2			UK	Full		
Harewood Investments N°2 Limited			2		UK	Full		
Harewood Investments N°3 Limited			2		UK	Full		
Harewood Investments N°4 Limited			2		UK	Full		
Harewood Investments N°5 Limited			2		Cayman Islds	Full		
Henaross PTY Limited					Australia	Full		
Iliad Investments PLC			2		Cayman Islds	Full		
Joconde SA					Luxembourg	Full		
Laffitte Participation 2	2				France	Full		
Laffitte Participation 10				2	France	Full		
Laffitte Participation 12				2	France	Full		
Liquidity Trust			2		Cayman Islds	Full		
Lock-In Global equity Limited		2			Cayman Islds	Full		
Marc Finance Limited			2		Cayman Islds	Full		
Mexita Limited N° 2				5	Cayman Islds	Full		
Mexita Limited N° 3					Cayman Islds	Full		
Mexita Limited N° 4					Cayman Islds	Full		
Mistral Investments SA					Luxembourg	Full		
Olan 2 Enterprises PLC		3			Ireland	Full		
Optichamps			2		France	Full		
Paregof					France	Full		
Parritaye Property Pty Limited					Australia	Full		
Robin Flight Limited			2		Ireland	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS	2				France	Full		
Sirocco Investments SA					Luxembourg	Full		
Snc Atargatis			2		France	Full		
Snc Méditerranéa			2		France	Full		
St Maarten CDO Limited			2		Cayman Islds	Full		
Starbird Funding Corporation		3		5	U.S.A.			
Sunny Funding Limited			2		Cayman Islds	Full		
Swalow Flight Limited			2		Ireland	Full		
Tender Option Bond Municipal program					U.S.A.	Full		
Thésée Limited		3		5	Jersey			
Thunderbird Investments PLC			2		Ireland	Full		

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OTHER BUSINESS UNITS								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque					France	Full	99,99%	99,99%
Carbonne Lorraine		3	4		France			
Claireville					Belgium	Full	100,00%	100,00%
Cobema					Belgium	Full	100,00%	100,00%
Cobepa Technology					Belgium	Full	100,00%	100,00%
Compagnie Benelux Paribas - COBEPA (Groupe)	8		4		Belgium			
Compagnie Financière Ottomane					Luxembourg	Full	96,62%	96,62%
Erbe		3			Belgium	Equity	47,01%	47,01%
Evialis		3			France	Full	63,32%	63,32%
Gepeco					Belgium	Full	100,00%	100,00%
NHG Guyomarc'h		6			France			
Paribas Participation Limitée					Canada	Full	100,00%	100,00%
Sagal		6			France			
Klépierre								
Akciova Spolocnost Arcol					Slovakia	Full	100,00%	53,30%
Belarcol	5				Belgium			
Besloten Vennotschap Capucine BV					Netherlands	Full	100,00%	53,30%
Cinneo	6				Italy			
GIE Klepierre Services					France	Full	100,00%	46,90%
I G C SPA					Italy	Prop.	50,00%	26,65%
ICD SPA					Italy	Full	100,00%	45,31%
Klecar Italia SPA					Italy	Full	100,00%	44,24%
Klefin Italia SPA					Italy	Full	100,00%	53,30%
Klepierre Krakow Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Poznan Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Sadyba Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Krakow Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Plaza Center Management Poland Sp. z.o.o				1	Poland	Full	100,00%	39,98%
Ruda Slaska Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
SA Brescia					France	Full	100,00%	53,30%
SA Cinéma de l'Esplanade					Belgium	Full	100,00%	53,30%
SA Coimbra					Belgium	Full	100,00%	53,30%
SA Delcis Cr					Czech Rep.	Full	100,00%	53,30%
SA Devimo Consult					Belgium	Equity	35,00%	13,86%
SA Duna Plaza		1			Hungary	Full	100,00%	53,30%
SA Finascente				1	Portugal	Prop.	50,00%	26,65%
SA Foncière de Louvain la Neuve					Belgium	Full	100,00%	53,30%
SA Galiera Parque Nascente					Portugal	Prop.	50,00%	26,65%
SA Gondobrico					Portugal	Prop.	50,00%	26,65%
SA Klecar Foncier Espana					Spain	Full	100,00%	44,24%
SA Klecar Foncier Iberica					Spain	Full	100,00%	44,24%
SA Klelou Immobiliare					Portugal	Full	100,00%	53,30%
SA Klenord Immobiliaria					Portugal	Full	100,00%	53,30%
SA Klepierre					France	Full	53,52%	53,30%
SA Klepierre Athinon AE					Greece	Full	100,00%	44,24%
SA Klépierre Foncier Makedonia					Greece	Full	100,00%	44,24%
SA Klepierre NEA Efkarpia AE					Greece	Full	100,00%	44,24%
SA Klepierre Peribola Patras AE					Greece	Full	100,00%	44,24%
SA Klepierre Portugal SGPS					Portugal	Full	100,00%	53,30%
SA Klepierre Vallecas		2			Spain	Full	100,00%	53,30%
SA Klepierre Vinaza					Spain	Full	100,00%	53,30%
SA Kletel Immobiliaria					Portugal	Full	100,00%	53,30%

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Klépierre (cont'd)								
SA Place de l'acceuil				1	Belgium	Full	100,00%	53,30%
SA Poznan Plaza				1	Poland	Full	100,00%	53,30%
SA Sadyba Center				1	Poland	Full	100,00%	53,30%
SA Sogecaec					Portugal	Full	100,00%	39,98%
SARL Assago		2			Italy	Equity	100,00%	53,30%
SARL Collegno	1				Italy	Full	100,00%	53,30%
SARL Csepel 2002		1			Hungary	Full	100,00%	53,30%
SARL Debrecen 2002		1			Hungary	Full	100,00%	53,30%
SARL Effe Kappa	1				Italy	Prop.	50,00%	26,65%
SARL Galiera Commerciale Cavallino				1	Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Klepierre			2		Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Solbiate				1	Italy	Full	100,00%	53,30%
SARL Gyor 2002		1			Hungary	Full	100,00%	53,30%
SARL Immobiliare Magnolia					Italy	Full	100,00%	45,31%
SARL Kanizsa 2002		1			Hungary	Full	100,00%	53,30%
SARL Kaposvar 2002		1			Hungary	Full	100,00%	53,30%
SARL Klepierre Pologne				1	Poland	Full	100,00%	53,30%
SARL Miskolc 2002		1			Hungary	Full	100,00%	53,30%
SARL Novate					Italy	Full	100,00%	45,31%
SARL Nyiregyhaza Plaza		1			Hungary	Full	100,00%	53,30%
SARL P S G					Italy	Prop.	50,00%	19,72%
SARL Plaza Center Management		1			Hungary	Prop.	100,00%	39,98%
SARL Szeged Plaza		1			Hungary	Full	100,00%	53,30%
SARL Szolnok Plaza		1			Hungary	Full	100,00%	53,30%
SARL Uj Alba		1			Hungary	Full	100,00%	53,30%
SARL Zalaegerszeg Plaza		1			Hungary	Full	100,00%	53,30%
SAS 192 avenue Charles De Gaulle					France	Full	100,00%	53,30%
SAS 21 Kleber					France	Full	100,00%	53,30%
SAS 21 la Perouse					France	Full	100,00%	53,30%
SAS 43 Grenelle					France	Full	100,00%	53,30%
SAS 43 Kleber					France	Full	100,00%	53,30%
SAS 46 Notre-Dame des victoires					France	Full	100,00%	53,30%
SAS 5 Turin					France	Full	100,00%	53,30%
SAS Baudot Massy			6		France			
SAS Cande					France	Full	100,00%	53,30%
SAS CB Pierre					France	Full	100,00%	53,30%
SAS Cecobil					France	Prop.	50,00%	26,65%
SAS Cecoville					France	Full	100,00%	53,30%
SAS Centre Jaude Clermont					France	Full	100,00%	53,30%
SAS Concorde Puteaux					France	Full	100,00%	53,30%
SAS Doumer Caen					France	Full	100,00%	53,30%
SAS du 23 avenue Marignan					France	Full	100,00%	53,30%
SAS Espace Cordeliers					France	Prop.	50,00%	26,65%
SAS Espace Dumont D'Urville					France	Full	100,00%	53,30%
SAS Espace Kleber					France	Full	100,00%	53,30%
SAS Flandre					France	Full	100,00%	53,30%
SAS Holding Gondomar 1					France	Full	100,00%	53,30%
SAS Holding Gondomar 3					France	Full	100,00%	53,30%
SAS Issy Desmoulins					France	Full	100,00%	53,30%
SAS KLE 1 (ex SAS Klepierre Transactions)					France	Full	100,00%	53,30%
SAS Kleber Levallois					France	Full	100,00%	53,30%
SAS Klecar Participations Italie					France	Full	100,00%	44,24%
SAS Klemurs					France	Full	100,00%	53,30%
SAS Klepierre Finance					France	Full	100,00%	53,30%
SAS Klepierre Hongrie		1			France	Full	100,00%	53,30%
SAS Le Havre Capelet					France	Full	100,00%	53,30%
SAS Le Havre Tourneville					France	Full	100,00%	53,30%

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Klépierre (cont'd)								
SAS Leblanc Paris 15					France	Full	100,00%	53,30%
SAS Louis David		6			France			
SAS LP7					France	Full	100,00%	53,30%
SAS Marseille Le Merlan					France	Full	100,00%	53,30%
SAS Melun Saint-Peres					France	Full	100,00%	53,30%
SAS Odysseum Place de France					France	Full	100,00%	37,31%
SAS Oise Cergy		6			France			
SAS Opale					France	Full	100,00%	53,30%
SAS Poitiers Alienor					France	Full	100,00%	53,30%
SAS Saint-Andre Pey berland					France	Full	100,00%	53,30%
SAS Segecar	6				France			
SAS Soaval					France	Prop.	50,00%	19,72%
SAS Socoseine					France	Full	100,00%	50,10%
SAS Strasbourg La Vigie					France	Full	100,00%	53,30%
SAS Suffren Paris 15					France	Full	100,00%	53,30%
SAS Toulouse Mermoz		2	6		France			
SAS Tours Nationale					France	Full	100,00%	53,30%
SC Antin Vendome			5		France			
SC Centre Bourse					France	Full	100,00%	53,30%
SC Solorec					France	Full	100,00%	42,64%
SCI 8 rue du Sentier		6			France			
SCI Aurora		1	6		France			
SCI Bassin Nord					France	Prop.	50,00%	26,65%
SCI Beausevran				1	France	Full	100,00%	44,24%
SCI Bègles Papin		2			France	Full	100,00%	53,30%
SCI Chaptal Alun		6			France			
SCI La Plaine du Moulin à vent				2	France	Prop.	50,00%	26,65%
SCI Noble Cafetaria		1	6		France			
SCI Noble Galerie		1	6		France			
SCI Noble Restauration		1	6		France			
SCI Orengal		1	6		France			
SCI Secovalde					France	Full	100,00%	21,32%
SCI Tour Marcel Brot					France	Full	100,00%	53,30%
SCS Begles Arcins					France	Prop.	50,00%	26,65%
SCS Klecar Europe Sud					France	Full	100,00%	44,24%
SCS Ségécé					France	Full	100,00%	54,98%
Ségécé Hellas Réal Estate Management		2	2		Greece	Full	100,00%	39,98%
Seravalle SPA		1			Italy	Full	100,00%	53,30%
SL Centros Shopping Gestion		7			Italy	Full	100,00%	39,98%
SNC Angoumars				2	France	Full	100,00%	53,30%
SNC Fonciere Saint Germain					France	Full	100,00%	53,30%
SNC Galae					France	Full	100,00%	46,37%
SNC General Leclerc 11-11bis Levallois					France	Full	100,00%	53,30%
SNC Jardins des Princes					France	Full	100,00%	53,30%
SNC KC1					France	Full	100,00%	44,24%
SNC KC10					France	Full	100,00%	44,24%
SNC KC11					France	Full	100,00%	44,24%
SNC KC12					France	Full	100,00%	44,24%
SNC KC2					France	Full	100,00%	44,24%
SNC KC20					France	Full	100,00%	44,24%
SNC KC3					France	Full	100,00%	44,24%
SNC KC4					France	Full	100,00%	44,24%
SNC KC5					France	Full	100,00%	44,24%
SNC KC6					France	Full	100,00%	44,24%
SNC KC7					France	Full	100,00%	44,24%
SNC KC8					France	Full	100,00%	44,24%
SNC KC9					France	Full	100,00%	44,24%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Klépierre (cont'd)								
SNC Kleber la Perouse					France	Full	100,00%	53,30%
SNC Klecar France					France	Full	100,00%	44,24%
SNC Klegestion					France	Full	100,00%	53,30%
SNC Klepierre Conseil					France	Full	100,00%	53,30%
SNC Kletransactions		2			France	Full	100,00%	53,30%
SNC Le Barjac Victor					France	Full	100,00%	53,30%
SNC Le Havre Lafayette					France	Prop.	50,00%	26,65%
SNC Le Havre Vauban					France	Prop.	50,00%	26,65%
SNC SCOO (ex Sas Secmarne)					France	Full	100,00%	62,70%
SNC Ségécé Loisirs Transactions					France	Full	100,00%	39,98%
SNC Soccendre					France	Full	100,00%	39,98%
SNC Sodevac					France	Full	100,00%	53,30%
SRO F M C Central europe					Czech Rep.	Full	100,00%	29,85%
SRO Klepierre CZ				1	Czech Rep.	Full	100,00%	53,30%
Vignate	6				Italy			
Zobel Investment BV	5				Netherlands			
Property companies (property used in operations)								
Capefi					France	Full	100,00%	100,00%
Compagnie Immobiliere de France					France	Full	100,00%	100,00%
Ejesur					Spain	Full	100,00%	100,00%
SAS 5 Kleber					France	Full	100,00%	100,00%
SAS Foncière de la Compagnie Bancaire					France	Full	100,00%	100,00%
SCI Immobilière Marché Saint-Honoré					France	Full	100,00%	100,00%
SCI Rueil Caudron	2				France	Full	100,00%	99,98%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100,00%	100,00%
Investment companies and other subsidiaries								
Antin Participation 4					France	Full	100,00%	100,00%
Antin Participation 5					France	Full	100,00%	100,00%
Axa Re-finance	4				France			
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100,00%	100,00%
BNP Paribas Emergis					France	Full	100,00%	100,00%
BNP Paribas International BV					Netherlands	Full	100,00%	100,00%
BNP Paribas Partners for Innovation (Groupe)	1				France	Equity	50,00%	50,00%
BNP Paribas UK Treasury Limited					UK	Full	100,00%	100,00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer					France	Full	99,99%	99,99%
Compagnie d'Entreprises Industrielles et Commerciales		5			France			
Compagnie Bancaire Uk Fonds B					UK	Full	100,00%	100,00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100,00%	100,00%
Financière BNP Paribas					France	Full	100,00%	100,00%
Financière Marché Saint Honoré					France	Full	100,00%	100,00%
Finaxa				4	France			
GIE Groupement Auxiliaire et de Moyens - GAM	2				France	Full	100,00%	100,00%
Kle 65					France	Full	100,00%	100,00%
Kle 66					France	Full	100,00%	100,00%
Luxpar-Ré					Luxembourg	Full	100,00%	100,00%
Omnium Gestion Developpement Immobilier					France	Full	100,00%	100,00%
Paribas International					France	Full	100,00%	100,00%
Placement, Gestion, Finance Holding - Plagefin					Luxembourg	Full	99,99%	99,99%
Quatch					France	Full	99,96%	99,96%
Sagip					Belgium	Full	100,00%	100,00%
Sas Klefinances					France	Full	100,00%	100,00%
SNC Bincofi			5		France			
Société Auxiliaire de Construction Immobilière - SACI		2			France	Full	100,00%	100,00%
Société Centrale d'Investissement					France	Full	100,00%	100,00%
Societe Française Auxiliaire - S.F.A.					France	Full	100,00%	100,00%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
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(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
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(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Investment companies and other subsidiaries								
Société Jovacienne de Participations					France	Full	100,00%	100,00%
UCB Bail					France	Full	100,00%	100,00%
UCB Entreprises					France	Full	100,00%	100,00%
UCB Group Limited		5			UK			
UCB Locabail immobilier					France	Full	100,00%	100,00%
Verner Investissements (Groupe)	1				France	Equity	43,00%	43,00%
Special Purpose Entities								
Antin Participation 7					France	Full		
Antin Participation 13					France	Full		
BNP Paribas Capital Trust LLC 1					U.S.A.	Full		
BNP Paribas Capital Trust LLC 2					U.S.A.	Full		
BNP Paribas Capital Trust LLC 3					U.S.A.	Full		
BNP Paribas Capital Trust LLC 4					U.S.A.	Full		
BNP Paribas Capital Trust LLC 5					U.S.A.	Full		
BNP Paribas Capital Trust LLC 6					U.S.A.	Full		
BNP Paribas US Medium Term Notes Program					U.S.A.	Full		
BNP Paribas US Structured Medium Term Notes LLC					U.S.A.	Full		
BNP US Funding LLC					U.S.A.	Full		

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
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(6) Merger between consolidated entities	(12) Reconsolidation

9.c BUSINESS COMBINATION

Business combinations in the year ended 31 December 2005

Acquisition of TEB Mali (International Retail Banking and Financial Services)

In February 2005, BNP Paribas acquired a 50% interest in the holding company TEB Mali, which owns 84.25% of the Turkish bank Turk Ekonomi Bankasi (TEB). The Colakoglu group retained a 50% interest in TEB Mali.

TEB is a mid-sized universal bank which, via its subsidiaries, offers corporate and retail customers a full range of financial services and products including export financing, leasing, factoring, consumer credit, deposit-taking, treasury and asset management, insurance, investment banking and brokerage. On the acquisition date, TEB had a network of 85 branches and also owned two banks outside Turkey.

The assets and liabilities of TEB Mali, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 1,476 million (BNP Paribas share : EUR 738 million);
- Liabilities: customer deposits of EUR 1,781 million (BNP Paribas share : EUR 891 million).

The acquisition price was USD 252 million, or an equivalent value of EUR 198 million at the acquisition date. A price adjustment contingent on the future profitability of TEB, payable at the start of 2008, was agreed by the parties. Acquisition costs of EUR 6 million were incurred. Goodwill on this acquisition was provisionally measured at an equivalent value of EUR 121 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the highly favourable growth prospects of TEB. In addition, the acquisition by BNP Paribas of an interest in the TEB Group's holding company provides an opportunity to forge many operational alliances in a wide variety of fields such as export financing and commodities, consumer credit, mortgage lending, leasing and retail banking, thereby enhancing the TEB group's expertise and product range.

TEB Mali has been consolidated with effect from the acquisition date, and contributed EUR 28 million to consolidated net income for the year ended 31 December 2005. The acquisition generated a net cash inflow of EUR 42 million for the BNP Paribas Group.

Acquisition of Nachenius Tjeenk & Co NV (Asset Management and Services)

In July 2005, BNP Paribas Private Bank, a subsidiary of BNP Paribas, paid EUR 45 million in cash for the entire share capital of Nachenius, Tjeenk & Co NV, a Dutch private bank with over EUR 1.3 billion of assets under management for high net worth individuals, not-for-profit organisations and trusts.

The assets and liabilities of Nachenius, Tjeenk & Co NV, recognised at fair value as of the acquisition date, mainly comprised:

- assets: loans to other banks totalling EUR 111 million;
- liabilities: customer deposits totalling EUR 162 million.

Goodwill on this acquisition was provisionally measured at EUR 40 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill reflects the opportunity offered by this unique platform for expansion into the Dutch private banking market and the existence of a brand with a strong reputation, especially among customers seeking wealth management services.

Nachenius, Tjeenk & Co NV has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash inflow of EUR 52 million for the BNP Paribas Group in 2005.

Acquisition of Fund Quest Inc (Asset Management and Services)

In August 2005, Paribas North America, a subsidiary of BNP Paribas, paid USD 100 million in cash for the entire share capital of Fund Quest Inc., based in the United States, an open-architecture turnkey platform dedicated to management and advisory services for institutional investors.

The assets and liabilities of Fund Quest Inc. were recognised at fair value as of the acquisition date, with total assets amounting to EUR 6 million.

Goodwill on this acquisition, provisionally measured at USD 98 million (equivalent to EUR 82 million), at 31 December 2005, has been recognised as an asset in the balance sheet. The value of this goodwill is supported by the strong growth prospects for the open architecture market and by the fundamental qualities of FundQuest Inc., an acknowledged managed accounts expert in the United States with a flexible but robust architecture that can be rolled out to the European market.

FundQuest Inc. has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash outflow of EUR 73 million for the BNP Paribas Group in 2005.

Acquisition of Commercial Federal Corporation by BancWest (International Retail Banking and Financial Services)

On 2 December 2005, Bank of the West, a BNP Paribas subsidiary, paid USD 1,329 million in cash for the entire share capital of Commercial Federal Corporation, which provides a full range of commercial and retail banking services and operates mainly in Colorado, Missouri and Nebraska. At the acquisition date, Commercial Federal Corporation had 198 branches.

The assets and liabilities of Commercial Federal Corporation, recognised at fair value as of the acquisition date, mainly comprised:

- assets : customer loans of EUR 6,609 million;
- liabilities : customer deposits of EUR 5,052 million.

Goodwill arising on the absorption of this company into Bank of the West was provisionally measured at EUR 793 million at 31 December 2005, and recognised as an asset in the balance sheet. The value of this goodwill is supported by the growth prospects in the States where Commercial Federal operates and by the significant synergies achievable from its integration with Bank of the West, especially in terms of pooled resources and cross-selling.

Commercial Federal Corporation has been consolidated with effect from the acquisition date, and contributed a loss of EUR 29 million to consolidated pre-tax net income for the year ended 31 December 2005 (including the effect of restructuring costs recognised in the final quarter of 2005). The acquisition generated a net cash outflow of EUR 998 million for the BNP Paribas Group in 2005.

Business combinations in the year ended 31 December 2004

Acquisition of Atis Real International (Asset Management and Services)

On 27 January 2004, Atis Real and BNP Paribas Immobilier signed an agreement under which the latter acquired a 49.9% interest in the capital of Atis Real International SAS, the remaining 50.1% being retained by the Vendôme Rome group and Crédit Lyonnais Private Equity. In October 2004, BNP Paribas Immobilier acquired the remaining 50.1%.

Atis Real International is the property services arm of Atis Real, providing estate agency, consultancy, and international property management services. The business trades as Atis Real Auguste Thouard, ATHF and Expertim in France, as Atis Real Weatheralls in the United Kingdom and as Atis Real Müller in Germany, and also through Atis Real offices in Spain and the Benelux countries.

The assets and liabilities of Atis Real International, recognised at fair value as of the acquisition date, mainly comprised:

- Assets : trade receivables of EUR 36 million and cash of EUR 23 million. These items are reported in "Accrued income and other assets" in accordance with the financial statement presentation applicable to banks.
- Liabilities : tax and employee-related liabilities of EUR 55 million and debt of EUR 23 million, (both reported in "Accrued expenses and other liabilities" in accordance with the financial statement presentation applicable to banks), and provisions for contingencies and charges amounting to EUR 17 million.

Acquisitions of Community First Bankshares and Union Safe Deposit Bank by BancWest (International Retail Banking and Financial Services)

Acquisition of Community First Bankshares

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Community First Bankshares group. Community First Bankshares operates in the western United States and offers a wide range of commercial and retail banking services, as well as having interests in property, insurance brokerage, savings products and private banking.

The assets and liabilities of Community First Bankshares, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 2,654 million;
- Liabilities: customer deposits of EUR 3,527 million.

Community First Bankshares was acquired for USD 1,200 million in cash, or an equivalent value in euros of EUR 938 million at the acquisition date. Goodwill on this acquisition was measured at USD 948 million, or an equivalent value in euros of EUR 801 million at 31 December 2005.

Acquisition of Union Safe Deposit Bank

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Union Safe Deposit Bank group, which operates in California. The group is active in personal loans (mortgages and other types of consumer credit) and commercial loans (mortgages, construction loans, industrial loans, agricultural loans, and leasing).

The assets and liabilities of Union Safe Deposit Bank, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 524 million ;
- Liabilities: customer deposits of EUR 700 million.

Union Safe Deposit Bank was acquired for USD 245 million in cash, or an equivalent value in euros of EUR 192 million at the acquisition date. Goodwill recognised on this acquisition was measured at USD 174 million, or an equivalent value in euros of EUR 147 million at 31 December 2005.

The value of the goodwill recognised on Community First Bankshares and Union Safe Deposit Bank is based on the intrinsic return on equity of the two companies, the strategic and geographic fit with the Bank of the West network, the strong growth prospects in the local markets in which the two companies operate, and the synergies expected from pooling resources, know-how and the Bank of the West product range across the combined entities.

The contribution made by Community First Bankshares and Union Safe Deposit Bank to BNP Paribas pre-tax net income for the year ended 31 December 2004 was not material, given the restructuring costs incurred by the two companies. The acquisition of the two companies generated an estimated net cash outflow of EUR 945 million for the BNP Paribas Group in the year ended 31 December 2004.

9.d ADDITIONAL INFORMATION ON THE GALERIES LAFAYETTE TRANSACTION

On 29 March 2005, BNP Paribas acquired 29.5% of the shares of Galeries Lafayette under an agreement the terms of which included arrangements for joint control of Cofinoga. Under the terms of the agreement, BNP Paribas transferred these shares in the second half of 2005 to Motier SAS, the holding company controlling the Galeries Lafayette group, in which BNP Paribas now owns an interest of 37%. Also under the terms of the agreement, a shareholders' agreement was signed on 19 July 2005 stipulating terms regarding the liquidity of the interest held by BNP Paribas. In substance, these terms require half of the BNP Paribas interest to be accounted for as a loan, and the other half to be accounted for as an available-for-sale asset.

The inception of joint control by Galeries Lafayette and BNP Paribas over LaSer (the company which owns Cofinoga) resulted in the signature of a shareholders' agreement dated 20 September 2005 and effective from 1 October 2005, setting out operating arrangements and shared decision-making rules. Based on the terms of this agreement, the LaSer-Cofinoga group has been accounted for using the proportionate consolidation method with effect from the final quarter of 2005.

9.e ADDITIONAL INFORMATION ON THE AXA – FINAXA TRANSACTION

On 12 September 2001, Axa group companies (Axa, Finaxa, and the Axa mutual insurance companies) and BNP Paribas signed an agreement[2], later amended on 26 October 2004, to maintain a minimum level of cross-shareholdings and to grant (i) mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and (ii) a reciprocal call option in the event of a change in control of either party. The Axa group also agreed to guarantee the liquidity of the BNP Paribas stake in Finaxa by allowing BNP Paribas to substitute Axa shares for its Finaxa shares at any time.

The merger of Finaxa into Axa on 16 December 2005 enabled BNP Paribas to take possession of Axa shares in exchange for its existing holding of Finaxa shares, as it was already entitled to do under the agreement mentioned above. Because this exchange had no commercial substance for BNP Paribas, the difference between the carrying amount of the Finaxa shares in the consolidated financial statements and the fair value of the Axa shares (recorded in "Available-for-sale financial assets") has been retained in shareholders' equity under "Unrealised and deferred gains and losses".

The merger of Finaxa into Axa led to the signature of a new agreement between Axa group companies (excluding the Axa mutual insurance companies) and BNP Paribas, effective from 16 December 2005, to maintain a minimum level of cross-shareholdings and to grant a reciprocal call option in the event of a hostile change in majority control of either party. This agreement was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 21 December 2005.

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[2] The agreement was disclosed in a notice issued by the *Conseil des Marchés Financiers* on 28 September 2001, and the amendment was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 28 October 2004.

9.f RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees3, and key executive officers of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

A) Relations between consolidated companies

A list of companies consolidated by BNP Paribas is provided in Note 9b. Because transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

Related-party balance sheet items:

In millions of euros	31 December 2005		1 January 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans and receivables				
Demand accounts	-	6	-	-
Loans	2,472	1,493	1,123	1,115
Finance leases	-	16	-	73
Other assets	2	8	1	1
Total	**2,474**	**1,523**	**1,124**	**1,189**
LIABILITIES				
Borrowings				
Demand accounts	1	82	1	32
Other borrowings	45	-	-	168
Subordinated debt	39	-	-	-
Other liabilities	-	1	-	-
Total	**85**	**83**	**1**	**200**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	103	16	-	508
Guarantee commitments given	7	-	15	-
Total	**110**	**16**	**15**	**508**

[3] Except for multi-employer and multi-industry schemes

Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2005		Year to 31 Dec 2004	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	58	31	27	36
Interest expense	(1)	(1)	-	-
Commissions income	2	1	1	-
Commissions expense	(1)	-	-	-
Rendering of services	1	20	-	1
Receiving of services	(1)		-	-
Leases income	1	1	-	-
Total	**59**	**52**	**28**	**37**

B) Entities managing post-employment benefit plans offered to Group employees

The main post-employment benefits of the BNP Paribas Group are top-up funded pension plans, retirement bonus plans, and other top-up defined-benefit and defined-contribution plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds (*Caisses de retraite*) and the BNP welfare benefit fund (*Caisse de Prévoyance*). Some Group companies – principally BNP Paribas Asset Management, BNP Paribas Securities Services and BNP Paribas SA – play a role in the management of these benefits, especially in the areas of fund management, custody, and banking services. Top-up pension plans are also contracted out to insurance companies, in particular BNP Assurance, which manage the plans.

In other countries, post-employment benefit plans are generally managed by independent firms or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank).

At 31 December 2005, the fair value of plan assets managed by Group companies was EUR 1,231 million (EUR 1,371 million at 1 January 2005). Services provided by Group companies in the year to 31 December 2005 totalled EUR 3 million, mainly management and custody fees (2004: EUR 3 million).

As regards healthcare benefits, in 2004 the Group made a lump-sum payment of EUR 152 million to the BNP Paribas mutual insurance plan (*Mutuelle BNP Paribas*) in full and final settlement of the Group's post-employment healthcare benefit obligations to retired employees.

In September 2004, the BNP pension fund repaid in full a EUR 21 million advance made to it by the Group.

At 31 December 2005, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a debit balance of EUR 785,257 (compared with a credit balance of EUR 1,681,521 at 1 January 2005).

C) Relations with key executive officers

<u>Remuneration of corporate officers</u>

Remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers

The remuneration paid to corporate officers is determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

This remuneration comprises both a fixed and a variable component, the levels of which are determined on the basis of benchmarks established by firms specialising in surveys of executive remuneration in the European banking sector.

The fixed portion is determined in the light of market rates of pay for positions carrying equivalent responsibilities.

The variable portion is determined partly as a basic bonus established by reference to market practices, and partly on the basis of criteria linked to the Group's financial performance and the attainment of personal objectives. Performance-linked criteria (70% of the basic bonus) relate to growth in consolidated net income and core business pre-tax net income, and to fulfilment of gross operating income budgets at consolidated and core business level. Personal objective-based criteria (30% of the basic bonus) relate to the Group's strategy and preparing its future.

Previously, a portion of the variable remuneration of corporate officers was deferred in accordance with the terms of the BNP Paribas deferred bonus plan. However, the entire amount of variable remuneration payable in respect of a financial year will now be paid during the next financial year, starting with payments in 2006 in respect of the 2005 financial year. This change is designed to facilitate year-on-year comparison.

The tables below show (i) gross remuneration payable to corporate officers in respect of the year ended 31 December 2005, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2005, including benefits in kind and directors' fees.

In euros, year to 31 December 2005	Remuneration		Directors' fees (3)	Benefits in kind (4)	TOTAL Remuneration
	Fixed (1)	Variable (2)			
Michel Pébéreau Chairman of the Board of Directors					
2005	700,000	1,081,601	29,728	4,816	1,816,145
(2004)	*(700,000)*	*(1,036,303)*	*(22,868)*	*(4,781)*	(1,763,952)
Baudoin Prot Chief Executive Officer					
2005	788,333	1,878,895	91,024	4,930	2,763,182
(2004)	*(730,000)*	*(1,469,774)*	*(22,868)*	*(4,895)*	(2,227,537)
Georges Chodron de Courcel Chief Operating Officer					
2005	491,667	1,405,477	89,230	4,303	1,990,677
(2004)	*(450,000)*	*(1,182,486)*	*(6,468)*	*(4,271)*	(1,643,225)
Jean Clamon Chief Operating Officer					
2005	455,000	681,598	92,297	4,703	1,233,598
(2004)	*(430,000)*	*(537,983)*	*(47,013)*	*(4,845)*	(1,019,841)

(1) Salary actually paid in 2005.
(2) Variable remuneration payable in respect of 2005, to be paid in 2006.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than BNP Paribas SA (and Erbé for the Chief Executive Officer).
Georges Chodron de Courcel receives fees in his capacity as Director of BNP Paribas Suisse, BNP Paribas Holdings UK Ltd and Erbé. Jean Clamon receives fees in his capacity as Director of Cetelem, BNP Paribas Lease Group, Paribas International and Erbé.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

	Remuneration			Directors' fees	Benefits in kind	TOTAL Remuneration
	Fixed	Variable	Deferred			
Michel Pébéreau Chairman of the Board of Directors						
2005	700,000	831,553	342,062	29,728	4,816	1,908,159
(2004)	*(700,000)*	*(839,119)*	*(358,312)*	*(22,868)*	(4,781)	*(1,925,080)*
Baudoin Prot Chief Executive Officer						
2005	788,333	1,171,274	234,982	91,024	4,930	2,290,543
(2004)	*(730,000)*	*(801,952)*	*(218,103)*	*(22,868)*	(4,895)	*(1,777,818)*
Georges Chodron de Courcel Chief Operating Officer						
2005	491,667	943,518	258,985	89,230	4,303	1,787,703
(2004)	*(450,000)*	*(707,810)*	*(252,613)*	*(6,468)*	(4,271)	*(1,421,162)*
Jean Clamon Chief Operating Officer						
2005	455,000	406,970	102,640	92,297	4,703	1,061,610
(2004)	*(430,000)*	*(286,169)*	*(100,572)*	*(47,013)*	(4,845)	*(868,599)*

(5) Non-deferred portion of variable remuneration due in respect of 2004, paid in 2005.
(6) Transfer of the final third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares, of the second third of the deferred bonus awarded in 2002 in the form of BNP Paribas shares and of the first third of the deferred bonus awarded in 2003 in the form of BNP Paribas shares.
(7) Georges Chodron de Courcel's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 6,468 corresponding to directors' fees received in 2004.

(8) Jean Clamon's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 47,013 corresponding to directors' fees received in 2004.
(9) The average rate of social security taxes on this remuneration in 2005 was 35.8% (30% in 2004).

Neither the Chairman of the Board of Directors nor the Chief Executive Officer receives any remuneration from any other Group company. Nor do they receive directors' fees from Group companies, other than in their capacities as directors of BNP Paribas SA and, for the Chief Executive Office, as director of Erbé. These last directors' fees received in 2005 by the Chief Executive Officer will be deducted from its variable remuneration paid in 2006.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 9,673 (EUR 9,520 in 2004). They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the top-up plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent infirmity. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 10,696 (EUR 9,441 in 2004).

Remuneration of employee-elected directors

Total remuneration paid in 2005 to employee-elected directors during their term of office amounted to EUR 104,604 (EUR 102,785 in 2004), excluding directors' fees. The total amount of directors' fees paid in 2005 to employee-elected directors was EUR 97,360 (EUR 73,752 in 2004). These sums were paid directly to their trade union bodies.
Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 1,152 (EUR 1,095 in 2004).

Loans, advances and guarantees

The total amount outstanding on loans contracted by directors as of 31 December 2005 was EUR 3,717,763 (EUR 404,206 as of 1 January 2005).

Directors' fees

Directors of BNP Paribas S.A. receive directors' fees. The overall amount of directors' fees allocated in respect of the year ended 31 December 2005 was EUR 780,000, in accordance with the 12th resolution approved by the Shareholders' General Meeting of 18 May 2005. The previous annual overall amount of EUR 600,000 was set by the Shareholders' General Meeting of 23 May 2000.

On the recommendation of the Compensation and Nominations Committee, the Board has changed how the overall amount of fees is allocated between individual directors, although the underlying principle has been retained that half of the fees allocated to each director are contingent upon attendance at Board and Committee meetings.

The amount of directors' fees allocated to each director for the year ended 31 December 2005 was set at EUR 29,728 (compared with EUR 22,868 per year since 2000, a rise in line with the overall amount of fees).

The fixed portion of the fee allocated to the chairmen of the Financial Statements Committee and the Internal Control and Risk Management Committee has been raised to EUR 15,000 to reflect their responsibilities and workload. The fixed portion of the fee allocated to the chairman of the Compensation and Nominations Committee for 2005 is set at EUR 9,909, and the fixed portion of the fee allocated to members of Board Committees is EUR 5,946. Directors not resident in France receive, on the same terms, an additional allocation equal to half the standard fee.

Directors' fees, 2005 and 2004

BNP Paribas : Directors' fees paid, in euros	2005	2004
M. PEBEREAU	29,728	22,868
P. AUGUSTE	35,674	27,442
C. BEBEAR	29,233	23,669
JL. BEFFA	31,215	23,669
G. CROMME	40,134	20,010
J. DELAGE	-	3,430
M. FRANCOIS-PONCET (†)	2,973	21,439
J. FRIEDMANN	31,564	33,845
J.M. GIANNO	33,444	17,152
F. GRAPPOTTE	38,020	25,556
MC. HAMONIC	-	2,858
A. JOLY	32,700	29,728
D. KESSLER	33,940	25,841
JF. LEPETIT	30,471	10,005
JM. MESSIER	-	1,886
J. MORIO	-	5,718
L. OWEN-JONES	22,296	15,722
D. PEAKE	-	15,608
L. DE PALACIO	19,496	-
H. PLOIX	33,693	27,442
B. PROT	29,728	22,868
L. SCHWEITZER	46,710	30,530
JF. TRUFELLI	28,242	17,152
TOTAL	**549,261**	**424,438**

In accordance with section 243 bis of the French General Tax Code, directors' fees received by members of the Board do not qualify for the 50% reduction applicable to individual shareholders resident in France for tax purposes, as provided for by 158-3 of the French General Tax Code.
Total directors' fees paid in 2003 amounted to EUR 476,662 and EUR 476,511 in 2002.

Post-employment benefits

Compensation for loss of office

Corporate officers are not entitled to any contractual compensation for loss of office.

Retirement bonuses

Michel Pébereau is not entitled to any retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers), and the employee-elected directors are entitled under their contracts of employment to the standard retirement bonus benefits enjoyed by all BNP Paribas employees. Under this plan, employees receive a bonus on retirement from the Group of up to 11.66 months' final basic salary, depending on their initial contractual position and length of service at retirement.
The total present value of the obligations in respect of these retirement bonuses as at 31 December 2005 was EUR 471,285 (EUR 425,685 at 31 December 2004).

Pension plans

- **Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers**

The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

A similar procedure was applied to Michel Pébereau (now Chairman of the Board of Directors), Baudouin Prot (now Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (now Chief Operating Officers). Consequently, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being employed by the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of subsequent vesting of rights.

The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes[1], is capped at 50% of the amount of remuneration calculated as described in the preceding paragraph.

These amounts will be revalued from 1 January 2002 to the actual payment date of the benefit based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined by means of these calculations, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

If the specified conditions were to be met, the total present value of the obligations arising under these schemes would be approximately EUR 30 million, compared with EUR 27.5 million in 2004, the difference being due to adjustments to actuarial assumptions. These obligations were covered by provisions recorded in the books of BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an insurance company outside the Group.

If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive an insurance payout. The premium payable under the related insurance policy is paid by the Group and treated in accordance with the rules applicable to employers' contributions to top-up welfare schemes in France. The total annual amount involved for 2005 was EUR 214,343.

[1] The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of these corporate officers was EUR 1,329 (EUR 1,308 in 2004).

- **Employee-elected directors**

The employee-elected directors belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 769 (2004: EUR 807). They are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

Stock subscription option plans

BNP Paribas normally issues a stock subscription option plan every year, under an authorisation granted by the Shareholders' Extraordinary General Meeting (EGM).

These plans are intended to give various categories of executive an interest in creating value for the Group, thereby creating goal congruence between Group executives and the shareholders. The executives chosen for these plans represent the best of the Group's talents, including the next generation of leaders: executives in key management positions, line managers and technical experts, high-potential executives, and high-performing young managers with good career development prospects.

The number of options granted to corporate officers is decided by the Board of Directors on the recommendation of the Compensation and Nominations Committee.

The exercise price of these plans is determined at the time of issue in accordance with the terms of the authorisation granted by the EGM. No discount is offered. Some plans impose vesting conditions relating to the Group's financial performance or to the performance of BNP Paribas shares relative to the stock market. These conditions may apply to some or all of the options granted (see Note 8c).

The table below shows stock options granted to and/or exercised by corporate officers in 2005.

Stock options granted to/exercised by corporate officers

Options granted to and exercised by corporate officers	Number of options granted/exercised	Exercise price (in euros)	Date of grant	Plan expiry date
OPTIONS GRANTED IN 2005				
Michel PEBEREAU	100,000	55.1	25/03/2005	22/03/2013
Baudouin PROT	150,000	55.1	25/03/2005	22/03/2013
Georges CHODRON DE COURCEL	60,000	55.1	25/03/2005	22/03/2013
Jean CLAMON	40,000	55.1	25/03/2005	22/03/2013
OPTIONS EXERCISED IN 2005				
Michel PEBEREAU	50,000	18.45	22/05/1997	22/05/2007
Georges CHODRON DE COURCEL	60,000	45.16	22/12/1999	22/12/2009
Georges CHODRON DE COURCEL	19,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	27,125	23.47	26/12/1997	26/12/2005
Jean CLAMON	22,550	20.4	17/11/1998	17/11/2006
OPTIONS GRANTED IN 2004	-			
OPTIONS EXERCISED IN 2004				
Michel FRANCOIS-PONCET (†)	177,650	23.47	26/12/1997	26/12/2005
Georges CHODRON DE COURCEL	50,000	37.28	13/05/1998	13/05/2008
Georges CHODRON DE COURCEL	5,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	50,000	23.47	26/12/1997	26/12/2005
Jean CLAMON	37,020	17.3	20/01/1997	20/01/2005

The table below shows the number of outstanding options held by corporate officers at 31 December 2005.

Originating company	BNP Paribas	BNP Paribas	BNP Paribas	BNP	BNP	BNP	Paribas	BNP	Total
Date of grant	23/05/2005	21/03/2003	15/05/2001	22/12/1999	03/05/1999	13/05/1998	17/11/1998	22/05/1997	
Number of options outstanding at end of 2005	350,000	560,000	500,000	410,000	5,000	190,000	70,000	100,000	2,185,000

9.g BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

In millions of euros, at 31 December 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		7,115						7,115
Financial assets at fair value through profit or loss	700,525							700,525
Derivatives used for hedging purposes	3,087							3,087
Available-for-sale financial assets	15,098		6,675	6,838	10,641	18,571	34,883	92,706
Loans and receivables due from credit institutions		10,760	11,047	8,817	5,847	3,342	5,196	45,009
Loans and receivables due from customers		20,529	40,959	23,865	43,267	97,202	75,374	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)							(61)
Held-to-maturity financial assets			74	597	272	1,127	13,375	15,445
Financial assets by maturity	**718,649**	**38,404**	**58,755**	**40,117**	**60,027**	**120,242**	**128,828**	**1,165,022**
Due to central banks and post office banks		742						742
Financial liabilities at fair value through profit or loss	567,706		1,684	1,069	3,642	21,529	15,051	610,681
Derivatives used for hedging purposes	1,015							1,015
Due to credit institutions		27,442	52,613	16,160	13,179	6,935	2,564	118,893
Due to customers		132,466	68,916	24,181	10,113	2,426	9,392	247,494
Debt securities			29,234	19,862	15,263	10,975	9,295	84,629
Subordinated debt	1,871		679	284	516	1,953	11,403	16,706
Remeasurement adjustment on interest-rate risk hedged portfolios	901							901
Financial liabilities by maturity	**571,493**	**160,650**	**153,126**	**61,556**	**42,713**	**43,818**	**47,705**	**1,081,061**

In millions of euros, at 1 January 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		6,888						6,888
Financial assets at fair value through profit or loss	539,510							539,510
Derivatives used for hedging purposes	2,581							2,581
Available-for-sale financial assets	11,304		9,513	9,262	7,635	16,792	21,272	75,778
Loans and receivables due from credit institutions		9,480	14,485	5,185	3,766	5,270	2,797	40,983
Loans and receivables due from customers		20,952	58,680	24,093	29,627	64,015	46,861	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios								-
Held-to-maturity financial assets			3,313	6,486	2,352	1,284	12,695	26,130
Financial assets by maturity	**553,395**	**37,320**	**85,991**	**45,026**	**43,380**	**87,361**	**83,625**	**936,098**
Due to central banks and post office banks		256						256
Financial liabilities at fair value through profit or loss	426,473		892	1,549	2,639	15,659	9,914	457,126
Derivatives used for hedging purposes	450							450
Due to credit institutions		8,905	49,277	17,651	9,640	9,944	4,771	100,188
Due to customers		117,559	54,343	18,991	7,517	8,819	4,258	211,487
Debt securities			25,581	23,916	14,074	7,014	7,012	77,597
Subordinated debt	2,685		667	593	333	2,578	6,186	13,042
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022							1,022
Financial liabilities by maturity	**430,630**	**126,720**	**130,760**	**62,700**	**34,203**	**44,014**	**32,141**	**861,168**

9.h FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2005. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	45,009	45,014	40,983	41,009
Loans and receivables due from customers	301,196	302,916	244,228	246,611
Held-to-maturity financial assets	15,445	16,813	26,130	26,963
FINANCIAL LIABILITIES				
Due to credit institutions	118,893	119,663	100,188	100,298
Due to customers	247,494	247,502	211,487	211,501
Debt securities	84,629	84,531	77,597	77,777
Subordinated debt	16,706	17,041	13,042	13,419

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 2, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.

10. FINANCIAL STATEMENTS PREPARED UNDER FRENCH GAAP FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

The consolidated financial statements for the years to 31 December 2003 and 31 December 2004 were prepared under French generally accepted accounting principles and published in the Document de Référence filed with the Autorité des Marchés Financiers on 25 February 2005 as no. D.05-0151.

The principal accounting policies used in the preparation of the profit and loss account for the year to 31 December 2004 and of the balance sheet as at that date, which form the basis for the transition schedules provided in Notes 1a and 1b, are reproduced below.

CONSOLIDATED BALANCE SHEET

A S S E T S

In millions of euros, at 31 December	2004	2003
Interbank and money market items :		
Cash and amounts due from central banks and post office banks	6,843	5,287
Treasury bills and money market instruments	128,400	106,671
Due from credit institutions	180,443	162,950
Total interbank and money market items	**315,686**	**274,908**
Customer items :		
Due from customers	237,508	201,611
Leasing receivables	20,572	20,362
Total customer items	**258,080**	**221,973**
Bonds and other fixed income instruments	**66,899**	**55,005**
Equities and other variable income instruments	**72,254**	**52,506**
Insurance company investments	**69,501**	**62,275**
Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment		
Investments in non-consolidated undertakings and other participating interests	2,609	2,160
Equity securities held for long-term investment	3,514	4,612
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**6,123**	**6,772**
Investments in companies carried under the equity method:		
Financial sector companies	737	1,436
Non-financial sector companies	1,024	195
Total investments in companies carried under the equity method	**1,761**	**1,631**
Tangible and intangible assets	**9,582**	**9,008**
Goodwill	**6,244**	**5,578**
Accrued income and other assets	**99,808**	**93,420**
Total assets	**905,938**	**783,076**
COMMITMENTS GIVEN		
Financing commitments given	172,641	156,287
Guarantees and endorsements given	66,148	56,865
Commitments related to securities to be delivered	8,241	7,389
Insurance company commitments	466	1,297
Commitments incurred on forward and options contracts	20,556,393	18,356,809

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2004	2003
Interbank and money market items :		
Due to central banks and post office banks	256	60
Due to credit institutions	244,707	191,194
Total interbank and money market items	**244,963**	**191,254**
Customer items	**237,712**	**210,621**
Debt securities:		
Retail certificates of deposit	6,712	4,933
Interbank market securities	1,175	1,025
Negotiable certificates of deposit	83,844	67,014
Bonds, including short-term portion	11,094	9,952
Other debt instruments	1,141	177
Total debt securities	**103,966**	**83,101**
Technical reserves of insurance companies	**69,378**	**61,808**
Accrued expenses and other liabilities	**198,128**	**184,820**
Badwill	**15**	**18**
Provision for contingencies and charges	**3,764**	**4,045**
Subordinated debt	**12,242**	**13,226**
Reserve for general banking risks	**752**	**843**
Minority interests in consolidated subsidiaries	**4,824**	**5,019**
Shareholders' equity :		
Share capital	1,769	1,806
Additional paid-in capital in excess of par and premium on acquisition	10,340	11,017
Retained earnings	13,417	11,737
Net income	4,668	3,761
Total shareholders' equity	**30,194**	**28,321**
Total liabilities and shareholders' equity	**905,938**	**783,076**
COMMITMENTS RECEIVED		
Financing commitments received	35,251	43,976
Guarantees and endorsements received	50,212	42,951
Commitments related to securities to be received	9,570	7,852
Insurance company commitments	1,807	2,801

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	2004	2003
Interest income	*28,332*	*27,174*
Interest expense	*(22,213)*	*(20,663)*
Net interest income	6,119	6,511
Income on equities and other variable income instruments	294	283
Commission income	*7,098*	*6,319*
Commission expense	*(2,411)*	*(2,026)*
Net commission income	4,687	4,293
Net gains on trading account securities	4,713	4,407
Net gains on securities available for sale	453	190
Other banking income	*1,005*	*970*
Other banking expenses	*(904)*	*(880)*
Net other banking income	101	90
Underwriting result and net investment income of insurance companies	1,919	1,658
Net income from other activities	537	503
Net banking income	**18,823**	**17,935**
Operating expense:		
Salaries and employee benefits, including profit-sharing	(6,872)	(6,763)
Other administrative expenses	(3,965)	(3,764)
Total operating expense	(10,837)	(10,527)
Depreciation, amortisation and provisions on tangible and intangible assets	(755)	(758)
Gross operating income	**7,231**	**6,650**
Net additions to provisions for credit risks and country risks	(678)	(1,361)
Operating income	**6,553**	**5,289**
Share of earnings of companies carried under the equity method	194	131
Gains on long-term investments and changes in provisions	843	912
Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks	**7,590**	**6,332**
Net non-recurring expense	(389)	(494)
Corporate income tax	(1,830)	(1,481)
Amortisation of goodwill	(384)	(399)
Movements in the reserve for general banking risks	88	147
Minority interests	(407)	(344)
Net income	**4,668**	**3,761**
Basic earnings per share, in euros (1)	**5.55**	**4.31**
Diluted earnings per share, in euros (2)	**5.53**	**4.28**

(1) After the two-for-one share-split in 2002.
(2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 "Earnings per share". Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.

ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with French generally accepted accounting principles applicable in the banking industry.

YEAR-ON-YEAR COMPARISONS

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

PRINCIPLES AND BASIS OF CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.
Entities over which a Group company exercises de facto control, by virtue of contractual provisions or the entity's articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

De facto control is considered as being exercised when more than one of the following three criteria are met:

- The Group has decision-making powers, with or without management powers, over the routine operations or the assets of the entity, as evidenced in particular by the power to wind up the business, amend its articles of association or formally oppose any such amendments;

- The Group is entitled to all or the majority of the entity's economic benefits, whether distributed or appropriated to reserves, and has the right to sell one or several assets and to benefit from any assets remaining after the entity has been liquidated;

- The Group is exposed to the majority of the risks relating to the entity. This is the case if a Group company gives a guarantee to external investors, in order to substantially reduce those investors' risk.

In cases where the Group does not hold an interest in the capital, an entity is consolidated when two of the above three criteria are met. In accordance with standard CRC 2004-04, the first of these three criteria is critical to assessing whether de facto control is exercised over entities set up in connection with the sale of proprietary loan portfolios, including fonds communs de créances (securitization funds) governed by French law and foreign entities offering equivalent guarantees to those existing in France. Retaining the majority of risks and rewards related to sold loans is equivalent to presuming that a substantial portion of decision-making powers has been retained.

Entities whose shares have been acquired exclusively with a view to their subsequent disposal are not consolidated. This is the case of shares which are intended to be sold in connection with the active management of the portfolio held by BNP Paribas Capital. Additionally, if the Group's ability to control the operating policies and assets of a subsidiary or affiliate is severely and permanently restricted, the subsidiary or affiliate is not consolidated. Shares in these companies are recorded in the consolidated balance sheet under "Investments in non-consolidated undertakings and other participating interests".

CONSOLIDATION METHODS

- **Fully-consolidated Companies**

Subsidiaries over which the Group exercises exclusive control are fully consolidated, including subsidiaries whose financial statements are presented in a different format and which are engaged in a business that represents an extension of the Group's banking and financial services businesses or a related business, including insurance, real estate investment, real estate development and data processing services.

Exclusive control is considered as being exercised in cases where the Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business, as a result of :

– direct or indirect ownership of the majority of voting rights of the subsidiary; or
– the designation in two successive years of the majority of the members of the Board of Directors, Supervisory Board or equivalent. This is considered to be the case if a Group company holds over 40% of the voting rights during the two-year period and no other shareholder holds a larger percentage, directly or indirectly; or
– the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or the articles of association, provided that the Group company exercising the dominant influence is a shareholder or partner of the subsidiary. Dominant influence is considered as being exercised in cases where the Group company is in a position to use or decide on the utilisation of the subsidiary's assets, liabilities or off balance sheet items as if they were its own. In the absence of contractual provisions or provisions of the articles of association, a Group company is considered as exercising dominant influence over a credit institution in cases where it holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a larger percentage.

- **Proportionally-consolidated Companies**

Jointly-controlled companies are consolidated by the proportional method. Joint control is considered as being exercised in cases where the concerned company is managed jointly by a limited number of shareholders or partners which together determine the company's financial and operating policies.

- **Companies Accounted for by the Equity Method**

Companies in which the Group exercises significant influence over financial and operating policies without having control are accounted for by the equity method. Significant influence may be exercised through representation on the Board of Directors, Supervisory Board or equivalent, or participation in strategic decisions, or as a result of significant business dealings with the company, or exchanges of management personnel or technical dependence. Significant influence over financial and operating policies is considered as being exercised in cases where the Group holds at least 20% of the voting rights, directly or indirectly.

Companies that are less than 20% owned are not consolidated except in cases where they constitute a strategic investment and the Group effectively exercises significant influence. This is the case of companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions affecting the company as a member of the Board of Directors, Supervisory Board or equivalent, exercises influence over the company's operational management by supplying management systems or decision-making aids, and provides technical assistance to support the company's development.

CONSOLIDATION PRINCIPLES

Cost of Shares in Consolidated Companies, Goodwill, Valuation Adjustments

- **Cost of Shares in Consolidated Companies**

The cost of shares in consolidated companies is equal to the purchase price paid to the vendor by the buyer plus material transaction costs, net of the corresponding tax savings.

- **Goodwill**

Goodwill, corresponding to the difference between the cost of shares in consolidated companies and the Group's equity in the assets, liabilities and off balance sheet items of the company at the date of acquisition, after valuation adjustments, is amortised by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortisation period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Where there is an indication that the recoverable value of goodwill could be lower than its net carrying value, an impairment test is carried out in order to assess whether an impairment loss should be recorded. The impairment test may be based on several different methods, depending on the business concerned, including discounted future cash flows estimated using the company's medium-term business plan.

- **Valuation Adjustments**

Valuation adjustments, corresponding to the difference between the amount of assets, liabilities and off balance sheet items of the acquired company as restated according to Group accounting policies and their book value in the accounts of the acquired company, are recorded in the consolidated balance sheet in accordance with generally accepted accounting principles applicable to the items concerned.

Valuation adjustments of assets and liabilities of companies accounted for under the equity method are included in “Investments in companies carried under the equity method”.

Change in Percent Interests in Consolidated Companies

In the case of an increase in the Group’s percent interest in a consolidated company, additional goodwill is recorded and amortised by the method described above. If the Group’s percent interest is reduced without resulting in the subsidiary being deconsolidated, a corresponding percentage of the unamortised goodwill is written off. This is the case, in particular, following a capital transaction that has the effect of diluting the interest of the company holding the shares.

Intercompany Balances and Transactions

Income and expenses on material intercompany transactions involving fully or proportionally consolidated companies or companies accounted for by the equity method are eliminated in consolidation. Intercompany receivables, payables, commitments, income and expenses between fully or proportionally consolidated companies are also eliminated.

Lease Financing

Finance leases where the Group is lessor are recorded in the consolidated balance sheet under “Leasing receivables” in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts determined in accordance with legal and tax rules. Lease payments are analysed between amortisation of the net investment and interest income.

Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortisation of the net investment in the lease. This difference is recorded under “Shareholders’ equity” net of deferred taxes.

Foreign Currency Translation

All monetary and non-monetary assets and liabilities of foreign subsidiaries and branches that are denominated in foreign currencies are translated at the year-end exchange rate. Differences arising from the translation of profit and loss account items of foreign subsidiaries at the average rate for the period and the period-end rate are recorded in shareholders’ equity, under “Cumulative translation adjustment”, net of minority interests. The same accounting treatment is applied to differences arising from the translation of capital made available to foreign branches. Differences arising from the translation of the results of foreign branches are treated as operating positions that can be repatriated and are therefore recognised in the consolidated profit and loss account.

BNP Paribas Shares Held Within the Group

BNP Paribas shares held within the Group are valued and accounted for as follows:

- Shares acquired in order to stabilise the share price or in connection with index trading and arbitrage transactions are recorded under “Trading account securities” at their market price.

- Shares held for allocation to employees are recorded at the lower of cost and market price under “Securities available for sale”. Where appropriate, a provision is booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired specifically for any of the above purposes or that are intended to be cancelled are deducted from consolidated shareholders’ equity at cost. If the shares are subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax are posted to retained earnings.

Consolidation of Insurance Companies

The specific accounting principles and valuation rules applicable to insurance companies are also used for BNP Paribas consolidation purposes. The balance sheet, profit and loss account and off balance sheet items of fully consolidated insurance subsidiaries are included under similar captions in the consolidated financial statements, with the exception of the following items:

- **Insurance Company Investments**

The investments of insurance companies include admissible assets related to unit-linked business, as well as property investments and various other investments, including shares in related companies, concerning life and other business. Property investments are stated at cost, excluding transaction costs. Buildings are depreciated over their estimated useful lives. Admissible assets related to unit-linked business are stated at the realisable value of the underlying assets at the year-end.

Fixed or variable income marketable securities are stated at cost. Fixed income securities are valued and accounted for using the same method as debt securities held to maturity. However, when the market value of listed variable income securities consistently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months, an analysis is carried out to ascertain whether or not it is necessary to record a provision for permanent impairment in value. If such a provision is considered necessary, it is calculated based on the realisable value of the securities concerned. Realisable value is determined using a multi-criteria approach including the discounted future cash flows and net asset value methods, as well as analysis of ratios commonly used to assess future yields and exit opportunities. The valuation is performed separately for each line of securities, taking into account the planned holding period. Securities held for sale are written down to their probable realisable value, based on stock market prices, where appropriate.

The realisable value of buildings is calculated when the valuation performed by professional qualified valuers is more than 20% below the net book value, and is based on the discounted future cash flows expected to be generated by each building over the planned holding period. A provision is recorded when necessary, on a building-by-building basis, to cover the difference between the net book value and the realisable value. In the case of buildings held for sale, provisions are calculated based on the valuation performed by the professional qualified valuers.

- **Technical Reserves of Insurance Companies**

Technical reserves correspond to the insurance company’s commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer’s commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following period or periods) and outstanding claims reserves, which include reserves for claims handling costs.

In the individual statutory accounts of Group insurance companies, a capitalisation reserve is set up at the time of sale of amortisable securities, in order to defer part of the net realised gain and thus maintain the yield-to-maturity of the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified under “Policyholders’ surplus”.

Policyholders’ surplus also includes the funds set aside to top up the return offered to holders of life insurance policies in future years, as necessary.

- **Underwriting Result and Net Investment Income of Insurance Companies**

This caption mainly includes earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

OTHER SIGNIFICANT ACCOUNTING POLICIES

INTERBANK AND MONEY MARKET ITEMS, CUSTOMER ITEMS

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer accounts in debit and other loans.

Outstanding loans and confirmed credit facilities are classified into sound loans – including sound restructured loans – and doubtful loans. The same classification is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks on outstanding loans and confirmed credit facilities are monitored using an internal rating system, based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are 12 counterparty ratings, ten covering sound loans and two corresponding to doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the bank considers that there is a risk of borrowers being unable to honour all or part of their commitments. This is considered to be the case of all loans on which one or more instalments are more than three months overdue (six months in the case of real estate loans and twelve months for loans to local governments), as well as loans for which legal collection procedures have been launched. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

A provision is booked on these loans, for an amount corresponding to the portion of the outstanding principal that is not expected to be recovered plus unpaid interest. In all cases, the provision at least covers the total amount of accrued interest, unless the value of the guarantees held by the bank covers the principal and all or part of the interest due. Guarantees include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses.

In the case of doubtful loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are met. If a restructured loan reclassified as sound is not at market terms, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the new interest rate and the lower rate between the original rate of interest and the market rate prevailing at the time of the restructuring. If any instalments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Small loans to private individuals in France which have been the subject of a “Neiertz Act” restructuring (loans to consumers who have accumulated unmanageable levels of debt) are reclassified as sound only when the account manager is satisfied that the client will be able to fulfil his or her repayment commitments until the entire loan has been repaid. No discount is applied to loans that are reclassified as sound, mainly by the specialised credit companies. However, a statistical provision is recorded, based on the estimated risk of losses. This provision is at least equal to the sum of the discounts that would have been deducted from the loans’ carrying value.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in doubtful loans, no reclassification as sound loans is foreseeable, loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering substantially all of the amount due.

Irrecoverable loans are written off when all legal and other avenues open to the Bank to secure payment of the amounts due have been exhausted.

Interbank and customer items are stated at their nominal value plus accrued interest. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortised over the remaining life of the loan by the yield-to-maturity method.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions related to off balance sheet commitments, provisions for losses on interests in real estate development programmes, provisions for claims and litigation, provisions for unidentified contingencies and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions, bad debts written off, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under “Net additions to provisions for credit risks and country risks”, with the exception of additions to provisions for accrued interest on non-performing loans which are included in net banking income together with the interest accrual. Amortisation of discounts on restructured loans, calculated by the yield-to-maturity method, is included in net banking income along with the interest on the loans.

Accrued interest is recorded periodically on sound loans – including restructured loans – and on doubtful loans that are not classified as irrecoverable. Interest on doubtful loans classified as irrecoverable is recorded in the profit and loss account on a cash basis.

SECURITIES

The term “securities” covers interbank market securities (mainly promissory notes and mortgage notes); Treasury bills and negotiable certificates of deposit; bonds and other fixed income instruments (whether fixed- or floating-rate); and equities and other variable income instruments.

In application of standard CRC 2000-02, securities are classified as “Trading account securities”, “Securities available for sale”, “Equity securities available for sale in the medium-term”, “Debt securities held to maturity”, “Equity securities held for long-term investment”, “Other participating interests”, and “Investments in non-consolidated undertakings”. Investments in companies carried under the equity method are recorded on a separate line of the consolidated balance sheet.

Where a credit risk has occurred, fixed income securities held in the “available for sale” or “held to maturity” portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.
Variable income securities may also be classified as doubtful if an issuer default risk has occurred. This is the case, in particular, where the issuer has filed for bankruptcy.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in “Provisions for credit risks and country risks”.

- **Trading Account Securities**

Securities held for up to six months are recorded under "Trading account securities" and valued individually at market. Changes in market values are posted to income.

- **Securities Available for Sale**

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed income instruments are valued at the lower of cost (excluding accrued interest) and probable market value, which is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed income instruments".

The difference between cost and the redemption price of fixed income securities purchased on the secondary market is prorated over the life of the securities and posted to the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost and probable market value, which is generally determined on the basis of stock market prices, for listed equities, or the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

The cost of sold securities available for sale is determined on a first in, first out (FIFO) basis. Disposal gains or losses and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Net gains on sales of securities available for sale".

- **Equity Securities Available for Sale in the Medium-Term**

This category corresponds to investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. "Equity securities available for sale in the medium-term" include venture capital investments.

"Equity securities available for sale in the medium-term" are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general development outlook and the planned holding period. The fair value of listed stocks corresponds primarily to the average stock market price determined over an appropriately long period.

- **Debt Securities Held to Maturity**

Fixed income securities (mainly bonds, interbank market securities, Treasury bills and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect the BNP Paribas Group's intention of holding them on a long-term basis, in principle to maturity. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is posted to income under "Interest income on bonds and other fixed income instruments".

A provision is made when a decline in the credit standing of an issuer jeopardises redemption at maturity.

- **Equity Securities Held for Long-Term Investment**

This category includes shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

"Equity securities held for long-term investment" are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Gains and losses on sales of equity securities held for investment and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

- **Non-Consolidated Undertakings and Other Participating interests**

This category includes affiliates in which the Group exercises significant influence over management and investments considered strategic to the Group's business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

Investments in non-consolidated undertakings and other participating interests are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Disposal gains and losses and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends are posted to "Income on equities and other variable income instruments" when they have been declared by the issuers' shareholders or on a cash basis when the shareholders' decision is not known.

- **Investments in Companies Carried under the Equity Method**

Changes in net assets of companies carried under the equity method are posted to assets under "Investments in companies carried under the equity method" and to consolidated reserves under "Retained earnings".

Valuation adjustments to these companies' assets and liabilities, recorded at the time of acquisition, are included in "Investments in companies carried under the equity method".

Goodwill arising on the acquisition of companies carried under the equity method is recorded in "Goodwill".

FIXED ASSETS

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialised subsidiaries. These buildings are intended to be held on a long-term basis. The revaluation arising from this transaction has been posted to consolidated shareholders' equity net of the related deferred tax effect and a provision for deferred taxes has been recorded. Effective from 1994, the resulting unrealised capital gain is being written back to the consolidated profit and loss account in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what appeared to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above real estate in 1997. The impact of this adjustment, net of the related deferred tax effect, was posted to consolidated shareholders' equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France's appropriation laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these legal revaluations, are included in share capital.

Assets leased by the Bank from specialised subsidiaries are recorded as buildings, equipment and other under "Tangible and intangible assets".

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight-line method. Depreciation of other fixed assets is computed using the straight-line method over their estimated useful lives.

BNP Paribas and its French subsidiaries depreciate tangible assets by the accelerated method in their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straight-line method) to write off the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Depreciation of assets leased from Group leasing subsidiaries is reflected in the profit and loss account under "Depreciation, amortisation and provisions on tangible and intangible assets".

The capitalised cost of software purchased or developed for internal use is recorded under "Intangible assets" and amortised by the straight-line method over the probable period of use of the software, not to exceed five years.

Trade marks identified by the Group which have been acquired in a business combination are tested for impairment when there is an indication that they may be impaired.

INTERBANK AND MONEY-MARKET ITEMS AND CUSTOMER DEPOSITS

Amounts due to credit institutions are classified into demand accounts and time deposits and borrowings. Customer deposits are classified into regulated savings accounts and other customer deposits. These captions include securities and other assets sold under repurchase agreements. Accrued interest is recorded on a separate line.

DEBT SECURITIES

Debt securities are classified into retail certificates of deposit, interbank market securities, negotiable certificates of deposit, bonds and other debt instruments. This caption does not include subordinated notes which are recorded under "Subordinated debt".

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised by the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised by the straight-line method over the life of the bonds.

COUNTRY RISK PROVISIONS

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries. Country risk provisions and writebacks are reflected in the profit and loss account under "Net additions to provisions for credit risks and country risks".

PROVISIONS FOR UNFORESEEABLE INDUSTRY RISKS

The Group records provisions for unforeseeable industry and other risks in order to cover losses and expenses that are not certain of being incurred and the amount of which cannot be reliably estimated. These provisions are reversed and replaced by specific provisions in cases where the loss or expense becomes certain and can be reliably estimated.

RESERVE FOR GENERAL BANKING RISKS

The BNP Paribas Group has set up a reserve for general banking risks in accordance with the principle of prudence.

Specific additions to, and deductions from, this reserve are reflected in the profit and loss account under "Movements in the reserve for general banking risks".

PROVISIONS NOT SET UP IN CONNECTION WITH BANKING OR BANKING-RELATED TRANSACTIONS

The Group records provisions for clearly identified risks and charges, of uncertain timing or amount. In accordance with current regulations, these provisions which are not connected with banking or banking-related transactions may only be recorded if the Group has an obligation to a third party at the year-end and no equivalent economic benefits are expected from that third party.

FORWARD FINANCIAL INSTRUMENTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

- **Market Value of Financial Instruments**

Financial instruments are measured based on their market value when they are listed, or based on internal models where no organised market exists. The value determined by applying these models is adjusted to take into account inherent model and liquidity risks.

The market value of financial instruments for which a quoted price is not directly available is determined on the basis of the price of transactions carried out close to the year-end or prices obtained from brokers or counterparties, backed up by qualitative analyses.

- **Forward Interest Rate Instruments**

Interest rate futures and options contracts forming part of the trading portfolio and traded on organised exchanges are marked to market at the balance sheet date. Realised and unrealised gains and losses are taken to income under "Net gains (losses) on sales of trading account securities".

Gains and losses on certain OTC contracts representing isolated open positions are taken to income either when the contracts are unwound or on an accruals basis, depending on the nature of the instruments. Provisions for contingencies are booked to cover unrealised losses on a contract by contract basis, taking into account potential gains and losses on related specific hedges.

Income and expenses on interest rate contracts designated at the outset as hedging operations are recognised on a symmetrical basis with the income or expense on the underlying instrument.

- **Forward Currency Instruments**

Options contracts are marked to market and the resulting unrealised gains and losses are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the spot rate prevailing at the end of the year. Differences between the spot and forward rates (contango and backwardation) for hedged forward currency transactions are recognised on an accruals basis and posted to the profit and loss account over the life of the hedged transaction.

- **Equity And Equity Index Derivatives**

The BNP Paribas Group buys and sells equity and equity index options for trading and hedging purposes. In the case of trading transactions, unrealised gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on equity and equity index contracts designated as hedges are recognised on a symmetrical basis with the gain or loss on the underlying hedged instrument.

- **Composite Instruments**

Composite instruments (synthetic combinations of instruments recorded as a single instrument) are valued by aggregating the individual values of each basic instrument included in the composite. However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated profit and loss account.

- **Credit Risk Management Instruments**

Instruments intended to protect loan portfolios against counterparty risks are treated as guarantees received. Credit derivatives purchased and sold in connection with trading transactions and structured product sales are valued using internal models, based on market data where available. The revenue determined by applying these models is adjusted to take into account inherent model and liquidity risks.

CORPORATE INCOME TAX

BNP Paribas Group companies are subject to corporate income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard corporate income tax rate is 33 1/3%. Long-term capital gains are currently taxed at a rate of 19%. Under the French Finance Act passed at the end of 2004, long-term capital gains will be taxed at 15% as from 2005 and gains on disposals of certain investments in non-consolidated undertakings will be taxed at 8% in 2006 and at 0% thereafter. Dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% and which are covered by the parent-subsidiary tax regime are non-taxable.

The French government imposed a 3% surtax on corporate income for financial years 2002 to 2004 in addition to the 3.3% surtax levied on corporate income since 1 January 2000. The 2005 French Finance Act has reduced this surtax to 1.5% in 2005 and will eliminate it as of 2006. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned.

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. BNP Paribas Group companies recognise deferred taxes based on all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method, as well as future applicable tax rates once these have been approved. Recognition of deferred tax assets depends on the probability of recovery.

PROFIT-SHARING

As required by French law, BNP Paribas and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in “Operating expense” in the consolidated profit and loss account.

PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

Provision is made for long-service awards, supplementary pension benefits and other awards payable to active and retired employees, except where employer contributions are in full discharge of any future liabilities, in which case the contributions are charged to the profit and loss account in the period of payment.

PENSION OBLIGATIONS TOWARDS RETIRED EMPLOYEES

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

In France, retired employees of the BNP Paribas Group's banking subsidiaries and affiliates are entitled to the following pension benefits starting 1 January 1994, pursuant to an industry-wide agreement on pensions signed in September 1993 between the *Association Française des Banques* and employee representatives:

– retirees receive pension benefits from the social security system and two nation-wide organisations, which are financed by contributions received from employers and employees. The systems operate on a pay-as-you-go basis.

– retirees receive additional benefits relative to services rendered prior to 1 January 1994, from the pension fund of the BNP Paribas Group and the banking industry pension funds with which certain French subsidiaries are affiliated. Funding for these additional benefits is provided by transfers from the pension funds' existing reserves and, if necessary, by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The contributions paid by BNP Paribas to these schemes are recorded in expenses for the period.

The working capital contributions made to the two nation-wide pension organisations in 1994 are treated as prepaid expenses and amortised over the average number of years left to retirement of BNP SA participating employees, which is currently twenty years. For Paribas employees, the contribution has been deducted from the reserves of the Paribas pension fund.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, the Group records provisions for benefit obligations where the present value of the obligation exceeds the market value of the plan assets. Benefit obligations are determined on an actuarial basis at each year end. The year-on-year increase or decrease in the net funded obligation, corresponding to actuarial differences arising from changes in demographic and financial assumptions or in estimated yields on plan assets, is recognised over the expected average remaining service lives of employees covered by the plans, net of an amount equal to a certain percentage of the discounted benefit obligation, set by convention at 10%. In the interest of prudence, the deferred portion of the actuarial difference is limited in all cases to an amount equivalent to that of the net change in the benefit obligation over the year.

For defined contribution plans, the Group records the contributions as an expense in the period they are paid.

OTHER EMPLOYEE BENEFITS

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees in France and in most of the countries in which the Group does business.

Each year, BNP Paribas estimates the net present value of these commitments and adjusts the related provision, applying the same method as for pension benefits.

RECOGNITION OF REVENUE AND EXPENSES

Interest and fees and commissions qualified as interest are recognised on an accruals basis. Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed.

NET ADDITIONS TO PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

Net additions to provisions for credit risks and country risks include expenses arising from the identification of counterparty risks, including country risks, litigation and fraud inherent to banking operations conducted with third parties. Net movements in provisions for contingencies and charges that do not fall under the category of such risks are classified in the profit and loss account according to their type.

FOREIGN CURRENCY TRANSACTIONS

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recorded in the profit and loss account.

Exchange differences arising from the conversion at the year-end exchange rate of assets denominated in foreign currencies that are held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches and other foreign equity investments, are not recognised in the profit and loss account.

BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Barbier Frinault & Autres	**PricewaterhouseCoopers Audit**	**Mazars & Guérard**
Ernst & Young	32, rue Guersant	Mazars
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92576 Neuilly-sur-Seine Cedex		92075 Paris La Défense

BNP Paribas
16, boulevard des Italiens
75009 Paris

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

As the Statutory Auditors appointed by the General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas, presented in euros, for the year ended 31 December 2004.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the consolidated financial statements, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of BNP Paribas and its subsidiaries at 31 December 2004 and the consolidated results of operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment:

• BNP Paribas records provisions to cover the credit risks inherent to its business (notes 1, 4, 8 and 19 to the consolidated financial statements). As part of our assessment of these estimates, we examined the control procedures applicable for monitoring credit risks, assessing irrecoverability risks and determining the related specific and general provisions;

• BNP Paribas uses internal models to value its positions on financial instruments which are not listed on organized exchanges (note 1 to the consolidated financial statements). As part of our assessment of these estimates, we examined the control procedures applicable to the verification of these models and the determination of the parameters used;

• investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment are recorded at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria approach (note 1 to the consolidated financial statements). As part of our assessment of these estimates, we examined the data used to determine fair value for the main items within these portfolios.

We assessed whether these estimates were reasonable.

Our assessments on these matters were made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to expressing our opinion set out in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report with regard to its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine, Paris and La Défense, 25 February 2005

The Statutory Auditors

Barbier Frinault & Autres	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Radwan Hoteit	Étienne Boris	Hervé Hélias

CONTENTS

CONSOLIDATED BALANCE SHEET

ASSETS

In millions of euros, at 31 December	2004	2003	2002
Interbank and money market items (note 3):			
Cash and amounts due from central banks and post office banks	6,843	5,287	9,884
Treasury bills and money market instruments (note 5)	128,400	106,671	83,990
Due from credit institutions	180,443	162,950	146,512
Total interbank and money market items	**315,686**	**274,908**	**240,386**
Customer items (note 4):			
Due from customers	237,508	201,611	204,719
Leasing receivables	20,572	20,362	20,622
Total customer items	**258,080**	**221,973**	**225,341**
Bonds and other fixed income instruments (note 5)	**66,899**	**55,005**	**41,964**
Equities and other variable income instruments (note 5)	**72,254**	**52,506**	**22,616**
Insurance company investments (note 6)	**69,501**	**62,275**	**57,154**
Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment (note 7)			
Investments in non-consolidated undertakings and other participating interests	2,609	2,160	5,872
Equity securities held for long-term investment	3,514	4,612	5,407
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**6,123**	**6,772**	**11,279**
Investments in companies carried under the equity method:			
Financial sector companies	737	1,436	1,557
Non-financial sector companies	1,024	195	238
Total investments in companies carried under the equity method (note 9)	**1,761**	**1,631**	**1,795**
Tangible and intangible assets (note 11)	**9,582**	**9,008**	**8,640**
Goodwill (note 12)	**6,244**	**5,578**	**6,547**
Accrued income and other assets (note 13)	**99,808**	**93,420**	**94,597**
Total assets	**905,938**	**783,076**	**710,319**
COMMITMENTS GIVEN			
Financing commitments given (note 23)	172,641	156,287	140,398
Guarantees and endorsements given (note 23)	66,148	56,865	60,226
Commitments related to securities to be delivered (note 23)	8,241	7,389	7,960
Insurance company commitments	466	1,297	914
Commitments incurred on forward and options contracts (note 24)	20,556,393	18,356,809	13,959,842

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2004	2003	2002
Interbank and money market items (note 14):			
Due to central banks and post office banks	256	60	159
Due to credit institutions	244,707	191,194	177,746
Total interbank and money market items	**244,963**	**191,254**	**177,905**
Customer items (note 15)	**237,712**	**210,621**	**195,569**
Debt securities:			
Retail certificates of deposit (note 15)	6,712	4,933	6,708
Interbank market securities (note 14)	1,175	1,025	1,025
Negotiable certificates of deposit (note 15)	83,844	67,014	64,913
Bonds, including short-term portion (note 16)	11,094	9,952	11,260
Other debt instruments	1,141	177	151
Total debt securities	**103,966**	**83,101**	**84,057**
Technical reserves of insurance companies (note 17)	**69,378**	**61,808**	**56,526**
Accrued expenses and other liabilities (note 18)	**198,128**	**184,820**	**145,836**
Badwill (note 12)	**15**	**18**	**22**
Provision for contingencies and charges (note 19)	**3,764**	**4,045**	**4,144**
Subordinated debt (note 20)	**12,242**	**13,226**	**14,283**
Reserve for general banking risks (note 21)	**752**	**843**	**997**
Minority interests in consolidated subsidiaries (note 22)	**4,824**	**5,019**	**4,535**
Shareholders' equity (note 22):			
Share capital	1,769	1,806	1,790
Additional paid-in capital in excess of par and premium on acquisition	10,340	11,017	10,804
Retained earnings	13,417	11,737	10,556
Net income	4,668	3,761	3,295
Total shareholders' equity	**30,194**	**28,321**	**26,445**
Total liabilities and shareholders' equity	**905,938**	**783,076**	**710,319**
COMMITMENTS RECEIVED			
Financing commitments received (note 23)	35,251	43,976	21,536
Guarantees and endorsements received (note 23)	50,212	42,951	43,824
Commitments related to securities to be received (note 23)	9,570	7,852	15,037
Insurance company commitments	1,807	2,801	2,065

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	**2004**	**2003**	**2002**
Interest income	*28,332*	*27,174*	*31,606*
Interest expense	*(22,213)*	*(20,663)*	*(26,222)*
Net interest income (note 29)	6,119	6,511	5,384
Income on equities and other variable income instruments (note 32)	294	283	323
Commission income	*7,098*	*6,319*	*6,160*
Commission expense	*(2,411)*	*(2,026)*	*(1,982)*
Net commission income (note 33)	4,687	4,293	4,178
Net gains on trading account securities	4,713	4,407	4,687
Net gains on securities available for sale	453	190	139
Other banking income	*1,005*	*970*	*1,134*
Other banking expenses	*(904)*	*(880)*	*(911)*
Net other banking income	101	90	223
Underwriting result and net investment income of insurance companies (note 34)	1,919	1,658	1,440
Net income from other activities	537	503	419
Net banking income (note 39)	**18,823**	**17,935**	**16,793**
Operating expense:			
Salaries and employee benefits, including profit-sharing (note 35)	(6,872)	(6,763)	(6,445)
Other administrative expenses	(3,965)	(3,764)	(3,892)
Total operating expense	(10,837)	(10,527)	(10,337)
Depreciation, amortisation and provisions on tangible and intangible assets	(755)	(758)	(618)
Gross operating income (note 39)	**7,231**	**6,650**	**5,838**
Net additions to provisions for credit risks and country risks (note 8)	(678)	(1,361)	(1,470)
Operating income (note 39)	**6,553**	**5,289**	**4,368**
Share of earnings of companies carried under the equity method (note 9)	194	131	80
Gains on long-term investments and changes in provisions (note 37)	843	912	903
Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks	7,590	6,332	5,351
Net non-recurring expense (note 38)	(389)	(494)	(174)
Corporate income tax (note 40)	(1,830)	(1,481)	(1,175)
Amortisation of goodwill	(384)	(399)	(366)
Movements in the reserve for general banking risks	88	147	2
Minority interests	(407)	(344)	(343)
Net income	**4,668**	**3,761**	**3,295**
Basic earnings per share, in euros (1)	5.55	4.31	3.78
Diluted earnings per share, in euros (2)	**5.53**	**4.28**	**3.74**

(1) After the two-for-one share-split in 2002.

(2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 “Earnings per share”. Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	**2004**	**2003**	**2002**
Long-term sources of funds			
Funds provided from shareholders' equity			
From operations:			
Consolidated net income (group share and minority interest)	5,075	4,105	3,638
Depreciation and amortisation	755	758	618
Net additions to provisions	310	1,200	1,764
Share of earnings of companies carried under the equity method	(194)	(131)	(80)
Total funds provided from operations	**5,946**	**5,932**	**5,940**
Dividends paid	(1,842)	(1,541)	(1,322)
Other changes in shareholders' equity:			
Group share	(2,252)	120	(2,482)
Minority interests	(273)	424	1,253
Decrease in reserve for general banking risks	(91)	(154)	(10)
(Decrease) increase in subordinated debt	(984)	(1,057)	1,245
Increase in shareholders' equity and other long-term capital	**504**	**3,724**	**4,624**
Funds provided from other sources:			
Increase (decrease) in interbank items (liabilities)	53,709	13,349	(42,391)
Increase (decrease) in customer deposits	27,091	15,052	(20,527)
Increase (decrease) in debt securities	20,865	(956)	(3,806)
Increase in technical reserves of insurance companies	7,570	5,282	1,321
Increase (decrease) in other financial items	6,977	40,030	(7,243)
Increase (decrease) in other sources of funds	**116,212**	**72,757**	**(72,646)**
Total increase (decrease) in sources of funds	**116,716**	**76,481**	**(68,022)**
Uses:			
Increase (decrease) in interbank items (assets)	19,043	11,790	(33,706)
Increase (decrease) in customer loans	36,829	(2,182)	(8,129)
Increase (decrease) in securities	45,543	63,104	(34,439)
Increase in insurance company investments	7,226	5,121	944
Increase (decrease) in long-term investments	6,746	(2,478)	5,564
Increase in tangible and intangible assets	1,329	1,126	1,744
Total increase (decrease) in uses of funds	**116,716**	**76,481**	**(68,022)**

NOTE 1 – ACCOUNTING POLICIES

The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with French generally accepted accounting principles applicable in the banking industry.

YEAR-ON-YEAR COMPARISONS

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

Application by the BNP Paribas Group of decree no. 2002-970 amending the French Insurance Code and *Comité de la Réglementation Comptable* standard CRC 2002-09 concerning the use and accounting treatment of forward financial instruments by insurance companies did not have a material impact on opening shareholders' equity at 1 January 2003 and does not affect period-on-period comparisons.

Standard CRC 2002-10 relating to the depreciation, amortisation and impairment of assets – amended by standard CRC 2003-07 of 12 December 2003 – contains measures concerning the date and consequences of the standard's first-time application, which is compulsory from 1 January 2005. The Group has not opted for early application and is not affected by the applicable transitional measures relating to provisions for major repairs. Moreover, as the Group has not identified any material expenses relating to major repairs based on multi-year programmes, this standard had no impact on the Group's opening shareholders' equity at 1 January 2003.

Standard CRC 2002-03 dealing with credit risks, the classification methods to be applied to doubtful and restructured loans, and loan restructurings at below market rates of interest, has been adopted as from 1 January 2003, based on the opinion issued by the *Comité d'Urgence* du CNC (no. 2003-G) on 18 December 2003, and the CNC's press release of 21 November 2003. For the BNP Paribas Group, the effect of applying this method was a reduction in opening shareholders' equity at 1 January 2003 of EUR 33 million after tax, corresponding to the difference between the new interest rate on restructured loans classified as sound and the lower rate between the original rate of interest and the market rate prevailing on the restructuring date. The discounted interest differential will be taken into account in determining the lending margin on the loans concerned. Application of the new standard led to the reclassification under irrecoverable loans of EUR 540 million worth of loans previously considered as giving rise to a country risk. The loans in question consist of restructured loans that are once again in default. The corresponding provisions, in the amount of EUR 273 million, which were previously included in provisions for country risks, were reclassified in 2003 under provisions for specific risks.

This standard also introduced two sub-categories of loans: sound loans restructured not at market terms, which are included under sound loans, and irrecoverable loans which are included under doubtful loans.

The *Comité d'Urgence's* opinion dated 21 January 2004 provides guidelines on the accounting treatment of the consequences of certain provisions of the Pensions Reform Act (Act no. 2003-775 dated 21 August 2003). Under the new rules, employees can elect to retire before the age of 65, but cannot be required to do so by their employer. The statutory retirement bonus payable when they retire is subject to payroll taxes. Previously, retirement bonuses paid to employees who retired at their employer's request were exempt from payroll taxes. The actuarial assumptions used to calculate BNP Paribas' related benefit obligation were therefore revised to take account of these changes, and an additional provision of EUR 229 million was recorded in 2003 (see note 38) in order to provide for the obligation in full, in accordance with Group policies.

PRINCIPLES AND BASIS OF CONSOLIDATION

Scope of consolidation

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.

Entities over which a Group company exercises de facto control, by virtue of contractual provisions or the entity's articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

De facto control is considered as being exercised when more than one of the following three criteria are met:

- The Group has decision-making powers, with or without management powers, over the routine operations or the assets of the entity, as evidenced in particular by the power to wind up the business, amend its articles of association or formally oppose any such amendments;
- The Group is entitled to all or the majority of the entity's economic benefits, whether distributed or appropriated to reserves, and has the right to sell one or several assets and to benefit from any assets remaining after the entity has been liquidated;
- The Group is exposed to the majority of the risks relating to the entity. This is the case if a Group company gives a guarantee to external investors, in order to substantially reduce those investors' risk.

In cases where the Group does not hold an interest in the capital, an entity is consolidated when two of the above three criteria are met. In accordance with standard CRC 2004-04, the first of these three criteria is critical to assessing whether de facto control is exercised over entities set up in connection with the sale of proprietary loan portfolios, including fonds communs de créances (securitization funds) governed by French law and foreign entities offering equivalent guarantees to those existing in France. Retaining the majority of risks and rewards related to sold loans is equivalent to presuming that a substantial portion of decision-making powers has been retained.

Entities whose shares have been acquired exclusively with a view to their subsequent disposal are not consolidated. This is the case of shares which are intended to be sold in connection with the active management of the portfolio held by BNP Paribas Capital. Additionally, if the Group's ability to control the operating policies and assets of a subsidiary or affiliate is severely and permanently restricted, the subsidiary or affiliate is not consolidated. Shares in these companies are recorded in the consolidated balance sheet under "Investments in non-consolidated undertakings and other participating interests".

Consolidation methods

- **Fully-consolidated Companies**

Subsidiaries over which the Group exercises exclusive control are fully consolidated, including subsidiaries whose financial statements are presented in a different format and which are engaged in a business that represents an extension of the Group's banking and financial services businesses or a related business, including insurance, real estate investment, real estate development and data processing services.

Exclusive control is considered as being exercised in cases where the Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business, as a result of:

- direct or indirect ownership of the majority of voting rights of the subsidiary; or
- the designation in two successive years of the majority of the members of the Board of Directors, Supervisory Board or equivalent. This is considered to be the case if a Group company holds over 40% of the voting rights during the two-year period and no other shareholder holds a larger percentage, directly or indirectly; or
- the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or the articles of association, provided that the Group company exercising the dominant influence is a

shareholder or partner of the subsidiary. Dominant influence is considered as being exercised in cases where the Group company is in a position to use or decide on the utilisation of the subsidiary's assets, liabilities or off balance sheet items as if they were its own. In the absence of contractual provisions or provisions of the articles of association, a Group company is considered as exercising dominant influence over a credit institution in cases where it holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a larger percentage.

- **Proportionally-consolidated Companies**

Jointly-controlled companies are consolidated by the proportional method. Joint control is considered as being exercised in cases where the concerned company is managed jointly by a limited number of shareholders or partners which together determine the company's financial and operating policies.

- **Companies Accounted for by the Equity Method**

Companies in which the Group exercises significant influence over financial and operating policies without having control are accounted for by the equity method. Significant influence may be exercised through representation on the Board of Directors, Supervisory Board or equivalent, or participation in strategic decisions, or as a result of significant business dealings with the company, or exchanges of management personnel or technical dependence. Significant influence over financial and operating policies is considered as being exercised in cases where the Group holds at least 20% of the voting rights, directly or indirectly.

Companies that are less than 20% owned are not consolidated except in cases where they constitute a strategic investment and the Group effectively exercises significant influence. This is the case of companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions affecting the company as a member of the Board of Directors, Supervisory Board or equivalent, exercises influence over the company's operational management by supplying management systems or decision-making aids, and provides technical assistance to support the company's development.

Consolidation principles

Cost of Shares in Consolidated Companies, Goodwill, Valuation Adjustments

- **Cost of Shares in Consolidated Companies**

The cost of shares in consolidated companies is equal to the purchase price paid to the vendor by the buyer plus material transaction costs, net of the corresponding tax savings.

- **Goodwill**

Goodwill, corresponding to the difference between the cost of shares in consolidated companies and the Group's equity in the assets, liabilities and off balance sheet items of the company at the date of acquisition, after valuation adjustments, is amortised by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortisation period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Where there is an indication that the recoverable value of goodwill could be lower than its net carrying value, an impairment test is carried out in order to assess whether an impairment loss should be recorded. The impairment test may be based on several different methods, depending on the business concerned, including discounted future cash flows estimated using the company's medium-term business plan.

- **Valuation Adjustments**

Valuation adjustments, corresponding to the difference between the amount of assets, liabilities and off balance sheet items of the acquired company as restated according to Group accounting policies and their book value in the accounts of the acquired company, are recorded in the consolidated balance sheet in accordance with generally accepted accounting principles applicable to the items concerned.

Valuation adjustments of assets and liabilities of companies accounted for under the equity method are included in “Investments in companies carried under the equity method”.

Change in Percent Interests in Consolidated Companies

In the case of an increase in the Group’s percent interest in a consolidated company, additional goodwill is recorded and amortised by the method described above. If the Group’s percent interest is reduced without resulting in the subsidiary being deconsolidated, a corresponding percentage of the unamortised goodwill is written off. This is the case, in particular, following a capital transaction that has the effect of diluting the interest of the company holding the shares.

Intercompany Balances and Transactions

Income and expenses on material intercompany transactions involving fully or proportionally consolidated companies or companies accounted for by the equity method are eliminated in consolidation. Intercompany receivables, payables, commitments, income and expenses between fully or proportionally consolidated companies are also eliminated.

Lease Financing

Finance leases where the Group is lessor are recorded in the consolidated balance sheet under “Leasing receivables” in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts determined in accordance with legal and tax rules. Lease payments are analysed between amortisation of the net investment and interest income.

Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortisation of the net investment in the lease. This difference is recorded under “Shareholders’ equity” net of deferred taxes.

Foreign Currency Translation

All monetary and non-monetary assets and liabilities of foreign subsidiaries and branches that are denominated in foreign currencies are translated at the year-end exchange rate. Differences arising from the translation of profit and loss account items of foreign subsidiaries at the average rate for the period and the period-end rate are recorded in shareholders’ equity, under “Cumulative translation adjustment”, net of minority interests. The same accounting treatment is applied to differences arising from the translation of capital made available to foreign branches. Differences arising from the translation of the results of foreign branches are treated as operating positions that can be repatriated and are therefore recognised in the consolidated profit and loss account.

BNP Paribas Shares Held Within the Group

BNP Paribas shares held within the Group are valued and accounted for as follows:

- Shares acquired in order to stabilise the share price or in connection with index trading and arbitrage transactions are recorded under “Trading account securities” at their market price.

- Shares held for allocation to employees are recorded at the lower of cost and market price under “Securities available for sale”. Where appropriate, a provision is booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired specifically for any of the above purposes or that are intended to be cancelled are deducted from consolidated shareholders’ equity at cost. If the shares are subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax are posted to retained earnings.

Consolidation of Insurance Companies

The specific accounting principles and valuation rules applicable to insurance companies are also used for BNP Paribas consolidation purposes. The balance sheet, profit and loss account and off balance sheet items of fully consolidated insurance subsidiaries are included under similar captions in the consolidated financial statements, with the exception of the following items:

- **Insurance Company Investments**

The investments of insurance companies include admissible assets related to unit-linked business, as well as property investments and various other investments, including shares in related companies, concerning life and other business. Property investments are stated at cost, excluding transaction costs. Buildings are depreciated over their estimated useful lives. Admissible assets related to unit-linked business are stated at the realisable value of the underlying assets at the year-end.

Fixed or variable income marketable securities are stated at cost. Fixed income securities are valued and accounted for using the same method as debt securities held to maturity. However, when the market value of listed variable income securities consistently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months, an analysis is carried out to ascertain whether or not it is necessary to record a provision for permanent impairment in value. If such a provision is considered necessary, it is calculated based on the realisable value of the securities concerned. Realisable value is determined using a multi-criteria approach including the discounted future cash flows and net asset value methods, as well as analysis of ratios commonly used to assess future yields and exit opportunities. The valuation is performed separately for each line of securities, taking into account the planned holding period. Securities held for sale are written down to their probable realisable value, based on stock market prices, where appropriate.

The realisable value of buildings is calculated when the valuation performed by professional qualified valuers is more than 20% below the net book value, and is based on the discounted future cash flows expected to be generated by each building over the planned holding period. A provision is recorded when necessary, on a building-by-building basis, to cover the difference between the net book value and the realisable value. In the case of buildings held for sale, provisions are calculated based on the valuation performed by the professional qualified valuers.

- **Technical Reserves of Insurance Companies**

Technical reserves correspond to the insurance company’s commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer’s commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following period or periods) and outstanding claims reserves, which include reserves for claims handling costs.

In the individual statutory accounts of Group insurance companies, a capitalisation reserve is set up at the time of sale of amortisable securities, in order to defer part of the net realised gain and thus maintain the yield-to-maturity of the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified under “Policyholders’ surplus”.

Policyholders’ surplus also includes the funds set aside to top up the return offered to holders of life insurance policies in future years, as necessary.

- **Underwriting Result and Net Investment Income of Insurance Companies**

This caption mainly includes earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interbank and Money Market items, Customer Items

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer accounts in debit and other loans.

Outstanding loans and confirmed credit facilities are classified into sound loans – including sound restructured loans – and doubtful loans. The same classification is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks on outstanding loans and confirmed credit facilities are monitored using an internal rating system, based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are 12 counterparty ratings, ten covering sound loans and two corresponding to doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the bank considers that there is a risk of borrowers being unable to honour all or part of their commitments. This is considered to be the case of all loans on which one or more instalments are more than three months overdue (six months in the case of real estate loans and twelve months for loans to local governments), as well as loans for which legal collection procedures have been launched. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

A provision is booked on these loans, for an amount corresponding to the portion of the outstanding principal that is not expected to be recovered plus unpaid interest. In all cases, the provision at least covers the total amount of accrued interest, unless the value of the guarantees held by the bank covers the principal and all or part of the interest due. Guarantees include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses.

In the case of doubtful loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are met. If a restructured loan reclassified as sound is not at market terms, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the new interest rate and the lower rate between the original rate of interest and the market rate prevailing at the time of the restructuring. If any instalments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Small loans to private individuals in France which have been the subject of a “Neiertz Act” restructuring (loans to consumers who have accumulated unmanageable levels of debt) are reclassified as sound only when the account manager is satisfied that the client will be able to fulfil his or her repayment commitments until the entire loan has been repaid. No discount is applied to loans that are reclassified as sound, mainly by the specialised credit companies. However, a statistical provision is recorded, based on the estimated risk of losses. This provision is at least equal to the sum of the discounts that would have been deducted from the loans’ carrying value.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in doubtful loans, no reclassification as sound loans is foreseeable, loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering substantially all of the amount due.

Irrecoverable loans are written off when all legal and other avenues open to the Bank to secure payment of the amounts due have been exhausted.

Interbank and customer items are stated at their nominal value plus accrued interest. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortised over the remaining life of the loan by the yield-to-maturity method.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions related to off balance sheet commitments, provisions for losses on interests in real estate development programmes, provisions for claims and litigation, provisions for unidentified contingencies and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions, bad debts written off, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under "Net additions to provisions for credit risks and country risks", with the exception of additions to provisions for accrued interest on non-performing loans which are included in net banking income together with the interest accrual. Amortisation of discounts on restructured loans, calculated by the yield-to-maturity method, is included in net banking income along with the interest on the loans.

Accrued interest is recorded periodically on sound loans – including restructured loans – and on doubtful loans that are not classified as irrecoverable. Interest on doubtful loans classified as irrecoverable is recorded in the profit and loss account on a cash basis.

Securities

The term "securities" covers interbank market securities (mainly promissory notes and mortgage notes); Treasury bills and negotiable certificates of deposit; bonds and other fixed income instruments (whether fixed- or floating-rate); and equities and other variable income instruments.

In application of standard CRC 2000-02, securities are classified as "Trading account securities", "Securities available for sale", "Equity securities available for sale in the medium-term", "Debt securities held to maturity", "Equity securities held for long-term investment", "Other participating interests", and "Investments in non-consolidated undertakings". Investments in companies carried under the equity method are recorded on a separate line of the consolidated balance sheet.

Where a credit risk has occurred, fixed income securities held in the "available for sale" or "held to maturity" portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.

Variable income securities may also be classified as doubtful if an issuer default risk has occurred. This is the case, in particular, where the issuer has filed for bankruptcy.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in "Provisions for credit risks and country risks".

- **Trading Account Securities**

Securities held for up to six months are recorded under "Trading account securities" and valued individually at market. Changes in market values are posted to income.

- **Securities Available for Sale**

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed income instruments are valued at the lower of cost (excluding accrued interest) and probable market value, which is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed income instruments".

The difference between cost and the redemption price of fixed income securities purchased on the secondary market is prorated over the life of the securities and posted to the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost and probable market value, which is generally determined on the basis of stock market prices, for listed equities, or the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

The cost of sold securities available for sale is determined on a first in, first out (FIFO) basis. Disposal gains or losses and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Net gains on sales of securities available for sale".

- **Equity Securities Available for Sale in the Medium-Term**

This category corresponds to investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. "Equity securities available for sale in the medium-term" include venture capital investments.

"Equity securities available for sale in the medium-term" are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general development outlook and the planned holding period. The fair value of listed stocks corresponds primarily to the average stock market price determined over an appropriately long period.

- **Debt Securities Held to Maturity**

Fixed income securities (mainly bonds, interbank market securities, Treasury bills and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect the BNP Paribas Group's intention of holding them on a long-term basis, in principle to maturity. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is posted to income under "Interest income on bonds and other fixed income instruments".

A provision is made when a decline in the credit standing of an issuer jeopardises redemption at maturity.

- **Equity Securities Held for Long-Term Investment**

This category includes shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

"Equity securities held for long-term investment" are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Gains and losses on sales of equity securities held for investment and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

- **Non-Consolidated Undertakings and Other Participating interests**

This category includes affiliates in which the Group exercises significant influence over management and investments considered strategic to the Group's business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

Investments in non-consolidated undertakings and other participating interests are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Disposal gains and losses and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends are posted to "Income on equities and other variable income instruments" when they have been declared by the issuers' shareholders or on a cash basis when the shareholders' decision is not known.

- **Investments in Companies Carried under the Equity Method**

Changes in net assets of companies carried under the equity method are posted to assets under "Investments in companies carried under the equity method" and to consolidated reserves under "Retained earnings".

Valuation adjustments to these companies' assets and liabilities, recorded at the time of acquisition, are included in "Investments in companies carried under the equity method".

Goodwill arising on the acquisition of companies carried under the equity method is recorded in "Goodwill".

Fixed Assets

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialised subsidiaries. These buildings are intended to be held on a long-term basis. The revaluation arising from this transaction has been posted to consolidated shareholders' equity net of the related deferred tax effect and a provision for deferred taxes has been recorded. Effective from 1994, the resulting unrealised capital gain is being written back to the consolidated profit and loss account in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what appeared to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above real estate in 1997. The impact of this adjustment, net of the related deferred tax effect, was posted to consolidated shareholders' equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France's appropriation laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these legal revaluations, are included in share capital.

Assets leased by the Bank from specialised subsidiaries are recorded as buildings, equipment and other under "Tangible and intangible assets".

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight-line method. Depreciation of other fixed assets is computed using the straight-line method over their estimated useful lives.

BNP Paribas and its French subsidiaries depreciate tangible assets by the accelerated method in their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straight-line method) to write off the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Depreciation of assets leased from Group leasing subsidiaries is reflected in the profit and loss account under "Depreciation, amortisation and provisions on tangible and intangible assets".

The capitalised cost of software purchased or developed for internal use is recorded under "Intangible assets" and amortised by the straight-line method over the probable period of use of the software, not to exceed five years.

Trade marks identified by the Group which have been acquired in a business combination are tested for impairment when there is an indication that they may be impaired.

Interbank and Money-Market Items and Customer Deposits

Amounts due to credit institutions are classified into demand accounts and time deposits and borrowings. Customer deposits are classified into regulated savings accounts and other customer deposits. These captions include securities and other assets sold under repurchase agreements. Accrued interest is recorded on a separate line.

Debt Securities

Debt securities are classified into retail certificates of deposit, interbank market securities, negotiable certificates of deposit, bonds and other debt instruments. This caption does not include subordinated notes which are recorded under "Subordinated debt".

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised by the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised by the straight-line method over the life of the bonds.

Country Risk Provisions

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries. Country risk provisions and writebacks are reflected in the profit and loss account under "Net additions to provisions for credit risks and country risks".

Provisions for Unforeseeable Industry Risks

The Group records provisions for unforeseeable industry and other risks in order to cover losses and expenses that are not certain of being incurred and the amount of which cannot be reliably estimated. These provisions are reversed and replaced by specific provisions in cases where the loss or expense becomes certain and can be reliably estimated.

Reserve for General Banking Risks

The BNP Paribas Group has set up a reserve for general banking risks in accordance with the principle of prudence.

Specific additions to, and deductions from, this reserve are reflected in the profit and loss account under "Movements in the reserve for general banking risks".

Provisions not set up in Connection with Banking or Banking-related Transactions

The Group records provisions for clearly identified risks and charges, of uncertain timing or amount. In accordance with current regulations, these provisions which are not connected with banking or banking-related transactions may only be recorded if the Group has an obligation to a third party at the year-end and no equivalent economic benefits are expected from that third party.

Forward Financial Instruments

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

- **Market Value of Financial Instruments**

Financial instruments are measured based on their market value when they are listed, or based on internal models where no organised market exists. The value determined by applying these models is adjusted to take into account inherent model and liquidity risks.

The market value of financial instruments for which a quoted price is not directly available is determined on the basis of the price of transactions carried out close to the year-end or prices obtained from brokers or counterparties, backed up by qualitative analyses.

- **Forward Interest Rate Instruments**

Interest rate futures and options contracts forming part of the trading portfolio and traded on organised exchanges are marked to market at the balance sheet date. Realised and unrealised gains and losses are taken to income under "Net gains (losses) on sales of trading account securities".

Gains and losses on certain OTC contracts representing isolated open positions are taken to income either when the contracts are unwound or on an accruals basis, depending on the nature of the instruments. Provisions for contingencies are booked to cover unrealised losses on a contract by contract basis, taking into account potential gains and losses on related specific hedges.

Income and expenses on interest rate contracts designated at the outset as hedging operations are recognised on a symmetrical basis with the income or expense on the underlying instrument.

- **Forward Currency Instruments**

Options contracts are marked to market and the resulting unrealised gains and losses are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the spot rate prevailing at the end of the year. Differences between the spot and forward rates (contango and backwardation) for hedged forward currency transactions are recognised on an accruals basis and posted to the profit and loss account over the life of the hedged transaction.

- **Equity And Equity Index Derivatives**

The BNP Paribas Group buys and sells equity and equity index options for trading and hedging purposes. In the case of trading transactions, unrealised gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on equity and equity index contracts designated as hedges are recognised on a symmetrical basis with the gain or loss on the underlying hedged instrument.

- **Composite Instruments**

Composite instruments (synthetic combinations of instruments recorded as a single instrument) are valued by aggregating the individual values of each basic instrument included in the composite. However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated profit and loss account.

- **Credit Risk Management Instruments**

Instruments intended to protect loan portfolios against counterparty risks are treated as guarantees received. Credit derivatives purchased and sold in connection with trading transactions and structured product sales are valued using internal models, based on market data where available. The revenue determined by applying these models is adjusted to take into account inherent model and liquidity risks.

Corporate Income Tax

BNP Paribas Group companies are subject to corporate income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard corporate income tax rate is 33 1/3%. Long-term capital gains are currently taxed at a rate of 19%. Under the French Finance Act passed at the end of 2004, long-term capital gains will be taxed at 15% as from 2005 and gains on disposals of certain investments in non-consolidated undertakings will be taxed at 8% in 2006 and at 0% thereafter. Dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% and which are covered by the parent-subsidiary tax regime are non-taxable.

The French government imposed a 3% surtax on corporate income for financial years 2002 to 2004 in addition to the 3.3% surtax levied on corporate income since 1 January 2000. The 2005 French Finance Act has reduced this surtax to 1.5% in 2005 and will eliminate it as of 2006. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned.

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. BNP Paribas Group companies recognise deferred taxes based on all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method, as well as future applicable tax rates once these have been approved. Recognition of deferred tax assets depends on the probability of recovery.

Profit-sharing

As required by French law, BNP Paribas and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in "Operating expense" in the consolidated profit and loss account.

Pensions and Other Post-retirement Benefit Obligations

Provision is made for long-service awards, supplementary pension benefits and other awards payable to active and retired employees, except where employer contributions are in full discharge of any future liabilities, in which case the contributions are charged to the profit and loss account in the period of payment.

Pension Obligations Towards Retired Employees

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

In France, retired employees of the BNP Paribas Group's banking subsidiaries and affiliates are entitled to the following pension benefits starting 1 January 1994, pursuant to an industry-wide agreement on pensions signed in September 1993 between the *Association Française des Banques* and employee representatives:

- retirees receive pension benefits from the social security system and two nation-wide organisations, which are financed by contributions received from employers and employees. The systems operate on a pay-as-you-go basis.

- retirees receive additional benefits relative to services rendered prior to 1 January 1994, from the pension fund of the BNP Paribas Group and the banking industry pension funds with which certain French subsidiaries are affiliated. Funding for these additional benefits is provided by transfers from the pension funds' existing reserves and, if necessary, by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The contributions paid by BNP Paribas to these schemes are recorded in expenses for the period.

The working capital contributions made to the two nation-wide pension organisations in 1994 are treated as prepaid expenses and amortised over the average number of years left to retirement of BNP SA participating employees, which is currently twenty years. For Paribas employees, the contribution has been deducted from the reserves of the Paribas pension fund.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, the Group records provisions for benefit obligations where the present value of the obligation exceeds the market value of the plan assets. Benefit obligations are determined on an actuarial basis at each year end. The year-on-year increase or decrease in the net funded obligation, corresponding to actuarial differences arising from changes in demographic and financial assumptions or in estimated yields on plan assets, is recognised over the expected average remaining service lives of employees covered by the plans, net of an amount equal to a certain percentage of the discounted benefit obligation, set by convention at 10%. In the interest of prudence, the deferred portion of the actuarial difference is limited in all cases to an amount equivalent to that of the net change in the benefit obligation over the year.

For defined contribution plans, the Group records the contributions as an expense in the period they are paid.

Other Employee Benefits

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees in France and in most of the countries in which the Group does business.

Each year, BNP Paribas estimates the net present value of these commitments and adjusts the related provision, applying the same method as for pension benefits.

Recognition of Revenue and Expenses

Interest and fees and commissions qualified as interest are recognised on an accruals basis. Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed.

Net Additions to Provisions for Credit Risks and Country Risks

Net additions to provisions for credit risks and country risks include expenses arising from the identification of counterparty risks, including country risks, litigation and fraud inherent to banking operations conducted with third parties. Net movements in provisions for contingencies and charges that do not fall under the category of such risks are classified in the profit and loss account according to their type.

Foreign Currency Transactions

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recorded in the profit and loss account.

Exchange differences arising from the conversion at the year-end exchange rate of assets denominated in foreign currencies that are held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches and other foreign equity investments, are not recognised in the profit and loss account.

NOTE 2 – SCOPE OF CONSOLIDATION

Changes in the scope of consolidation in 2003 and 2004 were as follows:

In 2003

Newly-consolidated companies

	Fully-consolidated companies	*Proportionally-consolidated companies*	*Companies accounted for by the equity method*
Acquisitions	Klépierre subsidiaries: Cinéma de l'esplanade (Belgium), Coimbra (Belgium), Delcis sr (Czech Republic), Klenor and Kletel (Portugal), Klépierre Athinon AE (Greece), Klépierre NEA Efkarpia (Greece), Klépierre Peribola Patras AE (Greece), SAS Marseille le Merlan, SGM H1, SGS H3, SNC KC20, Vinaza (Spain), Vignate (Italy).	Klépierre subsidiaries: Gondomar SGS (Portugal), Gondomar SGM (Portugal)	-
Newly-created entities and companies meeting the criteria for consolidation for the first time	BNP Paribas Arbitrage Issuance BV (Netherlands), BNP Paribas Assurance, BNP Paribas Emissions und Handelsgesellschaft (Germany), BNP Paribas Fixed Assets Ltd (United Kingdom), BNP Paribas Capital Trust LLC 6 (United States), BNP Paribas Peregrine Securities Korea Company Ltd, BNP Paribas US Medium Term Notes Program LLC (United States), BNP Paribas RCC Incorporation (United States), BNP Paribas US Structured Medium Term LLC (United States), BNP Paribas ZAO (Russia), Crisps Ltd (Cayman Islands), Dealremote Ltd (United Kingdom), Epimetheus Investments Ltd (Cayman Islands), Eurocredito (Spain), Forsete Investments SA (Luxembourg), FCC Domos 2003, Global Guaranteed Cliquet Investment Ltd (Cayman Islands), Global Hedged Equity Investment Ltd (Cayman Islands), Isis Factor Spa (Italy), Joconde SA (Luxembourg), Mexita Ltd no. 2 (Cayman Islands), Mexita Ltd no. 3 (Cayman Islands), Mexita Ltd no. 4 (Cayman Islands), Mistral Investment SA (Luxembourg), SAS Prêts et Services, Singapore Emma Finance 1 SAS, Sirocco Investment SA (Luxembourg), Tender Option Bond Municipal Program SPV (United States) Klépierre subsidiaries: Foncière de Louvain-la-Neuve (Belgium), SCI Tour Marcel Brot, SNC Sodevac, Sogecaec (Portugal)		Caisse d'Epargne Financement CEFI, Cetelem Brésil.

Companies excluded from the scope of consolidation

	Fully-consolidated companies	*Proportionally-consolidated companies*	*Companies accounted for by the equity method*
Disposals	BNP Finans a/s Norge (Norway), Cobepa subsidiary: Coparin (Luxembourg), Klépierre subsidiary: SAS Center Villepinte	-	Commercial Bank of Namibia Ltd CBON
Mergers	BNP Paribas Asset Management Institutionnels (merged with BNP Paribas Asset Management Group), BNP Private Bank & Trust Cie Bahamas Ltd (merged with United European Bank Trust Nassau), BNP Paribas Fund Administration (Luxembourg) (merged with Parvest Investment Management SA), Codexi (merged with Banexi Société Capital Risque), Paribas Santé International BV (merged with Paribas International BV), Safadeco SA and Safadeco SP (merged with BNP Paribas SA), UFB Factoring Italia and UFB Italia Spa (merged with BNP Paribas Lease Group Holding Spa) Banexi Communication, Opatra, Ottofrance International, Parfici, Paribas Santé, Société Générale Commerciale et Financière (merged with Société Centrale d'Investissement) Klépierre subsidiaries: SAS Klébureaux, SAS Daumesnil Reuilly and SAS Klécentres (merged with SA Klépierre) Cobepa subsidiaries: Group T SA (Belgium) (merged with Sté Financière & de Réalisation), Libenel BV (merged with Paribas International BV).		Cogent Investment Operations Luxembourg SA (merged with BNP Paribas Fund Services). Consors Discount Broker AG (merged with the German subsidiary of Cortal Consors France, formerly Banque Cortal), Consors France (merged with Cortal Consors France, formerly Banque Cortal).
Companies no longer meeting the criteria for consolidation and discontinued operations	August Holdings Ltd (United Kingdom), BNP Paribas Asia Ltd (Hong Kong), BNP Paribas Investment Asia Ltd (Hong Kong), BNP Paribas Merchant Banking Asia Ltd (Singapore), BNP Paribas Panama SA, BNP Paribas Uruguay SA, BNP Prime Peregrine Holdings Ltd (Malaysia), BNP Securities Hong Kong Ltd, Compagnie Bancaire UK Fonds A (United Kingdom), Fleurantine de Participations, Monopoly (United Kingdom), Société Cristolienne de Participations, Wigmore Loan Finance Ltd (United Kingdom), Cobepa subsidiary: Compagnie Financière et Mobilière (Belgium), Klépierre subsidiaries: Belga Sept SA (Belgium), SC Cecocord, SCI Boulogne d'Aguesseau, SCI Etoile Quinzième, SCI Les Ellipses, SCI Levallois Anatole France, SCI Rueil Hermes, SCI Villepinte Le Tropical, SNC 86 Anatole France, SNC Couperin Foncière, SNC Godefroy No. 8 Puteaux.	Axeria Assurance	-

Changes in consolidation method

	Fully consolidated companies previously accounted for by the equity method	*Fully consolidated companies previously proportionally consolidated*	*Proportionally consolidated companies previously fully consolidated*
Change in percent interest	BNP Andes (Peru), Cogent Investment Operations Ireland Ltd, Cogent Investment Operations Ltd (United Kingdom), Cogent Investment Operations Pty (Australia), Consors International Holding (Germany).	BNP Paribas China Limited (formerly International Bank of Paris & Shanghai)	Klépierre subsidiary: SAS Bègles d'Arcins
Compliance with Group standards	Sinvim	-	-

In 2004

Newly-consolidated companies

	Fully-consolidated companies	*Proportionally-consolidated companies*	*Companies accounted for by the equity method*
Acquisitions	54 Lombard Street Investments Ltd. (United Kingdom), Arma Beheer BV (Netherlands), Arma Belgique, Arma Nederland, Atis Real Expertise, Atis Real International – Group, Bougainville BV (Netherlands), FG Ingenerie et Promotion Immobilière - FGIP. Klépierre subsidiaries: CG Collegno (Italy), GC Seravalle (Italy), Centre Duna (Hungary), Centre Nyiregyhaza (Hungary), Centre Szeged (Hungary), Centre Szolnok (Hungary), Centre Zalaegerszeg (Hungary), Holding Csepel 2002 Kft (Hungary), Holding Debrecen 2002 Kft (Hungary), Holding Gyor 2002 Kft (Hungary), Holding Kanizsa 2002 Kft (Hungary), Holding Kaposvar 2002 Kft (Hungary), Holding Miskolc 2002 Kft (Hungary), Holding Uj Alba Kft (Hungary), SAS Klépierre Hongrie, SCI Aurora, SCI Noble Cafétaria, SCI Noble Galerie, SCI Noble Restauration, SCI Orengal.	Klépierre subsidiaries: Effe Kappa SRL (Italy), Plaza Centers Management (Hungary).	BNP Paribas Partners for Innovation, Verner Investissements - Group.
Newly-created entities and other companies meeting the criteria for consolidation for the first time	Artegy Ltd (United Kingdom), BNP Paribas (New Zealand) Finance Ltd., BNP Paribas El Djazair (Algeria), BNP Paribas Invest Immo, BNP Paribas Peregrine Group, Darnell Ltd (Ireland), European Hedged Equity Ltd. (Cayman Islands), GAM, Global Guaranteed Equity Ltd. (Cayman Islands), Global Protected Alternative Investments Ltd (Cayman Islands), Global Protected Equity Ltd. (Cayman Islands), Harewood Investments No. 1 Ltd (United Kingdom), Laffite Participation 2, Lock-In Global Equity Ltd. (Cayman Islands), Norrsken Finance, Parifergie, SCI Rueil Caudron, Singapore Emma Finance 2 SAS, Société Auxiliaire de Construction Immobilière - SACI, UCB Hypotheken (Netherlands), Utexam Ltd (Ireland). Klépierre subsidiaries: Klepierre Vallecas (Italy), SNC Kletransactions, SAS Toulouse Mermoz ,SCI Bègles Papin.		Klépierre subsidiary: Galiera Comerciale Assago (Italy).

Companies excluded from the scope of consolidation

	Fully-consolidated companies	*Proportionally-consolidated companies*	*Companies accounted for by the equity method*
Disposals		Antarius	Axa Refinance, BNP Paribas Private Banking Japan.
Mergers	BNP Paribas Gestion Epargne Salariale (merged with BNP Paribas Asset Management SAS), Catesienne de Participation (merged with S.F.A), Compagnie d'Entreprises Industrielles et Commerciales, Sagal and NHG Guyomarc'h (merged with Société Centrale d'Investissement), Consors International Holding GmbH (Germany) (merged with Cortal Consors German branch), Credial (merged with Crédit Moderne Antilles), Evergo Finanzaria (Italy) (merged with BNP Paribas Lease Groupe SPA), Services et Prêts Immobiliers (France) (merged with UCB), Socappa (merged with BNP Paribas Lease Group). Klépierre subsidiaries: Cinneo and Vignate (Italy) (merged with Novate Sarl), SAS Louis David (merged with SAS Suffren Paris 15), Segecar (merged with Ségécé), SCI 8 rue du Sentier, SAS Oise Cergy and SCI Chaptal Alun (merged with Klépierre).		Cortal Consors Espana SV (merged with Cortal Consors Spanish branch)

Companies no longer meeting the criteria for consolidation and discontinued operations	BNP Paribas Equities Group Australia Ltd, BNP Paribas Equities Hong Kong, BNP Paribas Equities Italia SIM SPA, BNP Paribas Guernesey Ltd, BNP Paribas Peregrine Investment Ltd (Hong Kong), BNP Paribas Peregrine Ltd (Malaysia), BNP Paribas Securities Australia Ltd, Cardif Seguros de Vida (Chile), Compania de Seguros de Vida (Argentina), European Reinsurance (United Kingdom), Filip Partnership (United Kingdom), Great Central Railway Land (United Kingdom), SA Leval 3, UCB Group Ltd (United Kingdom). Klépierre subsidiaries : Belarcol (Belgium), Zobel Investment BV (Netherlands). Cobepa subsidiaries: Amparzo (Netherlands), Cobepa International (Netherlands), Compagnie de Participations Internationales SA (Luxembourg), Holnor (Netherlands), IIM (Netherlands), Ilmaco (Belgium), Libelux (Luxembourg).	Cobepa subsidiary: Bogerco (Belgium).	BNP Paribas Peregrine Futures Ltd (Hong Kong), Cetelem Capital Company Ltd (Korea), Cortal Belgique. State Bank of India Life Insurance Company Ltd.

Changes in consolidation method

	Fully-consolidated companies previously accounted for by the equity method	*Fully-consolidated companies previously proportionally consolidated*	*Companies accounted for by the equity method previously fully consolidated*
Change in percent interest		Halifax Cetelem (United Kingdom). Klépierre subsidiary: Centro Shopping Gestion (Italy).	Compagnie Belge de Participations Paribas - COBEPA. Cobepa subsidiaries: Cippar (Belgium), Cobepa Finance (Luxembourg), Compagnie de Participations Internationales NV (Netherlands), Copabel SA (Belgium), Groupe Financier Liegeois (Belgium), Ibel (Belgium), Mascagni (Belgium), Paribas Deelnemingen NV (Netherlands), Regio Invest Ontwik Maats (Belgium), SA Mosane (Belgium), Société Financière et de Réalisation (Belgium), Tradexco SA (Belgium), Ulran (Luxembourg).
Compliance with Group standards	Cetelem Brésil, Cetelem Polska Expansion (Poland), PT BNP Paribas Peregrine (Indonesia).		

Abbey National France, Bank Von Ernst and Société Monégasque de Banque Privée could not be consolidated for the financial statements at 31 December 2004 as they were acquired at the end of the year and do not currently comply with the BNP Paribas Group consolidation standards. However, the consolidation of these companies would not have had a material impact on the Group's results, shareholders' equity or total assets.

FULLY-CONSOLIDATED COMPANIES

Financial institutions	**Group voting interest (%)**	**Group ownership interest (%)**
IN FRANCE		
Credit institutions		
Antin Bail (1)	100.00%	100.00%
Banque de Bretagne (1)	100.00%	100.00%
Banque Financière Cardif (1)	100.00%	100.00%
BNP Intercontinentale - BNPI (1)	100.00%	100.00%
BNP Paribas Emergis (1)	100.00%	100.00%
BNP Paribas Factor (1)	100.00%	100.00%
BNP Paribas Guadeloupe (1)	100.00%	100.00%
BNP Paribas Guyane (1)	100.00%	100.00%
BNP Paribas Invest Immo (1)	100.00%	99.96%
BNP Paribas Lease Group (1)	99.96%	99.96%
BNP Paribas Martinique (1)	100.00%	100.00%
BNP Paribas Nouvelle-Calédonie	100.00%	100.00%
BNP Paribas Private Bank (1)	100.00%	100.00%
BNP Paribas Private Bank Monaco	100.00%	99.99%
BNP Paribas Réunion (1)	100.00%	100.00%
BNP Paribas Securities Services - BP2S (1)	100.00%	100.00%
Cetelem (1)	100.00%	100.00%
Claas Financial Services	89.49%	89.46%
CNH Capital Europe	50.10%	50.08%
Cofica Bail (1)	100.00%	100.00%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce (1)	100,00%	100.00%
Cortal Consors France (1)	100.00%	100.00%
Crédit Moderne Antilles	100.00%	100.00%
Crédit Moderne Guyane	100.00%	100.00%
Crédit Moderne Océan Indien	97.81%	97.81%
Facet	90.00%	90.00%
Fidem	51.00%	51.00%
Finance et Gestion SA	70.00%	69.97%
Financière Marché Saint Honoré (1)	100.00%	100.00%
Loisirs Finance	51.00%	51.00%
Natiobail	95.46%	95.42%
Natiocrédibail	100.00%	99.96%
Natiocrédimurs (1)	100.00%	99.96%
Natioénergie	100.00%	99.96%
Norbail SNC (1)	100.00%	99.96%
Norrsken Finance	51.00%	51.00%
Paribas Dérivés Garantis SNC (1)	100.00%	100.00%
Paricomi	100.00%	100.00%
Parifergie (1)	100.00%	100.00%
Parilease (1)	100.00%	100.00%
Same Deutz-Fahr Finance	99.97%	99.93%
SAS Prêts et Services	100.00%	100.00%
UCB (1)	100.00%	100.00%
UCB Bail (1)	100.00%	100.00%
UCB Entreprises (1)	100.00%	100.00%
UCB Locabail immobilier	100.00%	100.00%
Other financial institutions		
Arius Finance (1)	100.00%	99.99%
Arius SA (1)	100.00%	99.99%
Arval ECL SAS (1)	100.00%	99.99%
Arval PHH Holding SAS (1)	100.00%	99.99%
Arval Service Lease (1)	100.00%	99.99%
B*Capital (1)	99.96%	99.96%
Banexi Société de Capital-Risque Bancaire	99.99%	99.99%
BNP Paribas Arbitrage (1)	100.00%	100.00%
BNP Paribas Asset Management (1)	100.00%	100.00%
BNP Paribas Asset Management Group (1)	100.00%	100.00%

Financial institutions		Group voting interest (%)	Group ownership interest (%)
IN FRANCE			
Other financial institutions (cont'd)			
BNP Paribas Développement		100.00%	100.00%
BNP Paribas Epargne Entreprise Gestion (1)		100.00%	100.00%
BNP Paribas Equities France (1)		99.96%	99.96%
BNP Paribas Equity Strategies France (1)		100.00%	100.00%
BNP Paribas Securities Services International Holding SA (1)		100.00%	100.00%
Capstar Partners SAS		86.67%	86.67%
Cardif Asset Management (1)		100.00%	100.00%
Compagnie d'Investissements de Paris - C.I.P		100.00%	100.00%
Conseil Investissement (1)		100.00%	100.00%
Cortal Fund Management (1)		100.00%	100.00%
Effico Soreco (formerly Sté de Renseignements Contentieux Développement) (1)		99.92%	99.92%
Financière BNP Paribas (1)		100.00%	100.00%
Gestion et Location Holding (1)		99.99%	99.99%
Jovacienne de Participations (1)		100.00%	100.00%
SCAU (formerly Société de Courtage et d'Assurance Universel) (1)		100.00%	99.96%
Société Française Auxiliaire - S.F.A. (1)		100.00%	100.00%
Truck Management Artegy (1)		100.00%	99.99%
Other financial sector companies			
Aprolis Finance		51.00%	50.98%
Cofiparc (1)		100.00%	99.99%
FCC Domos 2003		100.00%	100.00%
Laffite Participation 2		100.00%	100.00%
Singapore Emma Finance 1 SAS (1)		100.00%	100.00%
Singapore Emma Finance 2 SAS (1)		100.00%	100.00%
OUTSIDE FRANCE			
Credit institutions			
Europe			
Banca UCB SPA	Italy	100.00%	100.00%
Banco Cetelem Portugal	Portugal	100.00%	100.00%
Banco Cetelem SA	Spain	100.00%	100.00%
BNP Capital Finance Ltd	Ireland	100.00%	100.00%
BNP Factor	Portugal	100.00%	100.00%
BNP Paribas (Bulgaria) AD	Bulgaria	100.00%	100.00%
BNP Paribas Bank (Hungaria) RT	Hungary	100.00%	100.00%
BNP Paribas Bank (Polska) SA	Poland	100.00%	100.00%
BNP Paribas Bank NV	Netherlands	100.00%	100.00%
BNP Paribas Cyprus Ltd	Cyprus	100.00%	100.00%
BNP Paribas Espana SA	Spain	99.48%	99.48%
BNP Paribas Finance plc	United Kingdom	100.00%	100.00%
BNP Paribas Luxembourg SA	Luxembourg	100.00%	100.00%
BNP Paribas Net Ltd	United Kingdom	100.00%	100.00%
BNP Paribas Private Bank Switzerland	Switzerland	100.00%	99.99%
BNP Paribas Suisse SA	Switzerland	99.99%	99.99%
BNP Paribas ZAO	Russia	100.00%	100.00%
Cetelem Bank GmbH	Germany	70.00%	70.00%
Cetelem Belgium	Belgium	100.00%	100.00%
Cetelem Benelux BV	Netherlands	100.00%	100.00%
Cetelem Polska Expansion SA	Poland	100.00%	100.00%
CNH Capital Europe Ltd	United Kingdom	100.00%	50.08%
Cortal Consors Luxembourg SA (formerly Cortal Bank Luxembourg)	Luxembourg	100.00%	100.00%
Isis Factor SPA	Italy	100.00%	100.00%
Magyar Cetelem	Hungary	100.00%	100.00%
UCB Hypotheken	Netherlands	100.00%	100.00%
Union de Creditos Immobiliarios - UCI (Group)	Spain	50.00%	50.00%
United European Bank Luxembourg	Luxembourg	100.00%	99.99%
United European Bank Switzerland	Switzerland	100.00%	99.99%

Financial institutions		Group voting interest (%)	Group ownership interest (%)
OUTSIDE FRANCE			
Credit institutions (cont'd)			
Americas			
Banco Cetelem Argentine	Argentina	60.00%	60.00%
BancWest Corporation (Group)	United States	100.00%	100.00%
BNP Andes	Peru	100.00%	100.00%
BNP Paribas Brasil SA	Brazil	100.00%	100.00%
BNP Paribas Canada	Canada	100.00%	100.00%
BNP Paribas Finance Incorporated	United States	100.00%	100.00%
BNP Paribas Leasing Corporation	United States	100.00%	100.00%
Cetelem Brésil	Brazil	100.00%	100.00%
Paribas Principal Incorporated	United States	100.00%	100.00%
United European Bank Nassau	Bahamas	100.00%	99.99%
Asia-Pacific			
BNP Paribas (China) Limited	People's Republic of China	100.00%	100.00%
BNP Paribas Peregrine Services Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Peregrine (Singapore) Ltd	Singapore	100.00%	100.00%
Cetelem Thaïlande	Thailand	100.00%	100.00%
PT Bank BNP Paribas Indonesia	Indonesia	100.00%	100.00%
PT BNP Paribas Peregrine	Indonesia	100.00%	100.00%
Africa			
Banque Internationale Commerce et Industrie Burkina Faso	Burkina Faso	51.00%	50.37%
Banque Internationale Commerce et Industrie Côte d'Ivoire	Côte d'Ivoire	67.49%	67.28%
Banque Internationale Commerce et Industrie Gabon	Gabon	46.66%	46.66%
Banque Internationale Commerce et Industrie Sénégal	Senegal	54.11%	53.85%
Banque Malgache de l'Océan Indien	Madagascar	75.00%	75.00%
Banque Marocaine du Commerce et de l'Industrie	Morocco	65.05%	65.05%
Banque Marocaine du Commerce et de l'Industrie Leasing	Morocco	72.03%	46.86%
Banque Marocaine du Commerce et de l'Industrie Offshore	Morocco	100.00%	65.05%
Banque pour le Commerce et l'Industrie de la Mer Rouge	Djibouti	51.00%	51.00%
BNP Paribas El Djazair	Algeria	100.00%	100.00%
BNP Paribas Le Caire	Egypt	86.81%	86.81%
Union Bancaire pour le Commerce et l'Industrie	Tunisia	50.00%	50.00%
Union Tunisienne de Leasing	Tunisia	69.89%	34.95%
Other financial institutions			
Europe			
All In One Allemagne	Germany	100.00%	99.96%
Arma Beheer BV	Netherlands	100.00%	99.99%
Arma Nederland	Netherlands	100.00%	99.99%
Arma Belgique	Belgium	100.00%	99.99%
Artegy Ltd	United Kingdom	100.00%	99.99%
Arval Belgium	Belgium	100.00%	99.99%
Arval Ltd	United Kingdom	100.00%	99.99%
Arval Luxembourg	Luxembourg	100.00%	99.99%
Arval Nederland	Netherlands	100.00%	99.99%
Arval PHH Deutschland GmbH	Germany	100.00%	99.99%
Arval PHH Holdings Ltd (Group)	United Kingdom	100.00%	99.99%
Arval PHH Holdings UK Ltd	United Kingdom	100.00%	99.99%
Arval Polska	Poland	100.00%	99.99%
Arval Portugal	Portugal	100.00%	99.99%
Arval Service Lease Espagne	Spain	99.98%	99.97%
Arval Service Lease Italia	Italy	100.00%	99.99%
BNP Ireland Ltd	Ireland	100.00%	100.00%
BNP Paribas Asset Management Luxembourg	Luxembourg	99.66%	99.66%
BNP Paribas Asset Management SGR Milan SPA	Italy	100.00%	100.00%
BNP Paribas Asset Management UK Ltd	United Kingdom	100.00%	100.00%

Financial institutions

		Group voting interest (%)	Group ownership interest (%)
<u>Other financial institutions</u> (cont'd)			
Europe (cont'd)			
BNP Paribas Capital Markets Group Ltd	United Kingdom	100.00%	100.00%
BNP Paribas Commodity Futures Ltd	United Kingdom	100.00%	100.00%
BNP Paribas E & B Ltd	United Kingdom	100.00%	100.00%
BNP Paribas Finanzaria SPA	Italy	100.00%	100.00%
BNP Paribas Fund Services	Luxembourg	100.00%	100.00%
BNP Paribas Fund Services Holdings	United Kingdom	100.00%	100.00%
BNP Paribas Fund Services Dublin Limited	Ireland	100.00%	100.00%
BNP Paribas Fund Services UK Ltd	United Kingdom	100.00%	100.00%
BNP Paribas Lease Group PLC (Group)	United Kingdom	100.00%	99.96%
BNP Paribas Lease Group SA Belgium	Belgium	100.00%	99.96%
BNP Paribas Lease Group SPA	Italy	100.00%	99.96%
BNP Paribas Leasing GmbH	Germany	100.00%	99.96%
BNP Paribas Lease Group Holding SPA	Italy	100.00%	99.96%
BNP Paribas UK Holding Ltd	United Kingdom	100.00%	100.00%
BNP Paribas UK Holdings Ltd	United Kingdom	100.00%	100.00%
BNP Paribas UK Ltd	United Kingdom	100.00%	100.00%
Cetelem CR	Czech Republic	100.00%	100.00%
Compagnie Bancaire Uk Fonds C	United Kingdom	100.00%	100.00%
Eurocredito	Spain	100.00%	100.00%
Fimestic Expansion SA	Spain	100.00%	100.00%
Halifax Cetelem Credit Ltd	United Kingdom	100.00%	100.00%
Leasing Handels und Service AG	Switzerland	100.00%	99.99%
Sifida	Luxembourg	90.42%	93.67%
Société Financière pour les pays d'Outre Mer - SFOM	Switzerland	100.00%	100.00%
<u>Americas</u>			
BNP Paribas Asset Management Incorporated - PNA	United States	100.00%	100.00%
BNP Paribas Brokerage Services Incorporated	United States	100.00%	100.00%
BNP Paribas Capital Trust LLC 1	United States	100.00%	0.00%
BNP Paribas Capital Trust LLC 2	United States	100.00%	0.00%
BNP Paribas Capital Trust LLC 3	United States	100.00%	0.00%
BNP Paribas Capital Trust LLC 4	United States	100.00%	0.00%
BNP Paribas Capital Trust LLC 5	United States	100.00%	0.00%
BNP Paribas Capital Trust LLC 6	United States	100.00%	0.00%
BNP Paribas Capstar Partners Inc - PNA	United States	100.00%	100.00%
BNP Paribas Commodities Futures Incorporated - PNA	United States	100.00%	100.00%
BNP Paribas Investment Services LLC	United States	100.00%	100.00%
BNP Paribas Securities Corporation - PNA	United States	100.00%	100.00%
BNP US Funding LLC	United States	100.00%	100.00%
Capstar Partners LLC	United States	84.45%	84.45%
Cooper Neff Advisors Incorporated	United States	100.00%	100.00%
Cooper Neff Group	United States	100.00%	100.00%
French American Banking Corporation - F.A.B.C - PNA	United States	100.00%	100.00%
Petits Champs Participaçoes e Serviços SA	Brazil	100.00%	100.00%
<u>Asia-Pacific</u>			
BNP Equities Asia Ltd	Malaysia	100.00%	100.00%
BNP Paribas Arbitrage (Hong Kong) Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Asia Equities Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Finance (Hong Kong) Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Fund Services Australasia Pty Limited	Australia	100.00%	100.00%
BNP Paribas Futures (Hong Kong) Ltd	Hong Kong	100.00%	100.00%
BNP Paribas (New Zealand) Finance Ltd	New Zealand	100.00%	100.00%
BNP Paribas New Zealand Ltd	New Zealand	100.00%	100.00%
BNP Paribas Pacific (Australia) Ltd	Australia	100.00%	100.00%
BNP Paribas Peregrine Capital Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Peregrine Securities (Thailand) Ltd	Thailand	100.00%	100.00%
BNP Paribas Peregrine Securities Korea Company Ltd	South Korea	100.00%	100.00%
BNP Paribas Peregrine Securities Ltd	Hong Kong	100.00%	100.00%
BNP Paribas Peregrine Securities Pte Ltd	Singapore	100.00%	100.00%
BNP Paribas Securities Ltd	Hong Kong	100.00%	100.00%
Henaross Pty Ltd	Australia	100.00%	100.00%
PT BNP Lippo Utama Leasing	Indonesia	100.00%	100.00%

Financial institutions		Group voting interest (%)	Group ownership interest (%)
Other financial sector companies			
54 Lombard Street Investments Limited	United Kingdom	100.00%	100.00%
Bergues Finance Holding	Bahamas	100.00%	99.99%
BNP Paribas Arbitrage Issuance BV	Netherlands	100.00%	100.00%
BNP Paribas Emissions und Handelsgesellschaft GmbH	Germany	100.00%	100.00%
BNP Paribas Fixed Assets Ltd	United Kingdom	100.00%	100.00%
BNP Paribas UK Treasury Ltd	United Kingdom	100.00%	100.00%
BNP Paribas US Medium Term Notes Program LLC	United States	100.00%	100.00%
BNP Paribas US Structured Medium Term LLC	United States	100.00%	100.00%
Bougainville BV	Netherlands	100.00%	100.00%
Claas Leasing GmbH	Germany	100.00%	89.46%
Crisps Ltd	Cayman Islands	100.00%	100.00%
Dealremote Ltd	United Kingdom	100.00%	100.00%
Epimetheus Investments Ltd	Cayman Islands	92.50%	92.50%
European Hedged Equity Ltd	Cayman Islands	95.00%	95.00%
Fidex plc	United Kingdom	100.00%	100.00%
Forsete Investments SA	Luxembourg	100.00%	0.00%
Global Guaranteed Cliquet Investment	Cayman Islands	95.00%	95.00%
Global Guaranteed Equity Ltd	Cayman Islands	95.00%	95.00%
Global Hedged Equity Investment Ltd	Cayman Islands	95.00%	95.00%
Global Protected Alternative Investments Ltd	Cayman Islands	95.00%	95.00%
Global Protected Equity Ltd	Cayman Islands	95.00%	95.00%
Harewood Investments No.1 Ltd	Cayman Islands	100.00%	100.00%
Joconde SA	Luxembourg	100.00%	0.00%
Lock-In Global Equity Limited	Cayman Islands	95.00%	95.00%
Mexita Ltd No. 2	Cayman Islands	90.00%	90.00%
Mexita Ltd No. 3	Cayman Islands	90.00%	90.00%
Mexita Ltd No. 4	Cayman Islands	90.00%	90.00%
Mistral Investments SA	Luxembourg	100.00%	0.00%
Sirocco Investments SA	Luxembourg	100.00%	0.00%
Tender Option Bond Municipal Program SPV	United States	100.00%	100.00%
Utexam Ltd	Ireland	100.00%	100.00%
Other companies			
IN FRANCE			
Real estate			
Atis Real Expertise		100.00%	100.00%
Atis Real International (Group)		100.00%	100.00%
BNP Paribas Immobilier (1)		100.00%	100.00%
BNP Paribas Participations Finance Immobilier (1)		100.00%	100.00%
GIE Klépierre Services (formerly Klépierre Services)		100.00%	46.77%
Holding Gondomar 1		100.00%	53.30%
Holding Gondomar 3		100.00%	53.30%
Immobilière des Bergues (1)		100.00%	100.00%
Meunier Promotion (Group) (1)		100.00%	100.00%
SA Klépierre		53.52%	53.30%
SAS 192 avenue Charles De Gaulle		100.00%	53.30%
SAS 21 Kléber		100.00%	53.30%
SAS 21 La Perouse		100.00%	53.30%
SAS 23 avenue de Marignan		100.00%	53.30%
SAS 43 Grenelle		100.00%	53.30%
SAS 43 Kléber		100.00%	53.30%
SAS 46 Notre-Dame des victoires		100.00%	53.30%
SAS 5 Turin		100.00%	53.30%
SAS Baudot Massy		100.00%	53.30%
SAS Brescia		100.00%	53.30%
SAS Candé		100.00%	53.29%
SAS Cecoville		100.00%	53.30%
SAS Centre Jaude Clermont		99.99%	53.29%
SAS Concorde Puteaux		100.00%	53.30%
SAS Doumer Caen		99.96%	53.28%
SAS Espace Dumont D'Urville		100.00%	53.30%
SAS Espace Kléber		100.00%	53.30%

Other companies	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Real estate (cont'd)		
SAS Flandre	100.00%	53.30%
SAS Issy Desmoulins	100.00%	53.30%
SAS Kléber Levallois	100.00%	53.30%
SAS Klecar Europe Sud	83.00%	44.24%
SAS Klecar Participations Italie	83.00%	44.24%
SAS Klefinances (1)	100.00%	100.00%
SAS Klégestion	100.00%	53.30%
SAS Klémurs	100.00%	53.30%
SAS Klépierre Conseil	100.00%	53.30%
SAS Klépierre Finance	100.00%	53.30%
SAS Klépierre Hongrie	100.00%	53.30%
SAS Klépierre Transactions	100.00%	53.30%
SAS Le Havre Capelet	100.00%	53.30%
SAS Le Havre Tourneville	100.00%	53.30%
SAS Leblanc Paris 15	100.00%	53.30%
SAS LP7	100.00%	53.30%
SAS Marseille le Merlan	100.00%	53.30%
SAS Melun Saint-Pères	99.98%	53.29%
SAS Odysseum Place de France	70.00%	37.31%
SAS Opale	100.00%	53.30%
SAS Poitiers Aliénor	100.00%	53.30%
SAS Saint-André Pey berland	100.00%	53.30%
SAS Secmarne	100.00%	53.30%
SAS Ségécé	75.00%	39.97%
SAS Ségécé Loisirs Transactions	100.00%	39.97%
SAS Socoseine	100.00%	49.97%
SAS Strasbourg La Vigie	99.85%	53.22%
SAS Suffren Paris 15	100.00%	53.30%
SAS Toulouse Mermoz	100.00%	53.30%
SAS Tours Nationale	100.00%	53.30%
SC Centre Bourse	100.00%	53.30%
SC Solorec	88.00%	42.64%
SCI Aurora	100.00%	53.30%
SCI Bègles Papin	100.00%	53.30%
SCI Noblecafétaria	100.00%	53.30%
SCI Noble-Galerie	100.00%	53.30%
SCI Noblerestauration	100.00%	53.30%
SCI Orengal	100.00%	53.30%
SCI Rueil Caudron	100.00%	99.98%
SCI Secovalde	40.00%	21.32%
SCI Tour Marcel Brot	100.00%	53.30%
Setic (1)	100.00%	100.00%
SNC Barjac Victor	100.00%	53.30%
SNC CB Pierre	100.00%	53.30%
SNC Foncière Saint Germain	100.00%	53.30%
SNC Galae	100.00%	46.50%
SNC Général Leclerc 11-11bis Levallois	100.00%	53.30%
SNC Jardins des Princes	100.00%	53.30%
SNC KC1	100.00%	44.24%
SNC KC2	100.00%	44.24%
SNC KC3	100.00%	44.24%
SNC KC4	100.00%	44.24%
SNC KC5	100.00%	44.24%
SNC KC6	100.00%	44.24%
SNC KC7	100.00%	44.24%
SNC KC8	100.00%	44.24%
SNC KC9	100.00%	44.24%
SNC KC10	100.00%	44.24%
SNC KC11	100.00%	44.24%
SNC KC12	100.00%	44.24%
SNC KC20	100.00%	44.24%
SNC Kléber La Pérouse	100.00%	53.30%
SNC Klecar France	83.00%	44.24%
SNC Klétransactions	100.00%	53.30%

Other companies		Group voting interest (%)	Group ownership interest (%)
IN FRANCE			
Real estate (cont'd)			
SNC Maille Nord		100.00%	53.30%
SNC Soccendre		100.00%	40.11%
SNC Sodevac		100.00%	53.30%
Société Auxiliaire de Construction Immobilière - SACI (1)		100.00%	100.00%
Insurance			
BNP Paribas Assurance (1)		100.00%	100.00%
Cardif RD (1)		100.00%	100.00%
Cardif SA (1)		100.00%	100.00%
Cardif Assurance Vie (formerly Cardif Sté Vie) (1)		100.00%	100.00%
GIE BNP Paribas Assurance		59.50%	59.50%
Natiovie (1)		100.00%	100.00%
Other business units			
Antin Participation 4 (1)		100.00%	100.00%
Antin Participation 5 (1)		100.00%	100.00%
Antin Participation 7 (1)		95.77%	95.77%
Antin Participation 13		99.99%	95.75%
Antin Vendôme		96.77%	96.77%
Bincofi (1)		100.00%	100.00%
BNP Paribas BDDI Participations (1)		100.00%	100.00%
BNP Paribas Peregrine Group		100.00%	100.00%
BNP Paribas Stratégies Actions (1)		100.00%	100.00%
Capefi (1)		100.00%	100.00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer (1)		99.99%	99.99%
Compagnie Immobilière de France (1)		100.00%	100.00%
F G Ingenerie et Promotion Immobilière		100.00%	100.00%
Foncière de la Compagnie Bancaire (1)		100.00%	100.00%
Groupement Auxiliaire de Moyens - GAM		100.00%	100.00%
Immobilier Marché Saint-Honoré (1)		100.00%	100.00%
Kle 65 (1)		100.00%	100.00%
Kle 66 (1)		100.00%	100.00%
Norbail Location (1)		100.00%	99.96%
Omnium Gestion Développement Immobilier (1)		100.00%	100.00%
Paribas International (1)		100.00%	100.00%
Quatch (1)		99.96%	99.96%
SAS 5 Kléber (1)		100.00%	100.00%
Sinvim (1)		100.00%	100.00%
Société Centrale d'Investissement (1)		100.00%	100.00%
OUTSIDE FRANCE			
Insurance			
BNP de Réassurance au Luxembourg	Luxembourg	100.00%	100.00%
Cardif Assicurazioni SPA	Italy	100.00%	100.00%
Cardif do Brasil Seguros	Brazil	100.00%	100.00%
Cardif Leven	Belgium	100.00%	100.00%
Cardif Levensverzekeringen NV	Netherlands	100.00%	100.00%
Cardif Nederland Holding BV	Netherlands	100.00%	100.00%
Cardif Schadeverzekeringen NV	Netherlands	100.00%	100.00%
Compania de Seguros Generales	Chile	100.00%	100.00%
Cybele RE	Luxembourg	100.00%	100.00%
Darnell Limited	Ireland	100.00%	100.00%
Investlife SA	Luxembourg	100.00%	100.00%
Luxpar-Ré	Luxembourg	100.00%	100.00%
Pinnacle Insurance	United Kingdom	100.00%	97.53%
Pinnacle Insurance Holdings	United Kingdom	97.53%	97.53%
Pinnacle Insurance Management Services	United Kingdom	100.00%	97.53%

Other companies		Group voting interest (%)	Group ownership interest (%)
OUTSIDE FRANCE			
Real estate			
Arcol	Slovakia	100.00%	53.30%
Capucines BV	Netherlands	100.00%	53.30%
C G Collegno	Italy	100.00%	53.30%
Centre Duna	Hungary	100.00%	53.30%
Centre Nyiregyhaza	Hungary	100.00%	53.30%
Centre Szeged	Hungary	100.00%	53.30%
Centre Szolnok	Hungary	100.00%	53.30%
Centre Zalaegerszeg	Hungary	100.00%	53.30%
Centro Shopping Gestion	Italy	75.00%	39.97%
Cinéma de l'Esplanade	Belgium	100.00%	53.30%
Coimbra	Belgium	100.00%	53.30%
Delcis Cr	Czech Republic	99.00%	42.76%
Ejesur	Spain	100.00%	100.00%
Foncière de Louvain-la-Neuve	Belgium	100.00%	53.30%
F M C Central Europe SRO	Czech Republic	75.00%	29.98%
Galieria Commerciale Seravalle	Italy	100.00%	53.30%
Holding Csepel 2002 Kft	Hungary	100.00%	53.30%
Holding Debrecen 2002 Kft	Hungary	100.00%	53.30%
Holding Gyor 2002 Kft	Hungary	100.00%	53.30%
Holding Kanizsa 2002 Kft	Hungary	100.00%	53.30%
Holding Kaposvar 2002 Kft	Hungary	100.00%	53.30%
Holding Miskolc 2002 Kft	Hungary	100.00%	53.30%
Holding Uj Alba Kft	Hungary	100.00%	53.30%
I.C.D SPA	Italy	85.00%	45.30%
Immobiliare Magnolia	Italy	85.00%	45.30%
Klecar Foncier Espana	Spain	100.00%	44.24%
Klecar Foncier Iberica	Spain	100.00%	44.24%
Klecar Italia SPA	Italy	100.00%	44.24%
Klefin Italia SPA	Italy	100.00%	53.30%
Klelou SA	Portugal	100.00%	53.30%
Klénord Imobiliaria	Portugal	100.00%	53.30%
Klépierre Athinon AE	Greece	100.00%	44.24%
Klépierre NEA Efkarpia AE	Greece	100.00%	44.24%
Klépierre Peribola Patras AE	Greece	100.00%	44.24%
Klépierre Portugal SA SGPS	Portugal	100.00%	53.30%
Klépierre Vallecas	Spain	100.00%	53.30%
Klepierre Vinaza	Spain	100.00%	53.30%
Klétel Immobiliaria	Portugal	100.00%	53.30%
KFM Makedonia	Greece	100.00%	44.24%
Novate SRL	Italy	85.00%	45.30%
Sogecaec	Portugal	100.00%	39.97%
Other business units			
BNP Paribas Capital Investments Ltd	United Kingdom	100.00%	100.00%
BNP Paribas Fleet Holdings Ltd	United Kingdom	100.00%	99.99%
BNP Paribas International BV	Netherlands	100.00%	100.00%
BNP Paribas North America Incorporated – PNA	United States	100.00%	100.00%
BNP Paribas RCC Incorporation - PNA	United States	100.00%	100.00%
BNP Paribas Services	Switzerland	100.00%	99.99%
Cetelem America	Brazil	100.00%	100.00%
Claireville	Belgium	100.00%	100.00%
Cobema	Belgium	100.00%	100.00%
Cobepa Technology	Belgium	100.00%	100.00%
Compagnie Bancaire Uk Fonds B	United Kingdom	100.00%	100.00%
Compagnie Financière Ottomane	Luxembourg	96.58%	96.58%
Gepeco	Belgium	100.00%	100.00%
Paribas Management Services Ltd	United Kingdom	100.00%	100.00%
Paribas North America	United States	100.00%	100.00%
Paribas Participation Limitee	Canada	100.00%	100.00%
Paribas Trust Luxembourg	Luxembourg	100.00%	100.00%
Parritaye Pty Ltd	Australia	100.00%	100.00%
Placement, Gestion, Finance Holding - Plagefin	Luxembourg	99.99%	99.99%
Sagip	Belgium	100.00%	100.00%

PROPORTIONALLY-CONSOLIDATED COMPANIES		Group voting interest (%)	Group ownership interest (%)
Financial institutions			
OUTSIDE FRANCE			
Credit institutions			
Europe			
BNP AK Dresdner Bank AS	Turkey	30.00%	30.00%
Findomestic	Italy	50.00%	50.00%
Other financial institutions			
Europe			
BNP AK Dresdner Financial Kiralama	Turkey	29.99%	29.99%
Other companies			
IN FRANCE			
Insurance			
Natio Assurance		50.00%	50.00%
Real estate			
SAS Bègles Arcins		50.00%	26.65%
SAS Cecobil		50.00%	26.65%
SAS Soaval		50.00%	19.99%
SAS Espace Cordeliers		50.00%	26.65%
SAS Le Havre Lafayette		50.00%	26.65%
SAS Le Havre Vauban		50.00%	26.65%
SCI Antin Vendôme		50.00%	26.65%
SCI du Bassin Nord		50.00%	26.65%
OUTSIDE FRANCE			
Insurance			
Centro Vita Assicurazioni SPA	Italy	49.00%	49.00%
Real estate			
Effe Kappa SRL	Italy	50.00%	26.65%
Galiera Parque Nascente SA	Portugal	50.00%	26.65%
Gondobrico	Portugal	50.00%	26.65%
I G C	Italy	50.00%	26.65%
Plaza Centers Management	Hungary	50.00%	26.65%
P S G	Italy	50.00%	19.99%

COMPANIES CARRIED UNDER THE EQUITY METHOD

Financial institutions

IN FRANCE

Credit institutions

Axa Banque Financement (formerly Axa Crédit)		35.00%	35.00%
Caisse d'Epargne Financement - CEFI		33.00%	33.00%
Cofidis International Group		15.00%	15.00%
Cofinoga (Group)		44.00%	44.00%
Société Paiement PASS		40.01%	40.01%

COMPANIES CARRIED UNDER THE EQUITY METHOD		Group voting interest (%)	Group ownership interest (%)
Other financial sector company			
Verner Investissements (Group)		38.90%	38.90%
OUTSIDE FRANCE			
Credit institutions			
Europe			
Fortis Crédit	Belgium	45.00%	45.00%
Servicios Financieros Carrefour EFC SA	Spain	40.00%	40.00%
Other financial sector companies			
Europe			
Centro Leasing SPA	Italy	37.30%	37.28%
Americas			
Carrefour Administration Cartos de Creditos – CCAC	Brazil	40.00%	40.00%
Other companies			
IN FRANCE			
Other			
BNP Paribas Partners for Innovation		50.00%	50.00%
Finaxa		13.04%	20.90%
Laser		9.01%	9.01%
OUTSIDE FRANCE			
Real estate			
Devimo Consult	Belgium	35.00%	13.99%
Galiera Comerciale Assago	Italy	20.00%	20.00%
Other			
Compagnie Benelux de Participations - Cobepa	Belgium	25.00%	25.00%
Cobepa – Cippar	Belgium	25.00%	25.00%
Cobepa - Cobepa Finance	Luxembourg	25.00%	25.00%
Cobepa - Compagnie de Participations Internationales NV	Netherlands	25.00%	25.00%
Cobepa - Copabel SA	Belgium	25.00%	25.00%
Cobepa - Groupe Financier Liégeois	Belgium	24.90%	24.90%
Cobepa – Ibel	Belgium	25.00%	25.00%
Cobepa – Mascagni	Belgium	25.00%	25.00%
Cobepa - Paribas Deelnemingen NV	Netherlands	25.00%	25.00%
Cobepa - Regio Invest Ontwik Maats	Belgium	25.00%	25.00%
Cobepa - SA Mosane	Belgium	25.00%	25.00%
Cobepa - Sté Financière et de Réalisation	Belgium	25.00%	25.00%
Cobepa - Tradexco SA	Belgium	25.00%	25.00%
Cobepa – Ulran	Luxembourg	25.00%	25.00%
Fischer Francis Trees and Watts	United States	24.90%	81.44%

NOTE 3 – INTERBANK AND MONEY MARKET ITEMS

In millions of euros, at 31 December	2004			2003	2002
	Gross	(Provisions)	Net	Net	Net
Cash and amounts due from central banks and post office banks	**6,843**	**-**	**6,843**	**5,287**	**9,884**
Treasury bills and money market instruments (note 5)	**128,452**	**(52)**	**128,400**	**106,671**	**83,990**
Due from credit institutions					
Demand accounts	7,116	(28)	7,088	7,062	9,426
Term loans and time deposits (a)	21,173	(256)	20,917	22,322	22,938
Repurchase agreements:					
Securities received under resale agreements	150,741	-	150,741	131,137	112,100
Bills purchased outright or under resale agreements	1,128	-	1,128	1,817	1,730
Total securities and bills purchased outright or under resale agreements	151,869	-	151,869	132,954	113,830
Subordinated loans	569	-	569	612	318
Total due from credit institutions	**180,727**	**(284)**	**180,443**	**162,950**	**146,512**
Total interbank and money market items	**316,022**	**(336)**	**315,686**	**274,908**	**240,386**
Including accrued interest			*780*	*1,538*	*3,228*

(a) "Term loans and time deposits" include overnight and term loans which are not represented by a bill or security, particularly financial credits. Financial credits correspond to commercial loans with an initial term of more than one year granted to credit institutions, where the ultimate borrowers are business entities other than financial sector companies, generally from developing countries on which the transfer risk has been provided for (note 8).

NOTE 4 – CUSTOMER ITEMS

In millions of euros, at 31 December	2004			2003	2002
	Gross	Provisions	Net	Net	Net
Due from customers					
Commercial and industrial loans	12,381	-	12,381	10,041	11,806
Overdrafts	14,555	-	14,555	12,822	12,908
Other credits:					
short-term loans	55,046	-	55,046	44,145	50,503
mortgage loans	57,851	-	57,851	46,739	42,701
investment loans	26,212	-	26,212	22,031	22,452
export loans	9,958	-	9,958	4,531	4,462
other customer loans	34,525	(833)	33,692	36,384	38,024
Total other credits	**183,592**	**(833)**	**182,759**	**153,830**	**158,142**
Doubtful customer loans	11,045	(7,513)	3,532	4,250	4,385
Accrued interest	949	-	949	1,217	1,277
Securities and bills purchased outright or under resale agreements	23,146	-	23,146	19,319	16,103
Subordinated loans (a)	193	(7)	186	132	98
Total due from customers (b)	**245,861**	**(8,353)**	**237,508**	**201,611**	**204,719**
Leasing receivables	**20,989**	**(417)**	**20,572**	**20,362**	**20,622**
Total customer items	**266,850**	**(8,770) (c)**	**258,080**	**221,973**	**225,341**
Including accrued interest			*1,168*	*1,494*	*1,620*

(a) Participating loans granted to BNP Paribas customers included under "Subordinated loans" amounted to EUR 77 million at 31 December 2004 (EUR 59 million at 31 December 2003 and EUR 53 million at 31 December 2002).

(b) Loans qualifying for refinancing by Banque de France amounted to EUR 9,904 million at 31 December 2004 (EUR 7,879 million at 31 December 2003 and EUR 8,079 million at 31 December 2002).

(c) Including EUR 851 million in general provisions for country risks.

Total customer items, excluding repurchase agreements and provisions for country risks, break down as follows by counterparty:

	2004							2003
In millions of euros, at December 31	Financial institutions	Corporate	Small-businesses	Private Individuals	Government Agencies	Other	Total	Total
Sound loans	**9,787**	**115,990**	**16,018**	**82,094**	**6,618**	**1,405**	**231,912**	**198,908**
Including restructured loans	*5*	*36*		*455*	*92*		*588*	*398*
Doubtful loans								
Gross outstanding loans	114	7,048	733	3,687	200	10	11,792	13,252
Including irrecoverable loans	*82*	*4,313*	*630*	*2,858*	*130*	*10*	*8,023*	*8,730*
Specific provisions	(50)	(4,642)	(512)	(2,607)	(101)	(7)	(7,919)	(8,543)
Net outstanding loans	64	2,406	221	1,080	99	3	3,873	4,709
Total, net	**9,851**	**118,396**	**16,239**	**83,174**	**6,717**	**1,408**	**235,785**	**203,617**

Net irrecoverable loans – which amounted to EUR 8,023 million at 31 December 2004 (EUR 8,730 million at 31 December 2003) – were covered by a EUR 5,746 million provision (EUR 5,523 million at 31 December 2003).

NOTE 5 - TRANSACTIONS ON TRADING ACCOUNT SECURITIES, SECURITIES AVAILABLE FOR SALE AND DEBT SECURITIES HELD TO MATURITY

In millions of euros, at 31 December	2004				2003		2002	
	Gross value	Provisions	Net book value	Market value	Net book value	Market value	Net book value	Market value
Trading account securities:								
Treasury bills and money market instruments	90,497	-	90,497	90,497	73,822	73,822	54,453	54,453
Bonds and other fixed income instruments	46,191	-	46,191	46,191	34,217	34,217	24,707	24,707
Equities and other variable income instruments	69,815	-	69,815	69,815	50,442	50,442	21,149	21,149
Own shares held within the Group	7	-	7	7	80	80	14	14
Total trading account securities	**206,510**	**-**	**206,510**	**206,510**	**158,561**	**158,561**	**100,323**	**100,323**
Including unlisted equities and bonds	*15,174*	-	*15,174*	*15,174*	*7,968*	*7,968*	*4,806*	*4,806*
Securities available for sale:								
Treasury bills and money market instruments	5,347	(52)	5,295	5,376	8,045	8,403	7,254	7,830
Bonds and other fixed income instruments	12,145	(389)	11,756	11,757	14,672	14,957	9,642	10,213
Equities, other variable income instruments and equity securities available for sale in the medium-term	2,595	(163)	2,432	2,500	1,984	2,101	1,453	1,547
Total securities available for sale	**20,087**	**(604)**	**19,483**	**19,633**	**24,701**	**25,461**	**18,349**	**19,590**
Including unlisted equities and bonds	*2,818*	*(160)*	*2,658*	*2,685*	*2,669*	*2,724*	*1,541*	*1,556*
Debt securities held to maturity:								
Treasury bills and money market instruments	32,608	-	32,608	33,267	24,804	24,889	22,283	22,735
Bonds and other fixed income instruments	8,967	(15)	8,952	9,066	6,116	6,643	7,615	8,009
Total debt securities held to maturity	**41,575**	**(15)**	**41,560**	**42,333**	**30,920**	**31,532**	**29,898**	**30,744**
Including unlisted bonds	*998*	*(2)*	*996*	*1,023*	*359*	*369*	*409*	*414*
Total trading account securities, securities available for sale and debt securities held to maturity (a):	**268,172**	**(619)**	**267,553**	**268,476**	**214,182**	**215,554**	**148,570**	**150,657**
Including								
Treasury bills and money market instruments	128,452	(52)	128,400	129,140	106,671	107,114	83,990	85,018
Bonds and other fixed income instruments	67,303	(404)	66,899	67,014	55,005	55,817	41,964	42,929
Including unlisted bonds	*4,210*	*(56)*	*4,154*	*4,182*	*3,392*	*3,422*	*2,452*	*2,465*
Equities and other variable income instruments	72,417	(163)	72,254	72,322	52,506	52,623	22,616	22,710
Including unlisted equities	*14,780*	*(106)*	*14,674*	*14,700*	*7,604*	*7,639*	*4,304*	*4,311*

(a) Mutual fund shares held by the BNP Paribas Group amounted to EUR 16,489 million at 31 December 2004 (EUR 12,081 million at 31 December 2003 and EUR 4,437 million at 31 December 2002). This amount includes EUR 16,094 million in growth funds, of which EUR 832 million incorporated in France (EUR 11,777 million in 2003, of which EUR 565 million incorporated in France, and EUR 4,246 million in 2002, of which EUR 791 million incorporated in France).

NOTE 5 – TRANSACTIONS ON TRADING ACCOUNT SECURITIES, SECURITIES AVAILABLE FOR SALE AND DEBT SECURITIES HELD TO MATURITY (cont'd)

Over the past three years, securities were reclassified among the various portfolios as follows:

Former classification	New classification	Amount transferred during the year (in millions of euros)		
		2004	**2003**	**2002**
Trading account securities	Securities available for sale	1,371	830	575
Securities available for sale	Debt securities held to maturity	2,792	5	270
Debt securities held to maturity	Securities available for sale	34	628	769

The above amounts do not include arms' length transactions between two Group companies pursuing different management objectives (including purchases of debt securities held to maturity from trading portfolio managers).

Net premiums on debt securities held to maturity, reflecting an acquisition price higher than the redemption price, amounted to EUR 311 million at 31 December 2004 (net premiums of EUR 71 million at 31 December 2003 and net discounts of EUR 364 million at 31 December 2002). These premiums and discounts are amortised over the remaining life of the securities.

Net premiums on securities available for sale, reflecting an acquisition price higher than the redemption price, amounted to EUR 43 million at 31 December 2003 (net premiums of EUR 49 million at 31 December 2003 and net discounts of EUR 181 million at 31 December 2002). These premiums and discounts are amortised over the remaining life of the securities.

Receivables corresponding to securities lent amounted to EUR 15,045 million at 31 December 2004 (EUR 11,065 million at 31 December 2003 and EUR 5,051 million at 31 December 2002).

Accrued interest on fixed income securities was EUR 474 million at 31 December 2004 (EUR 601 million at 31 December 2003 and EUR 506 million at 31 December 2002).

One of the Group subsidiaries engaged in trading and arbitraging on stock market indexes held 125,000 BNP Paribas SA shares at 31 December 2004, under trading account securities (note 22).

NOTE 6 – INSURANCE COMPANY INVESTMENTS

In millions of euros, at 31 December	2004	2003	2002
Real estate	1,173	1,103	1,141
Equities, mutual funds and other variable income instruments	4,364	2,944	2,613
Bonds and other fixed income instruments	35,800	33,153	30,323
Admissible assets related to unit-linked business	24,058	22,530	20,734
Reinsurers' share of technical reserves	2,075	1,030	919
Other	1,062	648	629
Accrued interest	969	867	795
Insurance company investments	**69,501**	**62,275**	**57,154**

NOTE 7 – INVESTMENTS IN NON-CONSOLIDATED UNDERTAKINGS, OTHER PARTICIPATING INTERESTS AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT

In millions of euros, at 31 December	2004			2003		2002	
	Gross book value	Net book value	Market value	Net book value	Market value	Net book value	Market value
Equity securities held for long-term investment							
Unlisted securities	2,234	1,923	2,076	2,405	2,908	2,620	3,245
Listed securities	1,760	1,591	2,992	2,207	3,339	2,787	3,875
Total equity securities held for long-term investment	**3,994**	**3,514**	**5,068**	**4,612**	**6,247**	**5,407**	**7,120**
Investments in non-consolidated undertakings and other participating interests (a):							
Investments in non-consolidated undertakings	1,920	1,517	1,776	842	947	887	1,032
Other participating interests							
Unlisted securities	814	677	800	730	808	1,116	1,482
Listed securities	537	415	1,025	588	1,097	3,869	3,743
Total other participating interests	1,351	1,092	1,825	1,318	1,905	4,985	5,225
Total investments in non-consolidated undertakings and other participating interests	**3,271**	**2,609**	**3,601**	**2,160**	**2,852**	**5,872**	**6,257**
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**7,265**	**6,123**	**8,669**	**6,772**	**9,099**	**11,279**	**13,377**

(a) The market value of unlisted investments in non-consolidated undertakings and other unlisted participating interests is principally determined based on the value of the BNP Paribas Group's equity in the underlying net assets. Where necessary, the valuation is based on revalued net assets.

Investments in non-consolidated credit institutions amounted to EUR 391 million at 31 December 2004 (EUR 144 million at 31 December 2003 and EUR 144 million at 31 December 2002). Participating interests in credit institutions amounted to EUR 461 million at 31 December 2004 (EUR 467 million at 31 December 2003 and EUR 3,566 million at 31 December 2002).

Net unrealised capital gains on investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment, calculated by reference to year-end market prices for listed securities, amounted to EUR 2,546 million at 31 December 2004 (EUR 2,327 million at 31 December 2003 and EUR 2,098 million at 31 December 2002).

The main companies carried under "Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment" with a net book value of more than EUR 100 million in the BNP Paribas Group's accounts are listed below:

In millions of euros	% interest	Head office	Consolidated shareholders' equity in 2003 (a)	2003 consolidated net income (loss)	Net book value in the BNP Paribas Group accounts
Interests representing less than 5% of the investee's share capital					
Total	0.21	La Défense	30,406	7,025	164
Véolia Environnement	1.84	Paris	3,575	(2,055)	145
Shinhan Financial Group	4.39	Seoul (South Korea)	3,676	277	143
Peugeot	1.53	Paris	11,864	1,497	114
Sagem	4.05	Paris	1,178	120	112
Schneider Electric	1.92	Boulogne Billancourt	7,659	433	105

Interests representing between 5% and 10% of the investee's share capital					
Bouygues Telecom	6.41	Issy Les Moulineaux	1,553	198	171
Cassa Di Risparmio Di Firenze	6.99	Florence (Italy)	958	95	118
Interests representing more than 10% of the investee's share capital					
Pargesa Holding	14.58	Geneva (Switzerland)	3,895	136	357
Erbe SA	47.01	Gerpinnes (Belgium)	670	26	335
Tyler Trading Inc	19.03	Wilmington (USA)	1,705	43	294
ABN Amro Advisory Inc	19.35	Chicago (USA)	1,283	42	221
Crédit Logement	16.50	Paris	1,231	49	207
Eiffage	19.16	Issy Les Moulineaux	1,012	140	107
Interests in investment funds					
PAI Europe III	13.77	Paris	N/A	N/A	134
PAI LBO Fund	62.43	Paris	N/A	N/A	123

(a) According to French accounting standards, including net income/(loss)

NOTE 8 – PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

In millions of euros	2004	2003	2002
At 1 January	**11,705**	**13,029**	**13,171**
Net additions during the period	693	1,379	1,532
Write-offs during the period covered by provisions	(1,497)	(1,724)	(1,470)
Translation adjustments and other changes	(322)	(979)	(204)
At 31 December	**10,579**	**11,705**	**13,029**
Breakdown of provisions:			
Provisions deducted from assets:			
On interbank items (a)	284	256	416
On customer items (note 4)	8,770	9,506	10,347
On securities (a)	443	746	1,009
Total provisions deducted from assets	9,497	10,508	11,772
Including provisions for country risks	*1,211*	*1,481*	*2,119*
Provisions recorded under liabilities (note 19):			
To cover off balance sheet commitments	428	505	570
To cover credit risks	654	692	469
To cover industry risks	-	-	218
Total provisions recorded under liabilities	1,082	1,197	1,257
Including provisions for country risks	*258*	*314*	*309*
Total provisions for credit risks and country risks	**10,579**	**11,705**	**13,029**

(a) Provisions on loans to credit institutions mainly concern financial credits (note 3) exposed to country risk. Provisions on securities shown in the above table primarily cover the country risk affecting securities held by the BNP Paribas Group.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions for losses on off balance sheet commitments, provisions for claims and litigation, and provisions for risks that are probable in light of current or past events but the amount and timing of which cannot be reliably determined.

Provisions covering principal and interest on sovereign loans amounted to EUR 1,469 million at 31 December 2004 (EUR 1,795 million at 31 December 2003 and EUR 2,428 million at 31 December 2002).

In millions of euros	2004	2003	2002
Additions to provisions for credit risks and country risks:			
-Customer and interbank items	1,855	2,278	2,533
-Off balance sheet commitments	68	51	93
-Securities	78	214	87
-Other credit risks	331	367	112
Total additions to provisions for credit risks and country risks	**2,332**	**2,910**	**2,825**
Recoveries of provisions for credit risks and country risks:			
-Customer and interbank items	(1,154)	(1,137)	(1,024)
-Off balance sheet commitments	(60)	(38)	(38)
-Securities	(73)	(226)	(132)
-Other credit risks	(352)	(130)	(99)
Total recoveries of provisions for credit risks and country risks	**(1,639)**	**(1,531)**	**(1,293)**
Net additions to provisions for credit risks and country risks	**693**	**1,379**	**1,532**
-Write-offs not covered by provisions	136	187	146
-Recoveries of amounts written off	(97)	(104)	(101)
-Elimination of net addition to provisions for interest in arrears recorded under net banking income	(54)	(101)	(107)
Net charge for the period for credit risks and country risks	**678**	**1,361**	**1,470**
Including:			
-Net charge to provisions for specific credit risks	902	1,727	1,555
-Net recovery of provisions for country risks	(224)	(366)	(85)

NOTE 9 – INVESTMENTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD

In millions of euros, at 31 December 2004	Total investments in companies carried under the equity method			Net book value of the investments in the individual accounts of Group companies
	Equity in net assets (based on voting interest)	Equity in 2004 net income (loss) (based on voting interest)	Total	
Financial institutions:				
Credit institutions	*449*	*99*	*548*	*302*
Cofinoga	241	50	291	130
Société de paiement pass	85	19	104	35
Cofidis International Groupe	39	17	56	13
Servicios Financieros Carrefour EFC SA	52	9	61	87
Other	32	4	36	37
Other financial institutions	*174*	*15*	*189*	*217*
Centro Leasing SPA	52	5	57	42
CCAC Brazil	28	13	41	38
Other	94	(3)	91	137
Total financial institutions	**623**	**114**	**737**	**519**
Other companies:				
Laser	32	6	38	53
Finaxa	823	64	887	492
Fischer Francis Trees and Watts	(2)	5	3	71
Cobepa	82	3	85	100
Other	9	2	11	8
Total other companies	**944**	**80**	**1,024**	**724**
Total investments in companies carried under the equity method	**1,567**	**194**	**1,761**	**1,243**

Retained earnings						
Cumulative translation adjustment	Parent company retained earnings and Group's share in retained earnings of subsidiaries	Elimination of shares held by BNP Paribas	Retained earnings, capital gains resulting from real estate restructuring and revaluation surplus	Shareholders' equity attributable to BNP Paribas Group	Minority interests	Total consolidated shareholders' equity
(93)	**11,971**	**(935)**	**11,323**	**23,571**	**2,939**	**26,510**
				346		346
	(226)	161	(65)	(65)		(65)
					1,276	1,276
	(50)	(329)	(379)	(379)		(379)
(342)			(342)	(342)	(203)	(545)
	22		19	19	180	199
	3,295		3,295	3,295	343	3,638
(435)	**15,012**	**(1,103)**	**13,851**	**26,445**	**4,535**	**30,980**
	(1,040)		(1,040)	(1,040)	(284)	(1,324)
(435)	**13,972**	**(1,103)**	**12,811**	**25,405**	**4,251**	**29,656**
				229		229
					700	700
	(94)	(802)	(896)	(896)		(896)
(167)			(167)	(167)	(284)	(451)
	(33)		(33)	(33)		(33)
	25		22	22	12	34
	3,761		3,761	3,761	340	4,101
(602)	**17,631**	**(1,905)**	**15,498**	**28,321**	**5,019**	**33,340**
	(1,212)		(1,212)	(1,212)	(329)	(1,541)
(602)	**16,419**	**(1,905)**	**14,286**	**27,109**	**4,690**	**31,799**
				252		252
		966	966			
	(94)	(1,611)	(1,705)	(1,705)		(1,705)
(187)			(187)	(187)	(104)	(291)
					(157)	(157)
	62		57	57	(8)	49
	4,668		4,668	4,668	403	5,071
(789)	**21,055**	**(2,550)**	**18,085**	**30,194**	**4,824**	**35,018**

OPERATIONS INVOLVING SHARE CAPITAL IN 2002, 2003 AND 2004

Operations affecting capital in 2002

Share-split

In accordance with the authorisation received from the Shareholders' Meeting of 15 May 2001 (12th resolution), on 18 December 2001 the Board of Directors decided to carry out a two-for-one share split. Following this share-split, carried out on 20 February 2002, BNP Paribas' capital was made up of 886,622,994 ordinary shares with a par value of EUR 2.

Capital increases

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 15 May 2001, the Board of Directors decided on 28 February 2002 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 27 June 2002, the mutual fund subscribed 7,623,799 ordinary shares with a par value of EUR 2 for this purpose. In addition, BNP Paribas employees subscribed 927,046 shares with rights from 1 January 2001 under the stock option plan.

At 31 December 2002, the capital of BNP Paribas SA consisted of 895,173,839 fully-paid ordinary shares with a par value of EUR 2.

During 2002, employees also subscribed 705,985 shares with a par value of EUR 2 and with rights from 1 January 2002 under the stock option plan. The corresponding capital increase was carried out on 23 January 2003.

Operations affecting capital in 2003

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 31 May 2002, the Board of Directors decided on 4 February 2003 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 2 July 2003, the mutual fund subscribed 6,673,360 ordinary shares with a par value of EUR 2 for this purpose. Also on 2 July 2003, 517,716 shares were issued to employees on exercise of stock options with rights from 1 January 2002 and 100,715 shares with rights from 1 January 2003.

At 31 December 2003, the capital of BNP Paribas SA consisted of 903,171,615 fully-paid ordinary shares with a par value of EUR 2.

During 2003, employees also subscribed 443,989 shares with a par value of EUR 2 and with rights from 1 January 2003 under the stock option plan. The corresponding capital increase was carried out on 28 January 2004.

Operations affecting capital in 2004

Capital reduction

Pursuant to authorisations received from the Shareholders' Meeting of 14 May 2003 (18th resolution), the Board of Directors decided on 24 March 2004 to cancel by way of a reduction of capital 25,000,000 BNP Paribas shares held in treasury stock.

Capital increases

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 14 May 2003, the Board of Directors decided on 4 February 2004 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 6 July 2004, the mutual fund subscribed 5,477,862 ordinary shares with a par value of EUR 2 for this purpose. Also on 6 July 2004, 552,435 shares were issued to employees on exercise of stock options with rights from 1 January 2003 and 54,543 shares with rights from 1 January 2004.

At 31 December 2004, the capital of BNP Paribas SA consisted of 884,700,444 fully-paid ordinary shares with a par value of EUR 2.

During 2004, employees also subscribed 518,758 shares with a par value of EUR 2 and with rights from 1 January 2004 under the stock option plan. The corresponding capital increase was carried out on 25 January 2005.

ANALYSIS OF ADDITIONAL PAID-IN CAPITAL IN EXCESS OF PAR

In 2002, additional paid-in capital in excess of par was increased by EUR 328 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In 2003, this item was increased by EUR 213 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In 2004, this item was increased by EUR 239 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In addition, this item was reduced by EUR 916 million in connection with the cancellation of 25,000,000 BNP Paribas shares.

Additional paid-in capital in excess of par also includes a capital gain on real estate restructuring of EUR 278 million related to a restructuring operation whereby BNP transferred its real estate holdings to its subsidiary "Compagnie Immobilière de France, CIF", in 1991 and 1992. The resulting capital gain is recognised in the consolidated profit and loss account in proportion to the additional depreciation charge taken by CIF. The residual gain includes a write-down of EUR 420 million taken during 1997 (see notes 1 and 11).

PREFERRED SHARES

In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of the Group, made a USD 500 million issue of non-cumulative preferred shares, which do not dilute earnings per ordinary share. The shares pay a contractual dividend of 7.738% for a period of ten years. At the end of that period, the issuer may redeem the shares at par at the end of any calendar quarter. Until they are redeemed, the shares will pay a dividend indexed to Libor. The proceeds of this issue are included in shareholders' equity under "Minority interests" and the corresponding remuneration is treated as a distribution to minority shareholders.

A second USD 500 million issue of non-cumulative preferred shares was carried out in October 2000 by another wholly- owned subsidiary, BNP Paribas Capital Trust. These shares pay a contractual dividend of 9.003% for a period of ten years.

In October 2001, two non-cumulative preferred share issues, totalling EUR 350 million and EUR 500 million, were carried out by two wholly-owned subsidiaries of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over 5 years and shares in the second issue pay a dividend of 6.625% over 10 years. Shares in the first issue are redeemable at the issuer's discretion after five years and at each interest payment date thereafter. Shares that have not been redeemed will continue to pay a dividend of 7%.

In January and June 2002, an additional two non-cumulative preferred share issues, totalling EUR 660 million and USD 650 million, were carried out by two wholly-owned subsidiaries of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% over 10 years. The annual dividend on shares in the second issue is 7.2%, paid quarterly. The shares are redeemable after five years and at each quarterly coupon date thereafter. Shares that have not been redeemed will continue to pay a dividend of 7.2%.

In January 2003, another EUR 700 million non-cumulative preferred share issue was carried out by a wholly-owned subsidiary of the Group, BNP Paribas Capital Trust VI. The shares pay a contractual dividend of 5.868%. They are redeemable after 10 years and on each annual coupon date thereafter. Shares not redeemed in 2013 will pay a quarterly dividend equal to the 3-month Euribor + 2.48%.

BNP PARIBAS SHARES HELD BY THE GROUP

Pursuant to the sixth resolution of the Shareholders' Meeting of 28 May 2004, BNP Paribas was authorised to buy back shares representing a maximum of 10% of its capital in order to stabilise the share price, or to award or sell the shares to employees under the statutory profit-sharing scheme or company savings plans, or to cancel the shares acquired, or to sell, exchange or otherwise dispose of them, for financial or asset/liability management purposes.

At 31 December 2004, the BNP Paribas Group held 51,808,500 BNP Paribas shares representing an amount of EUR 2,557 million, including 51,683,500 shares representing EUR 2,550 million deducted from shareholders' equity.

In millions of euros	**Other participating interests**		**Trading account securities (note 5)**		**Total**	
	Number of securities	Book value	Number of securities	Book value	Number of securities	Book value
Shares held at 31 December 2002	**27,894,453**	**1,103**	**366,000**	**14**	**28,260,453**	**1,117**
Shares acquired pursuant to shareholder authorizations	22,547,920	1,061			22,547,920	1,061
Other movements	(5,623,930)	(259)	1,242,000	66	(4,381,930)	(193)
Shares held at 31 December 2003	**44,818,443**	**1,905**	**1,608,000**	**80**	**46,426,443**	**1,985**
Shares acquired pursuant to shareholder authorizations	35,751,407	1,794			35,751,407	1,794
Capital reduction pursuant to the 18th resolution of the Annual Shareholders' Meeting of 14 May 2004	(25,000,000)	(966)			(25,000,000)	(966)
Other movements	(3,886,350)	(183)	(1,483,000)	(73)	(5,369,350)	(256)
Shares held at 31 December 2004	**51,683,500**	**2,550**	**125,000**	**7**	**51,808,500**	**2,557**

NOTE 10 – LONG-TERM INVESTMENTS

In millions of euros	Cost at 1 January 2004	Acquisitions	Redemptions and disposals	Transfers and other movements	Cost at 31 Dec. 2004	Provisions at 1 Jan. 2004	Additions to provisions	Recoveries of provisions	Other provision movements	Provisions at 31 Dec. 2004	Net book value at 31 Dec. 2004	Net book value at 31 Dec. 2003
Debt securities held to maturity (note 5)	30,965	70,830	(62,384)	2,164	41,575	(45)	-	1	29	(15)	41,560	30,920
Investments in non-consolidated undertakings and other participating interests (note 7)	2,912	412	(511)	458	3,271	(752)	(71)	224	(63)	(662)	2,609	2,160
Equity securities held for long-term investment (note 7)	5,358	463	(1,194)	(633)	3,994	(746)	(119)	330	55	(480)	3,514	4,612
Investments in companies carried under the equity method (note 9)	1,631			130	1,761						1,761	1,631
Total long-term investments	**40,866**	**71,705**	**(64,089)**	**2,119**	**50,601**	**(1,543)**	**(190)**	**555**	**21**	**(1,157)**	**49,444**	**39,323**

NOTE 11 – TANGIBLE AND INTANGIBLE ASSETS

In millions of euros, at 31 December	2004			2003	2002
	Gross	Depreciation amortisation and provisions	Net	Net	Net
Intangible assets					
- Computer software	2,143	(1,306)	837	698	538
- Other intangible assets	965	(224)	741	789	749
Total intangible assets	3,108	(1,530)	1,578	1,487	1,287
Tangible assets:					
- Land and buildings	3,578	(1,211)	2,367	2,123	2,076
- Rental properties (land and buildings)	4,494	(679)	3,815	3,397	3,062
- Equipment, furniture and fixtures	4,328	(2,874)	1,454	1,600	1,695
- Other fixed assets	369	(1)	368	401	520
Total tangible assets	12,769	(4,765)	8,004	7,521	7,353
Total tangible and intangible assets	**15,877**	**(6,295)**	**9,582**	**9,008**	**8,640**

Intangible assets

Other intangible assets include lease rights, goodwill and trade marks acquired by the Group, including the Consors trade mark acquired in 2002.

Operating assets

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. The book value of the assets was increased by EUR 1,156 million, and the corresponding capital gain was posted to consolidated shareholders' equity under "capital gains on restructuring", net of the related tax effect (note 22). In order to reflect what appeared to be a lasting decline in the real estate market, in 1997 the book value of these real estate assets was written down by EUR 545 million. The adjustment, net of the related tax effect, was recorded in the balance sheet under "capital gains on restructuring", consistently with the initial adjustment.

The operating assets held by Paribas and its subsidiaries at the time of the merger are stated at historical cost.

Depreciation and provisions on rental properties include a EUR 77 million provision booked in accordance with the principle of prudence to cover unrealised losses on the rental properties held by Compagnie Bancaire.

Non-operating assets

At 31 December 2004, non-operating land and buildings, including assets leased under operating leases, amounted to EUR 3,844 million (EUR 3,454 million at 31 December 2003 and EUR 3,122 million at 31 December 2002). The total includes shopping centres acquired for rental.

Depreciation, amortisation and provisions

The charge for depreciation, amortisation and provisions recorded in 2004 amounted to EUR 755 million (EUR 758 million in 2003 and EUR 618 million in 2002).

NOTE 12 – GOODWILL

In millions of euros	2004	2003	2002
Net amount at 1 January	**5,578**	**6,547**	**4,489**
Goodwill on acquisitions made during the year	1,354	50	2,988
Translation adjustment	(236)	(559)	(397)
Amortisation for the year	(408)	(417)	(388)
Exceptional amortisation of goodwill	(44)	(43)	(145)
Unamortised goodwill at 31 December	**6,244**	**5,578**	**6,547**

Net amortisation of goodwill totalled EUR 384 million for 2004 (EUR 399 million for 2003 and EUR 366 million for 2002), after deducting EUR 24 million in amortisation of badwill (EUR 18 million in 2003 and EUR 22 million in 2002). Exceptional amortisation of goodwill on investments sold includes EUR 20 million (EUR 43 million in 2003 and EUR 95 million in 2002) corresponding to goodwill recorded on acquisition of minority interests in the Cobepa sub-group. An additional EUR 24 million in exceptional amortisation was recorded following the sale of 75% of Cobepa to a non-consolidated entity. The exceptional amortisation was deducted from "gains on long-term investments and changes in provisions".

Badwill amounted to EUR 15 million at 31 December 2004 (EUR 18 million at 31 December 2003 and EUR 22 million at 31 December 2002), including EUR 13 million concerning Finaxa.

Goodwill recognised in 2004 primarily concerns the acquisition of shares in Community First Bankshares and Union Safe Deposit Bank in an amount of USD 1,149 million, as well as the purchase of shares in Atis Real International and Verner Investissements.

NOTE 13 – ACCRUED INCOME AND OTHER ASSETS

In millions of euros, at 31 December	2004	2003	2002
Accrued income and other adjustment accounts			
Valuation adjustment accounts (a)	14,234	13,853	20,228
Accrued income	3,372	5,419	5,331
Collection accounts	3,530	2,845	3,488
Other adjustment accounts (b)	4,584	6,707	9,501
Total accrued income and other adjustment accounts	25,720	28,824	38,548
Other assets			
Premiums on purchased options	39,192	42,185	36,328
Settlement accounts related to securities transactions	4,625	5,067	3,655
Investments in Codevi "industrial development" securities	3,319	3,716	3,702
Deferred tax assets	930	853	975
Other insurance company assets	1,677	1,142	931
Other	24,345	11,633	10,458
Total other assets	74,088	64,596	56,049
Total accrued income and other assets	**99,808**	**93,420**	**94,597**

(a) Mark-to-market gains on foreign exchange instruments and forward instruments.
(b) Includes prepaid interest on customer and interbank accounts and prepaid expenses.

NOTE 14 – INTERBANK ITEMS AND MONEY MARKET SECURITIES

In millions of euros, at 31 December	2004	2003	2002
Interbank and money market items			
Demand accounts	7,914	5,027	8,859
Time deposits and borrowings	85,780	61,740	52,808
Securities and bills sold outright or under repurchase agreements:			
• Securities given under repurchase agreements	149,479	122,258	113,552
• Bills sold outright or under repurchase agreements	1,790	2,229	2,686
Total securities and bills sold outright or under repurchase agreements	151,269	124,487	116,238
Total interbank and money market items	**244,963**	**191,254**	**177,905**
Debt securities issued to credit institutions			
Interbank market securities	1,175	1,025	1,025
Total interbank items and money market securities	**246,138**	**192,279**	**178,930**
Including accrued interest	*793*	*1,785*	*2,273*

Interbank demand deposits amounted to EUR 4,272 million at 31 December 2004 (EUR 4,906 million at 31 December 2003 and EUR 8,465 million at 31 December 2002).

NOTE 15 – CUSTOMER DEPOSITS, RETAIL CERTIFICATES OF DEPOSIT AND NEGOTIABLE CERTIFICATES OF DEPOSIT

In millions of euros, at 31 December	2004	2003	2002
Customer deposits:			
Demand accounts	84,292	69,464	70,950
Time accounts	72,341	68,899	72,150
Regulated savings accounts	39,712	36,622	31,113
Repurchase agreements:			
Securities given under repurchase agreements	41,345	35,475	20,819
Bills sold outright or under repurchase agreements	22	161	537
Total securities and bills sold outright or under repurchase agreements	41,367	35,636	21,356
Total customer deposits	**237,712**	**210,621**	**195,569**
Bonds and negotiable short-term debt instruments:			
Negotiable certificates of deposit	83,844	67,014	64,913
Retail certificates of deposit	6,712	4,933	6,708
Total bonds and negotiable short-term debt instruments	**90,556**	**71,947**	**71,621**
Total customer deposits, negotiable certificates of deposit and retail certificates of deposit	**328,268**	**282,568**	**267,190**
Including accrued interest	*578*	*648*	*968*

Regulated demand savings deposits, including savings collected for investment, totalled EUR 20,763 million at 31 December 2004 (EUR 18,272 million at 31 December 2003 and EUR 14,515 million at 31 December 2002). Other customer demand deposits amounted to EUR 92,921 million at 31 December 2004 (EUR 76,701 million at 31 December 2003 and EUR 74,542 million at 31 December 2002).

NOTE 16 – BOND ISSUES

The following table shows bonds issued by the Group by currency, contractual interest rate and maturity:

Issuing currency in millions of euros	Maturity								
	Average interest rate	Balance outstanding at 31/12/2004	2005	2006	2007	2008	2009	2010 to 2014	Beyond 2014
Eurozone issues	Variable	2,867	617	912	409	200	-	31	698
	5.89%	8,834	549	1,741	1,366	1,535	305	2,943	395
US dollar issues	Variable	705	-	150	67	-	-	-	488
	3.88%	44	-	44					
Issues in other currencies	Variable	224	-	40	172	12			
	6.12%	157	1	7	10	-	139		
Total bonds issued		12,831	1,167	2,894	2,024	1,747	444	2,974	1,581
BNP Paribas Group bonds held by consolidated companies		(1,847)							
Total BNP Paribas Group bonds outstanding		10,984							
Accrued interest		110							
Total bond issues		11,094							

Unamortised premiums on the above issues, corresponding to the difference between the issue proceeds and the redemption price, amounted to EUR 330 million at 31 December 2004 (EUR 163 million at 31 December 2003 and EUR 158 million at 31 December 2002).

NOTE 17 – TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros, at 31 December	2004	2003	2002
Life technical reserves	40,244	35,910	32,684
Technical reserves – unit-linked business	24,700	22,554	21,047
Non-life technical reserves	2,098	1,694	1,409
Policyholders' surplus	1,091	1,139	1,048
Accrued interest	1,245	511	338
Total technical reserves	**69,378**	**61,808**	**56,526**

Policyholders' surplus primarily includes the funds set aside to top up the return offered to holders of life insurance policies if necessary in future years (EUR 592 million at 31 December 2004, EUR 615 million at 31 December 2003 and EUR 547 million at 31 December 2002).

NOTE 18 – ACCRUALS AND OTHER LIABILITIES

In millions of euros, at 31 December	2004	2003	2002
Accruals:			
Accrued liabilities	2,333	4,459	5,060
Valuation adjustment accounts (a)	14,986	14,528	20,617
Collection accounts	4,789	2,923	2,066
Other accruals	10,250	8,585	4,806
Total accruals	**32,358**	**30,495**	**32,549**
Other liabilities:			
Settlement accounts related to securities transactions	5,430	6,938	4,966
Liabilities related to written options	41,747	43,634	37,782
Liabilities related to securities transactions	102,569	88,430	57,471
Deferred tax liabilities	1,462	1,417	1,685
Other insurance liabilities	653	418	494
Other payables and liabilities	13,909	13,488	10,889
Total other liabilities	**165,770**	**154,325**	**113,287**
Total accruals and other liabilities	**198,128**	**184,820**	**145,836**

(a) Mark-to-market losses on foreign exchange instruments and forward instruments.

NOTE 19 – PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros, at 31 December	2 0 0 4	2 0 0 3	2 0 0 2
Provisions for pensions and other post-employment benefits (note 27)	1,349	1,467	1,245
Provisions for credit risks and equivalents (note 8)	654	692	469
Provisions for industry risks (note 8)	-	-	218 (a)
Provisions for off balance sheet commitments (note 8):			
-credit risks	170	191	261
-country risks	258	314	309
Restructuring (note 41)	29	80	178
Other provisions	1,304	1,301	1,464
Total provisions for contingencies and charges	**3,764**	**4,045**	**4,144**

(a) At 31 December 2002, the provision for industry risks was notionally earmarked to cover losses on listed investments, whereas in previous years it was not allocated to any specific risks. In 2003, the provision was reversed to avoid duplication with the provisions booked for each line of securities concerned (see note 37).

In 2003 a general provision of EUR 250 million was recorded under "Provisions for credit risks and equivalents" in order to cover the risk of any continuation of the economic downturn in Europe. In 2004, EUR 128 million of this amount was allocated to cover specific risks.

Off balance sheet credit risks covered by provisions amounted to EUR 822 million at 31 December 2004 (EUR 983 million at 31 December 2003 and EUR 1,222 million at 31 December 2002).

At 31 December 2004, other provisions for contingencies and charges break down as follows:

In millions of euros	**1 January 2004**	**Additions**	**Reversals**	**Other movements**	**31 December 2004**
Provisions set up in connection with banking and banking-related transactions	**539**	**208**	**(293)**	**(21)**	**433**
- Provisions for contingencies related to capital markets transactions	187	84	(175)	2	98
- Provisions for potential losses on long-term investments	194	56	(37)	(11)	202
- Other provisions related to banking transactions	158	68	(81)	(12)	133
Provisions not set up in connection with banking or banking-related transactions	**762**	**395**	**(257)**	**(29)**	**871**
Total other provisions for contingencies and charges	**1,301**	**603**	**(550)**	**(50)**	**1,304**

NOTE 20 – SUBORDINATED DEBT

In millions of euros, at 31 December	2004	2003	2002
Subordinated medium- and long-term debt	**10,298**	**11,112**	**11,776**
Undated subordinated debt:			
Undated participating subordinated notes	308	312	343
Other undated floating-rate subordinated notes:			
In foreign currencies	654	707	849
In euros	290	290	305
Total undated floating rate subordinated notes	944	997	1,154
Undated notes	398	412	629
Total undated subordinated debt	**1,650**	**1,721**	**2,126**
Total subordinated debt issued by BNP Paribas Group	**11,948**	**12,833**	**13,902**
Accrued interest	294	393	381
Total	**12,242**	**13,226**	**14,283**

Subordinated medium- and long-term debt

Subordinated debt included under this heading consists of medium and long-term debentures originally issued in French francs, euros and foreign currencies that are equivalent to debt ranking last before participating debt and securities for repayment purposes in the case of liquidation of the Bank.

Subordinated medium- and long-term debt issued by the Group generally contains a call provision authorising BNP Paribas to buy back its securities directly in the market or through tender offers or, in the case of private placements, over the counter.

Borrowings in international markets by BNP Paribas SA or foreign subsidiaries of the BNP Paribas Group may be subject to early repayment of principal and the early payment of interest due at maturity in the event that changes in applicable tax laws oblige the BNP Paribas Group issuer to compensate debtholders for the consequences of such changes. The debt securities may be called on 15 to 60 days' notice subject to approval by the banking supervisory authorities.

At 31 December 2004, subordinated medium- and long-term debt broke down as follows by maturity and by currency:

Issuing currency	**Total**	**Maturity**						
		2005	**2006**	**2007**	**2008**	**2009**	**2010 to 2014**	**Beyond 2014**
Subordinated medium-and long-term debt:								
• In euros	6,359	331	290	486	932	65	3,756	499
• In US dollars	3,137	55	166	441	-	220	1,420	835
• In other currencies	802	118	-	77	52	-	45	510
Total subordinated medium-and long-term debt	**10,298**	**504**	**456**	**1,004**	**984**	**286**	**5,221**	**1,843**

Undated subordinated debt

In July 1984, pursuant to the French Law of 3 January 1983, BNP SA issued a first block of 1,800,000 undated participating subordinated notes (*titres participatifs*) with a face value of FRF 1,000 for a total of EUR 274 million. Subscription rights to new undated participating subordinated notes were attached to each of these notes. In connection with rights exercised in the period from 1985 to 1988, BNP SA issued a total of 412,761 new undated participating subordinated notes with a face value of FRF 1,000. The notes were issued at a total premium of EUR 4 million. The notes are redeemable only in the event of liquidation of the Bank, but may be retired in accordance with the terms of the law. Under this option, 219,742 notes were retired in 2004 and subsequently cancelled.

In October 1985, BNP SA issued EUR 305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). The notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all other debts of the Bank but senior to the undated participating subordinated notes issued by BNP SA. The Board of Directors is entitled to postpone interest payments if the shareholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP SA raised a further USD 500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In July 1986 and December 1996, Paribas SA issued undated subordinated notes in the amounts of USD 165 million and USD 200 million respectively.

Between 1996 and 1998, BNP SA issued undated notes which 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*.

Undated participating subordinated notes, undated subordinated notes and undated notes qualify as Tier 2 capital under French regulations and international guidelines on capital adequacy.

NOTE 21 – RESERVE FOR GENERAL BANKING RISKS

The reserve for general banking risks amounted to EUR 752 million at 31 December 2004 (EUR 843 million at 31 December 2003 and EUR 997 million at 31 December 2002).

NOTE 22 – CONSOLIDATED SHAREHOLDERS' EQUITY

In millions of euros	Capital	Additional paid-in capital in excess of par	Capital gain on restructuring and revaluation surplus
Balance at 1 January 2002	**1,772**	**10,476**	**380**
. Operations affecting capital in 2002:			
- share issues	18	328	
. Cancellation of contingent value rights certificates held by BNP Paribas			
. Issue of preferred shares			
. BNP Paribas SA shares held pursuant to the 5th resolution of the Annual Shareholders' Meetings of 23 May 2000 and 15 May 2001			
. Translation adjustment			
. Other			(3)
. 2002 consolidated net income			
Balance at 31 December 2002 before appropriation of income	**1,790**	**10,804**	**377**
2002 cash dividend			
Balance at 1 January 2003	**1,790**	**10,804**	**377**
. Operations affecting capital in 2003:			
- share issues	16	213	
. Issue of preferred shares			
. BNP Paribas SA shares held pursuant to the 6th resolution of the Annual Shareholders' Meetings of 31 May 2002 and 14 May 2003			
. Translation adjustment			
. Effect of applying standard CRC 2002-03 (note 1)			
. Other			(3)
. 2003 consolidated net income			
Balance at 31 December 2003 before appropriation of income	**1,806**	**11,017**	**374**
2003 cash dividend			
Balance at 1 January 2004	**1,806**	**11,017**	**374**
. Operations affecting capital in 2004:			
- share issues	13	239	
- capital reductions	(50)	(916)	
. BNP Paribas SA shares held pursuant to the 6th resolution of the Annual Shareholders' Meetings of 14 May 2003 and 28 May 2004			
. Translation adjustment			
. Interim dividends paid to minority shareholders of Group subsidiaries			
. Other			(5)
. 2004 consolidated net income			
Balance at 31 December 2004 before appropriation of income	**1,769**	**10,340**	**369**

NOTE 23 – OFF BALANCE SHEET COMMITMENTS

In millions of euros, at 31 December	2004	2003	2002
FINANCING COMMITMENTS GIVEN AND RECEIVED			
Financing commitments given:			
To credit institutions	17,812	25,451	16,310
On behalf of customers:			
- Confirmed letters of credit			
• Documentary credits	14,360	14,500	16,326
• Other confirmed letters of credit	102,630	86,686	49,019
- Other commitments given on behalf of customers	37,839	29,650	58,743
	154,829	**130,836**	**124,088**
Total financing commitments given	**172,641**	**156,287**	**140,398**
Roll-over (standby) commitments received:			
From credit institutions	30,885	41,217	19,040
On behalf of customers	4,366	2,759	2,496
Total financing commitments received	**35,251**	**43,976**	**21,536**
GUARANTEES AND ENDORSEMENTS GIVEN AND RECEIVED			
Guarantees and endorsements given:			
To credit institutions			
- Confirmed documentary credits	1,787	1,382	2,035
- Other	4,337	3,865	4,812
	6,124	**5,247**	**6,847**
On behalf of customers			
- Guarantees and endorsements:			
• Real estate guarantees	958	862	883
• Administrative and tax guarantees	7,224	7,038	7,361
• Other	5,630	6,111	6,179
- Other guarantees given on behalf of customers	46,212	37,607	38,956
	60,024	**51,618**	**53,379**
Total guarantees and endorsements given	**66,148**	**56,865**	**60,226**
Guarantees and endorsements received:			
From credit institutions	26,414	21,633	23,362
On behalf of customers			
- Guarantees received from government administrations	2,994	2,392	1,895
- Guarantees received from financial institutions	861	478	299
- Other guarantees received	19,943	18,448	18,268
Total guarantees and endorsements received from customers	**23,798**	**21,318**	**20,462**
Total guarantees and endorsements received	**50,212**	**42,951**	**43,824**
COMMITMENTS GIVEN AND RECEIVED ON SECURITIES			
Securities to be received	9,570	7,735	14,904
Securities sold under repurchase agreements to be received [a]	-	117	133
Total securities to be received	**9,570**	**7,852**	**15,037**
Total securities to be delivered	**8,241**	**7,389**	**7,960**

(a) Receipt of these securities is contingent upon exercise of the repurchase option.

NOTE 24 – FORWARD AND OPTIONS CONTRACTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

In millions of euros, at 31 December	2004			2003		
	Hedging transactions	Position management	Total	Hedging transactions	Position management	Total
Forward contracts	**316,478**	**15,182,620**	**15,499,098**	**268,731**	**14,481,754**	**14,750,485**
On organised exchanges	650	7,266,721	7,267,371	18,050	7,217,623	7,235,673
- Interest rate contracts	650	7,220,913	7,221,563	7,253	7,178,284	7,185,537
- Foreign exchange contracts	-	164	164	10,411	9,864	20,275
- Financial assets contracts	-	45,644	45,644	386	29,475	29,861
Over-the-counter	315,828	7,915,899	8,231,727	250,681	7,264,131	7,514,812
- Forward rate agreements (FRAs)	1,062	584,089	585,151	13,413	529,224	542,637
- Interest rate swaps	172,760	5,805,247	5,978,007	112,179	5,145,442	5,257,621
- Currency swaps	54,707	542,526	597,233	61,497	508,927	570,424
- Forward currency swaps	86,086	866,112	952,198	62,323	906,114	968,437
- Other forward contracts	1,213	117,925	119,138	1,269	174,424	175,693
Options	**25,679**	**5,031,616**	**5,057,295**	**40,043**	**3,566,281**	**3,606,324**
On organised exchanges	903	2,559,847	2,560,750	1,046	1,933,578	1,934,624
Interest rate options	28	2,399,290	2,399,318	17	1,748,719	1,748,736
- purchased	-	1,183,700	1,183,700	17	886,151	886,168
- sold	28	1,215,590	1,215,618		862,568	862,568
Currency options	-	-	-	896		896
- purchased	-	-	-	787		787
- sold	-	-	-	109		109
Other options	875	160,557	161,432	133	184,859	184,992
- purchased	78	78,341	78,419	10	114,678	114,688
- sold	797	82,216	83,013	123	70,181	70,304
Over-the-counter	24,776	2,471,769	2,496,545	38,997	1,632,703	1,671,700
Caps and floors	1,754	573,001	574,755	15,396	393,432	408,828
- purchased	789	247,406	248,195	8,053	174,497	182,550
- sold	965	325,595	326,560	7,343	218,935	226,278
Swaptions and options (interest rate, currency and other)	23,022	1,898,768	1,921,790	23,601	1,239,271	1,262,872
- purchased	9,365	899,050	908,415	11,670	572,880	584,550
- sold	13,657	999,718	1,013,375	11,931	666,391	678,322
Total forward and options contracts	**342,157**	**20,214,236**	**20,556,393**	**308,774**	**18,048,035**	**18,356,809**

At 31 December 2004, credit derivatives recorded under OTC options contracts amounted to EUR 434,097 million (EUR 213,605 million purchased and EUR 220,492 million sold).

Most positions management transactions are marked to market and the resulting unrealized gains and losses are therefore posted to income. Hedging transactions are carried at historical cost, and the related gains or losses are accounted for on a symmetrical basis with the loss or gain on the underlying transaction.

The market value of the net position of forward contracts is estimated at EUR 3,850 million at 31 December 2004. The market value of the net seller position of options is estimated at EUR 5,900 million at 31 December 2004.

ASSESSMENT OF COUNTERPARTY RISKS

The BNP Paribas Group's exposure to counterparty risk arising on forward and options contracts is assessed according to European Union and international capital adequacy ratios applicable at 31 December 2004. Accordingly, it takes into account signed netting agreements, which are used to attenuate counterparty risk on derivatives.

The Bank primarily uses the portfolio approach, which enables it to close all positions in the case of default by the counterparty and mark them to market. All payments receivable from the counterparty are netted off against payments due to the counterparty, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the "Association Française des Banques" (AFB), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

Credit risks on OTC forward and options contracts

In million of euros, at 31 December	2004					2003
By type of counterparty	Gross replacement cost	Net replacement cost	Collateral	Net value after collateral	Weighted risks equivalent	Weighted risks equivalent
Sovereign exposure	1,848	1,625	-	1,625	-	-
Risk exposure on banks in zone A [(a)]	118,282	22,387	8,213	14,174	8,738	8,016
Risk exposure on banks in zone B [(a)] and non-banking counterparties	16,277	9,169	1,124	8,045	7,578	6,677
Total	**136,407**	**33,181**	**9,337**	**23,844**	**16,316**	**14,693**

(a) Zone A consists of the member states of the European Union (EU) and the Organisation for Economic Cooperation and Development (OECD) provided that they have not rescheduled any external sovereign debt within the previous five years, and countries that have negotiated special borrowing agreements with the International Monetary Fund (IMF) within the framework of the IMF's General Agreements to Borrow (GAB). Zone B consists of all other countries.

In million of euros, at 31 December	2004				2003
By credit rating (Standard & Poor's)	Net replacement cost	Collateral	Net value after collateral	Weighted risks equivalent	Weighted risks equivalent
AAA – AA	12,356	3,098	9,258	4,715	3,874
A	2,696	1,024	1,672	1,934	1,831
BBB	13,339	4,119	9,220	5,760	5,273
BB or lower	2,517	828	1,689	1,975	1,749
Not rated	2,273	268	2,005	1,932	1,966
Total	**33,181**	**9,337**	**23,844**	**16,316**	**14,693**

At 31 December 2004, the weighted risk equivalent of OTC forward and options contracts represented 0.17% of the sum of the notional amounts, excluding written options, unchanged from the figure at 31 December 2003.

At 31 December 2004, forwards and options contracts break down by remaining term as follows:

	Notional amount by remaining term (in %)			**Total**
	Within 1 year	After 1 year but within 5 years	After 5 years	
Interest rate instruments	41%	29%	15%	85%
Currency instruments and other contracts	9%	5%	1%	15%
Total	**50%**	**34%**	**16%**	**100%**

NOTE 25 – BNP PARIBAS GROUP EXPOSURE TO MARKET RISKS ON FINANCIAL INSTRUMENT TRANSACTIONS AT 31 DECEMBER 2004

Since 31 March 2000, the BNP Paribas Group uses a single internal Value at Risk system to estimate the potential losses that could be incurred in the case of an unfavourable change in market conditions.

Potential losses are measured based on “Gross Earnings at Risk” (GEaR). GEaR takes into account a large number of variables which could affect the value of the portfolios, including interest rates, lending margins, exchange rates, the price of the various securities, their volatilities and the correlations between 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 assuming normal levels of liquidity.

The French banking authorities (*Commission Bancaire*) have approved this internal model, including the following methodologies:

- capture of the correlation between categories of risk factors (interest rate, currency, commodity and equity risks) in order to integrate the effects of diversifying inherent risks;

- capture of the specific interest rate risk arising from potential variations in lending margins, in order to actively and accurately measure risks associated with trading in credit risks.

Values at Risk set out below have been determined using the internal model. The model parameters have been set by the method recommended by the Basel Committee for the determination of estimated values at risk (“Supplement to the Capital Accord to Incorporate Market Risks”). The main measurement parameters are as follows:

- 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, potential losses should not exceed the corresponding GEaR in 99% of cases);

- historical data covering 260 days’ trading.

For the period from 1 January to 31 December 2004, the total average Value at Risk amounted to EUR 93 million, taking into account the EUR 57 million effect of netting different types of risk. These amounts break down as follows:

Value at Risk (10 days – 99%): Analysis by type of risk

In millions of euros	1 January – 31 December 2004 Average	31 December 2004	31 December 2003	31 December 2002
Interest rate risk	89	57	92	77
Equity risk	47	47	43	86
Currency risk	6	9	9	8
Commodity risk	8	8	6	7
Netting effect	***(57)***	***(60)***	***(81)***	***(91)***
Total	**93**	**61**	**69**	**87**

NOTE 26 – SECURITIZATIONS

The BNP Paribas Group carries out securitization transactions leading to the creation of specific entities on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf, in connection with the management of counterparty risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group retains part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche. The securitization entities are not consolidated, in accordance with generally accepted accounting principles.

SECURITIZATION TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS

- **Short-term refinancing operations**

At 31 December 2004, five non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on the sold receivables up to an amount of EUR 491 million and has also granted liquidity lines totalling EUR 10,457 million to these entities.

At 31 December 2004, no provisions were required in connection with any of these short-term refinancing transactions.

- **Medium- and long-term refinancing operations**

BNP Paribas acts on behalf of customers as arranger of securitization funds and placing agent for covered bond issues, but does not manage the securitization funds. As of 31 December 2004, the Group had set up liquidity lines totalling EUR 172 million for four of the funds (BEI-Iris 4, Tiepolo Finance, Telecom Italia SV and RCI-Renault), representing EUR 1,500 million in securitized receivables. The Group has not issued any letters of credit and, consequently, is not exposed to any counterparty risk on these transactions.

SECURITIZATION TRANSACTIONS CARRIED OUT ON THE GROUP'S OWN BEHALF

In connection with the Group's asset-liability management activities, Cetelem has sold consumer loans, UCB and UCI have sold real estate loans, Findomestic has sold credit card receivables, and Centroleasing has sold leasing receivables to non-consolidated securitization vehicles. The subsidiaries have also given these vehicles a limited guarantee covering the credit risk on the sold loans. Securitization transactions carried out in accordance with Act No. 88-1205 of 23 December 1988 (amended) dealing with securitization funds, are not consolidated pursuant to the criteria laid down in standard CRC 2004-04 (see note 1), because the Group does not have decision-making power at the level of the funds' Board of Directors or equivalent.

The following table summarises the transactions carried out at 31 December 2004 (in millions of euros):

Subsidiaries that initiated securitizations	SECURITIZATION VEHICLE	Date launched	Life of the vehicle scheduled to end in	Gross amount of securitized receivables at 31 December 2004	Gross amount of guarantees at 31 December 2004
Cetelem (France)	*MASTER NORIA*	1998	2006	350	14.1
UCB (France)	Domos 4 and 5	1998-1999	2008-2011	463	22.5
	Master Domos	1999	2012	1,366	30.5
Findomestic (Italy)	*FINDOMESTIC*	2000	2005	325	-
	MASTERDOLFIN	2003	2008	329	4.0
UCI (Spain)	*UCI 3 TO 11*	1997-2004	2005-2017	3,051	37.3
Centro Leasing (Italy)	Ponte Vecchio Finance	2002	2007	574	-
	Ponte Vecchio Finance 2	2003	2010	428	-

At 31 December 2004, no provisions were required in connection with any of the guarantees given to these securitization vehicles.

In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations by transferring to the market the bulk of the credit risk attached to the retained interest using credit derivatives (purchases of options or credit default swaps). These credit derivatives are entered into either through dedicated structures or directly with other credit institutions.

Synthetic securitizations concern EUR 7 billion worth of consolidated assets, corresponding to loans to major European and American companies. The risk retained by the Group concerns the equity or subordinated tranche of the notes issued by the securitization vehicles and purchased by the Group.

Synthetic Securitizations (in millions of euros)

SECURITIZATION VEHICLE	Date launched	Life of the vehicle scheduled to end in	Gross counterparty risk before securitization at 31 December 2004	Gross risk retained by the Group (1)	Provisions and losses in 2004	Accumulated provisions and losses at 31 December 2004 (2)
Olan 2 (France)	*2000*	*I) 2005*	3,546	76.0	-	60.6
Euroliberté (France)	*2001*	*2008*	1,984	139.8	2.2	20.1
Condor (USA)	*2001*	*2006*	1,686	96.1	-	-
Jules Vernes (USA)	*2002*	*V) 2006*	215	33.1	-	-

(1) This risk is retained by the Group due to the equity instruments issued by the securitization vehicles, against which the initial losses on assets guaranteed by the vehicles are set off.

(2) If a counterparty defaults on a loan backed by synthetic securitization, the securitization vehicle pays the amount corresponding to the default. The amount received in respect of the gross risk retained by the Group is set off against the loss of principal on the equity or subordinated tranche of the notes issued. This is why the portfolios are covered by a provision in the amount of the gross risk retained by the Group.

NOTE 27 – PENSION AND POSTEMPLOYMENT BENEFIT OBLIGATIONS

Pension Benefits

Since 1 January 1994, pursuant to the new industry-wide agreement on pensions presented in note 1, the BNP Paribas Group has been making contributions to several nation-wide supplementary pension organisations **in France**.

The BNP and Paribas pension funds pay additional benefits relative to services rendered prior to 31 December 1993. The actuarial value of these pension obligations is computed based on the 1993 mortality table recommended by the French Insurance Code. The difference between the discount and inflation rates used since 31 December 1999 is roughly 3.0%, corresponding to the constant differential between long-term interest rates and inflation. At 31 December 2004, the pension fund for BNP employees had reserves of approximately EUR 59 million, and the pension fund for Paribas employees had reserves of some EUR 282 million. Contributions paid by BNP Paribas under the above pension schemes in France are charged to the profit and loss account in the year of payment. In addition, a reserve for general banking risks was set up as a precautionary measure in 1993, mainly to take account of the general demographic risk addressed by the industry-wide agreement concluded in September 1993 (see notes 1 and 21).

BNP Paribas SA has set up a funded pension system via a company agreement. This system provides for the payment to BNP Paribas employees of additional benefits over and above those they receive from the nation-wide organisations.

Concerning plans **outside France**, pension obligations are provided for in the consolidated financial statements according to the method described in note 1.

Retirement plans are based on pension rights acquired which are defined using either the employee's last salary and the number of years' service (United Kingdom, Ireland and Canada) or rights to capital acquired each year, expressed as a percentage of annual salary and on which interest is payable at a pre-defined rate (United States).

Some plans are supplementary retirement schemes related to statutory pensions (Norway).

Other plans are wholly funded through insurance companies (Spain and Portugal) or independent fund managers (United Kingdom).

The demographic and financial assumptions used to estimate the discounted present value of benefit obligations and the estimated yield on plan assets are based on the economic conditions specific to each country or Group company. Unamortised actuarial differences amounted to EUR 76 million at 31 December 2004, net of EUR 7 million in amortisation for the year. EUR 101 million are not amortisable, in accordance with the corridor method.

In recent years, defined benefit plans have been closed to new employees in several countries (United Kingdom, Ireland, Norway, Australia, Germany and Luxembourg). These employees are now offered defined contribution plans. Under defined contribution plans, the company's obligation consists primarily of paying a percentage of the beneficiary's salary into the pension plan.

Seniority, Postemployment and Other Postretirement Benefits

Employees of the various BNP Paribas Group companies are entitled to collective or contractual seniority and postemployment benefits such as retirement and seniority bonuses. In France, BNP Paribas is encouraging voluntary departures and early retirement among employees who meet certain eligibility criteria. Various companies in the BNP Paribas Group have also set up defined-benefit supplementary pension plans.

As a general rule, actuarial valuations of these obligations are made using a method that takes into account projected end-of-career salaries (projected unit credit method) in order to determine the aggregate charge corresponding to benefits remaining to be paid to early retirees, retirees (if applicable), as well as the vested benefits of active employees.

Assumptions concerning mortality, employee turnover, and future salaries, as well as discount rates (long-term market rates) and inflation, take into account economic conditions specific to each country or Group company. In France, the 1988-1990 mortality table adapted to the banking industry is used.

At 31 December 2004, the discount rate used for France and the estimated inflation rate are consistent with those used to assess the risks related to additional bank pension benefits.

BNP Paribas sets up a provision to cover the charges related to the voluntary departure or early retirement of employees, once the voluntary departure or early retirement plan concerned has been approved or submitted for collective approval.

These provisions set up for pensions and other postretirement benefit obligations in France and other countries amounted to EUR 1,349 million at 31 December 2004.

NOTE 28 – MATURITY SCHEDULE OF LOANS, DEPOSITS AND INTEREST RATE INSTRUMENTS

In millions of euros, at 31 December	Maturity					Total
	Demand and overnight	Maturing within three months	Maturing after three months but within one year	Maturing after one but within five years	Maturing after five years	
LOANS (GROSS)						
Interbank and money market items (note 3)	**48,291**	**227,952**	**16,044**	**9,412**	**14,323**	**316,022**
- Cash and amounts due from central banks and post office banks	6,843					6,843
- Treasury bills and money market instruments		103,644	6,324	6,945	11,539	128,452
- Due from credit institutions	41,448	124,308	9,720	2,467	2,784	180,727
Customer items (note 4)	**19,269**	**78,259**	**34,625**	**78,924**	**55,773**	**266,850**
- Due from customers	19,269	75,637	31,082	66,611	53,262	245,861
- Leasing receivables		2,622	3,543	12,313	2,511	20,989
Bonds and other fixed income instruments (note 5)		**55,424**	**2,033**	**6,722**	**3,124**	**67,303**
- Trading account securities		46,191				46,191
- Securities available for sale		6,418	673	3,594	1,460	12,145
- Debt securities held to maturity		2,815	1,360	3,128	1,664	8,967
DEPOSITS						
Interbank and money market items and securities (note 14)	**58,547**	**160,081**	**21,429**	**3,012**	**3,069**	**246,138**
- Total interbank and money market items	58,547	159,901	21,146	2,832	2,537	244,963
- Interbank market securities		180	283	180	532	1,175
Customer deposits, retail certificates of deposit, and negotiable certificates of deposit (note 15)	**113,684**	**153,488**	**19,416**	**25,488**	**16,192**	**328,268**
- Total customer deposits	113,684	101,330	6,921	9,353	6,424	237,712
- Total bonds and negotiable short-term debt instruments		52,158	12,495	16,135	9,768	90,556

The BNP Paribas Group manages its liquidity within gap limits, all currencies combined, that are determined by the General Management Committee:

- the maximum mismatch on weighted balance sheet and off balance sheet commitments maturing in more than one year (attributing standard maturities to commitments with no contractual maturity) is set at 25% of loans maturing in more than one year;

- the maximum mismatch on commitments with a contractual maturity, that are scheduled to mature in more than one year, is set at 150% of stable funds with no contractual maturity (customer demand deposits and savings deposits net of overdrafts, shareholders' equity net of fixed assets).

BNP Paribas continually seeks to comply with regulatory guidelines with respect to its short-term (one-month) liquidity ratio and its ratio of shareholders' equity to long-term funding (funds maturing in more than five years).

Maturities of bonds and subordinated debt are presented in notes 16 and 20.

NOTE 29 – NET INTEREST INCOME

Expenses			Income			In millions of euros	Net income (expenses)		
2004	2003	2002	2004	2003	2002		2004	2003	2002
(8,165)	(7,212)	(11,460)	6,682	5,846	8,876	Interbank items (note 30)	(1,483)	(1,366)	(2,584)
(3,822)	(3,524)	(3,695)	10,766	10,548	11,679	Customer items (note 31)	6,944	7,024	7,984
(6,269)	(5,991)	(5,757)	7,529	7,309	7,119	Leasing transactions	1,260	1,318	1,362
(3,957)	(3,936)	(5,310)				Debt securities	(3,957)	(3,936)	(5,310)
			3,355	3,471	3,932	Bonds and other fixed income instruments (note 32)	3,355	3,471	3,932
(22,213)	**(20,663)**	**(26,222)**	**28,332**	**27,174**	**31,606**	**Net interest income (expenses)**	**6,119**	**6,511**	**5,384**

NOTE 30 – NET INTEREST INCOME (EXPENSE) ON INTERBANK ITEMS

Expenses			Income			In millions of euros	Net income (expense)		
2004	2003	2002	2004	2003	2002		2004	2003	2002
(4,940)	(4,751)	(7,901)	3,510	3,556	5,622	Interest on interbank demand deposits, loans and borrowings	(1,430)	(1,195)	(2,279)
(3,225)	(2,461)	(3,559)	3,172	2,288	3,251	Interest on securities held or given under resale/repurchase agreements	(53)	(173)	(308)
			-	2	3	Interest on subordinated term loans	-	2	3
(8,165)	**(7,212)**	**(11,460)**	**6,682**	**5,846**	**8,876**	**Net interest income (expense) on interbank items**	**(1,483)**	**(1,366)**	**(2,584)**

NOTE 31 – NET INTEREST INCOME (EXPENSE) ON CUSTOMER ITEMS

Expenses			Income			In millions of euros	Net income (expense)		
2004	2003	2002	2004	2003	2002		2004	2003	2002
(3,241)	(2,978)	(3,225)	10,332	10,133	11,215	Interest on customer loans and deposits	7,091	7,155	7,990
(581)	(546)	(470)	420	411	462	Interest on securities held or given under resale/repurchase agreements	(161)	(135)	(8)
			14	4	2	Interest on subordinated term loans	14	4	2
(3,822)	**(3,524)**	**(3,695)**	**10,766**	**10,548**	**11,679**	**Net interest income (expense) on customer items**	**6,944**	**7,024**	**7,984**

NOTE 32– NET INCOME FROM SECURITIES PORTFOLIO

In millions of euros	2004	2003	2002
Interest on bonds and other fixed income instruments			
Securities available for sale	751	653	810
Debt securities held to maturity	1,175	1,117	1,080
From Codevi "industrial development" securities	229	230	212
From hedging of interest rate instruments and other	1,200	1,471	1,830
Total interest on bonds and other fixed income instruments	**3,355**	**3,471**	**3,932**
Income on equities and other variable income instruments			
Securities available for sale	41	12	22
Equity securities held for long-term investment	147	148	157
Investments in non-consolidated undertakings and other participating interests	106	123	144
Total income on equities and other variable income instruments	**294**	**283**	**323**
Net income from securities portfolio	**3,649**	**3,754**	**4,255**

NOTE 33 - NET COMMISSIONS

In millions of euros	Net		
	2004	2003	2002
Commissions on interbank and money market transactions	**174**	**181**	**181**
Commissions on customer transactions	**1,632**	**1,482**	**1,530**
Commissions on securities transactions (1)	**111**	**145**	**(103)**
Commissions on foreign exchange and arbitrage transactions	**(4)**	**(9)**	**10**
Commissions on securities commitments	**277**	**193**	**113**
Commissions on forward financial instruments	**(158)**	**(143)**	**(124)**
Commissions on financial services rendered:			
Commissions on securities managed or on deposit:			
• Custody fees	188	170	184
• Mutual fund management	818	732	739
• Management of customer securities portfolios	168	200	218
• Other commissions on securities managed or on deposit	30	32	30
Total commissions on securities managed or on deposit	1,204	1,134	1,171
Commissions on securities transactions carried out on behalf of customers:			
• For purchases and sales of securities	256	257	302
• For purchases and sales of mutual fund shares	131	124	139
• Other commissions on securities transactions carried out on behalf of customers	271	273	248
Total commissions on securities transactions carried out on behalf of customers	658	654	689
Other commissions:			
• Commissions on customer assistance and advisory services	637	428	508
• Commissions on payment instruments	579	558	552
• Commissions on other financial services	(1,115)	(970)	(908)
• Expense recoveries	111	118	116
• Commissions on miscellaneous revenues	388	365	350
• Commissions on other banking transactions	193	157	93
Total other commissions	793	656	711
Total commissions on financial services	**2,655**	**2,444**	**2,571**
Net commissions	**4,687**	**4,293**	**4,178**

(1) The change in 2003 stems from the full consolidation of the entities of the Cortal Consors Group, which were previously accounted for by the equity method.

Total commissions represented 24.9% of net banking income in 2004 (23.9% in 2003 and 24.9% in 2002).

NOTE 34 - UNDERWRITING RESULT AND NET INVESTMENT INCOME OF INSURANCE COMPANIES

In millions of euros	2004	2003	2002
Net premium income	10,848	8,980	7,890
Net investment income	1,894	1,770	1,706
Claims expenses and changes in claims reserves	(10,848)	(9,100)	(8,170)
Other underwriting income and expenses, net	25	8	14
Underwriting result and net investment income of insurance companies [(a)]	**1,919**	**1,658**	**1,440**

Commissions paid to business referral partners and other contracting partners are not deducted from underwriting result and net investment income of insurance companies. Those commissions are recorded as "Net commissions" in the profit and loss account under "Commissions on other financial services" (see note 33).

The above amounts are stated after eliminating intercompany income and expenses and net of reinsurance.

Changes in the value of underlying assets for unit-linked business are included in net investment income. They are offset by a symmetrical change in mathematical reserves set aside for unit-linked business, included in "Claims expenses".

Gross premiums totaled EUR 11,196 million in 2004 (EUR 9,203 million in 2003 and EUR 8,192 million in 2002).

(a) In 2004, the contribution of Group insurance companies to underwriting result and net investment income breaks down as follows, after elimination of intercompany income and expenses:

In millions of euros	**2004**				**2003**	**2002**
	NATIOVIE	**CARDIF**	**OTHER COMPANIES**	**TOTAL**		
Life underwriting result	119	89	44	252	210	145
Non-life underwriting result	32	70	-	102	76	59
Management fees addback	310	1,090	57	1,457	1,289	1,207
Financial reclassifications	118	42	3	163	147	113
Sub-total	579	1,291	104	1,974	1,722	1,524
Elimination of intercompany income and expenses	(40)	(13)	(2)	(55)	(64)	(84)
Net contribution to underwriting result and net investment income	539	1,278	102	1,919	1,658	1,440

NOTE 35 – SALARIES AND EMPLOYEE BENEFITS, INCLUDING PROFIT-SHARING

In millions of euros	2004	2003	2002
Salaries	**4,838**	**4,742**	**4,619**
Termination benefits and social security taxes:			
Retirement bonuses and retirement expenses	292	400	385
Social security taxes	1,204	1,172	1,057
Total termination benefits and social security taxes	**1,496**	**1,572**	**1,442**
Incentive plans and profit-sharing:			
Incentive plans	85	82	57
Profit-sharing	147	97	64
Total incentive plans and profit-sharing	**232**	**179**	**121**
Payroll taxes	**306**	**270**	**263**
Total salaries and employee benefits, including profit-sharing	**6,872**	**6,763**	**6,445**

Gross remuneration and benefits paid to Executive Committee members in 2004 totaled EUR 20.5 million (EUR 10.4 million in 2003). Year-on-year changes are mainly attributable to the amount paid to the Head of BNP Paribas Capital in connection with his statutory share in the capital gains generated by the investment portfolio management team. A provision was booked to cover this amount in the financial years prior to 2003 during which the corresponding capital gains arose. The gross amount set out above also includes fixed compensation for 2004, variable compensation received in 2004 in respect of 2003, attendance fees paid by Group companies and shares awarded in 2000, 2001 and 2002 under the deferred bonus plan.

Attendance fees paid to members of the BNP Paribas Board of Directors totaled EUR 0.4 million.

NOTE 36 – STOCK OPTION PLANS

1) BNP PARIBAS UNEXPIRED STOCK OPTION PLANS

Plan year	Date of EGM at which plan was authorised	Date of Board Meeting at which the plan terms were decided	Number of grantees	Number of options granted	Starting date of the exercise period	Option expiry date	Exercise price (in euros)	Number of options exercised or forfeited at 31 Dec. 2004	Options outstanding at 31 Dec. 2004
2001 (1) (2)	23 May 2000	15 May 2001	932	6,069,000	15 May 2005	14 May 2011	49	164,000	5,905,000
2002 (2)	23 May 2000	31 May 2002	1,384	2,158,570	31 May 2006	30 May 2012	60	66,520	2,092,050
2003 (3)	23 May 2000	21 March 2003	1,302	6,693,000	21 March 2007	20 March 2013	37.10	39,600	6,653,400
2004 (3)	23 May 2000	24 March 2004	1,458	1,779,850	24 March 2008	21 March 2014	49.80	2,000	1,777,850

(1) The numbers of options and exercise prices have been adjusted for the two-for-one share split which took place on 20 February 2002.

(2) The options are subject to vesting conditions related to the ratio between consolidated net income and average shareholders' equity for each of the years concerned. The minimum average ratio is 16% over the four years from the year of grant or over a rolling three-year period starting in the second year after the year of grant.

(3) The vesting rules applicable to a portion of the options granted to employees are based in part on BNP Paribas share performance in relation to the Dow Jones EuroStoxx Bank index.

2) BNP UNEXPIRED STOCK OPTION PLANS (1)

Plan year	Date of EGM at which plan was authorised	Date of Board Meeting at which the plan terms were decided	Number of grantees	Number of options granted	Starting date of the exercise period	Option expiry date	Exercise price (in euros)	Number of options exercised or forfeited at 31 Dec. 2004	Options outstanding at 31 Dec. 2004
1997	14 Dec. 1993	22 May 1997	64	476,000	23 May 2002	22 May 2007	18.45	268,360	207,640
1998	14 Dec. 1993	13 May 1998	259	2,074,000	14 May 2003	13 May 2008	37.28	867,577	1,206,423
1999	13 May 1998	3 May 1999	112	670,000	4 May 2004	3 May 2009	37.64	201,179	468,821
1999 (2)	13 May 1998	22 Dec. 1999	642	5,064,000	23 Dec. 2004	22 Dec. 2009	45.16	508,720	4,555,280
2000 (2)	13 May 1998	7 April 2000	1,214	1,754,200	8 April 2005	7 April 2010	42.50	261,500	1,492,700

(1) The numbers of options and exercise prices have been adjusted for the two-for-one share split which took place on 20 February 2002.

(2) Plans concerning the employees of the two groups, BNP and Paribas, prior to their merger. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the BNP-Paribas merger (see note 22).

3) PARIBAS UNEXPIRED STOCK OPTION PLANS

Plan year	Originating company	Date of EGM at which plan was authorised	Date of Board Meeting at which the plan terms were decided	Number of grantees	Adjusted number of options granted (1)	Starting date of the exercise period (2)	Option expiry date	Adjusted exercise price (1) (in euros)	Adjusted number of options exercised or forfeited at 31 Dec. 2004 (1)	Options outstanding at 31 Dec. 2004 (1)
PARIBAS SA AND MERGED SUBSIDIARIES										
1997	CFP	27 May 1992	20 Jan. 1997	526	5,178,206	20 Jan. 2002	20 Jan. 2005	17.30	5,015,233	162,973
	CFP	27 May 1992	7 July 1997	4	77,125	7 July 2002	7 July 2005	19.47	68,447	8,678
	CB	26 April 1997	30 Sept. 1997	149	615,608	1 Oct. 2002	29 Sept. 2005	19.71	390,117	225,491
	CFP	25 April 1997	26 Dec. 1997	319	6,370,545	26 Dec. 2002	26 Dec. 2005	23.47	4,558,664	1,811,881
1998	PARIBAS	11 May 1998	17 Nov. 1998	975	7,255,377	17 Nov. 2003	17 Nov. 2006	20.41	4,639,939	2,615,438
1999	PARIBAS	24 April 1997	4 May 1999	1	30,850	4 May 2004	4 May 2007	31.88	0	30,850
FULLY CONSOLIDATED SUBSIDIARY OF PARIBAS										
1997	CETELEM	27 March 1997	22 Sept. 1997	117	332,893	23 Sept.	21 Sept. 2005	17.19	224,323	108,570

						2002				

CB: Compagnie Bancaire **CFP:** Compagnie Financière Paribas

(1) Number of options and exercise price expressed in BNP Paribas shares and calculated after the two-for-one share split which took place on 20 February 2002:

- For Compagnie Bancaire, Compagnie Financière Paribas and Banque Paribas, based on the following conversion rates:

9 Paribas shares for 5 Compagnie Bancaire shares, 1 Paribas share for 1 Compagnie Financière Paribas share, 1 Paribas share for 1 Banque Paribas share, 3.085 BNP Paribas shares for 1 Paribas share.

- For Cetelem, which is fully consolidated, the number of options and exercise price are expressed in BNP Paribas shares calculated after the exchange: 1.791 Paribas shares for 1 Cetelem share, and 3.085 BNP Paribas shares for 1 Paribas share.

(2) Exercise dates set at the time of grant. The BNP Paribas merger agreement stipulates that the options may not be exercised until the fifth anniversary of the date of grant, as required under French tax rules, whatever the original exercise dates.

NOTE 37 – GAINS (LOSSES) ON DISPOSALS OF LONG-TERM INVESTMENTS AND CHANGES IN PROVISIONS

In millions of euros	2004	2003	2002
Debt securities held to maturity			
Disposal gains	5	106	7
Disposal losses	(4)	(3)	-
Deductions from provisions	1	1	-
Net gains on disposals of debt securities held to maturity and changes in provisions	**2**	**104**	**7**
Equity securities held for long-term investment			
Disposal gains	834	790	1,147
Disposal losses	(285)	(248)	(73)
Additions to provisions	(131)	(261)	(396)
Deductions from provisions	331	243	219
Net gains on disposals of equity securities held for long-term investment and changes in provisions	**749**	**524**	**897**
Investments in non-consolidated undertakings and other participating interests			
Disposal gains	234	337	187
Disposal losses	(252)	(501)	(109)
Additions to provisions	(115)	(201)	(233)
Deductions from provisions	259	416	147
Net gains (losses) on disposals of investments in non-consolidated undertakings and other participating interests and changes in provisions	**126**	**51**	**(8)**
Deduction from provisions for industry risks	**-**	**218**	**-**
Operating assets			
- Disposal gains	24	53	11
- Disposal losses	(58)	(38)	(4)
Net (losses) gains on disposals of operating assets	**(34)**	**15**	**7**
Total net gains on disposals of long-term investments and changes in provisions	**843**	**912**	**903**

As mentioned in note 1 concerning Accounting Policies, the BNP Paribas Group has changed the method used to recognise in the profit and loss account revenues related to payouts made by funds. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments, including EUR 100 million in revenues received on prior periods.

NOTE 38 – NON-RECURRING ITEMS

In millions of euros	2004	2003	2002
Movements in provisions and incurred costs for employee benefits	(159)	(313)	21
Compliance costs (changes in laws and regulations)	(83)	(45)	(49)
Movements in provisions for restructuring and discontinued operations	(37)	(59)	(51)
Write-downs relating to long-term investments and leased vehicles	(28)	-	(42)
Provision for losses on real estate lease contract with a call option	-	(10)	(25)
Other non-recurring expenses, net	(82)	(67)	(28)
Net non-recurring items	**(389)**	**(494)**	**(174)**

Non-recurring items reflect the impact on the financial statements of events that do not relate to the ordinary activities of the BNP Paribas Group's various lines of business. If these items were included under other profit and loss account headings, the comparability of current-period operations with those of the reference periods would be impaired.

In 2004, BNP Paribas signed a company agreement aimed at setting up a compulsory health scheme for BNP Paribas employees in France. These employees are now all members of this scheme known as Mutuelle du Groupe BNP Paribas. Under the agreement, the Bank will pay to Mutuelle du Groupe BNP Paribas a contribution for each active employee who is a member of the scheme and will cease to pay contributions for retired members. The Bank has paid a final balance of EUR 152 million to Mutuelle du Groupe BNP Paribas to cover its total pension commitments with this establishment in relation to current and future retirees.

Under the French Pensions Reform Act (Act no.2003-775) dated 21 August 2003, employees can elect to retire before the age of 65, but can no longer be required to do so by their employer. This legislative change has no impact on the rules governing the retirement bonuses paid by BNP Paribas Group companies in France. However, it does affect the actuarial assumptions applied to date by the Group to calculate the present value of the related benefit obligation, because of the probable impact of the new legislation on the age at which employees choose to retire. The Group has revised its estimate of the benefit obligation based on the new assumptions and has also recorded a provision for the payroll taxes that will now be due on retirement bonuses paid to employees who choose to retire before the age of 65. The additional cost, in the amount of EUR 229 million, was provided for in full in 2003, in accordance with the practice consistently followed by the Bank and its French subsidiaries, and with Group policies.

In 2003, the Bank also set up a EUR 70 million provision in connection with the new Employment Adaptation Plan implemented in order to manage the impact of the Pension Reform Act on the Group's employee age pyramid in France. In 2004, this provision was topped up in the amount of EUR 7 million.

The above provisions are included in "Movements in provisions and incurred costs for employee benefits".

In 2004, the BNP Paribas Group recorded charges of EUR 83 million (EUR 45 million in 2003) to reflect the costs of adapting information systems due to the application of International Financial Reporting Standards as from 1 January 2005, and the changes in capital adequacy rules introduced by the international regulatory authorities. In 2002, BNP Paribas recorded a provision of EUR 49 million to cover the final costs of adapting its production and information systems to deal with the introduction of the single European currency, bringing the total estimated cost of the project – incurred over the period 1996 to 2002 – to EUR 500 million.

The Group's UK fleet-financing subsidiaries use an external valuation model to determine projected resale values of leased vehicles. Problems were encountered in 2002 with the model used by a recently-acquired subsidiary, leading to the adoption of a new model and the recording of an exceptional EUR 42 million write-down of the value of leased vehicles to correct the valuation errors generated by the previous model.

Under a real-estate lease agreement signed in 1993 by First Hawaiian Bank, BancWest, a Group subsidiary, entered into an agreement to lease its headquarters building located in Hawaii until December 2003. In early 2003, BancWest opted to purchase this building. The purchase value was written down by EUR 35 million (of which EUR 25 million were recorded in 2002) to take into account the lasting decline of the real estate market in Hawaii.

NOTE 39 – SEGMENT INFORMATION

Income by Business Segment, Based on Allocated Capital

Income by business segment based on allocated capital is determined by attributing to each business the capital allocated to it based on the risks incurred. Capital allocations are made by applying a series of criteria based mainly on the capital required to cover risk-weighted assets, as determined according to capital adequacy rules.

In millions of euros	Net banking income		Gross operating income		Operating income (loss)		Pre-tax income	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
French Retail Banking	4,922	4,733	1,556	1,467	1,333	1,242	1,337	1,240
Financial Services and International Retail Banking	5,057	4,903	2,240	2,158	1,801	1,629	1,644	1,408
Corporate and Investment Banking	5,685	5,818	2,442	2,434	2,384	1,801	2,448	1,879
Asset Management and Services	3,019	2,476	1,066	803	1,061	787	993	723
BNP Paribas Capital	4	(34)	(26)	(73)	(26)	(76)	661	496
Other business units	136	39	(47)	(139)	-	(94)	(178)	(160)
Total	**18,823**	**17,935**	**7,231**	**6,650**	**6,553**	**5,289**	**6,905**	**5,586**
France	10,365	9,891	3,504	3,303	3,150	2,522	3,531	2,886
Other European Economic Area countries	4,269	3,748	1,807	1,332	1,533	1,024	1,650	1,190
America and Asia	3,752	3,874	1,717	1,832	1,699	1,617	1,554	1,393
Other countries	437	422	203	183	171	126	170	117

Group Activity by Geographic Area

	Interbank and money market items		Customer items		Total	
In millions of euros, at 31 December	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Assets						
France	97,672	68,501	136,778	118,338	234,450	186,839
Other European Economic Area countries	95,894	91,665	65,233	53,593	161,127	145,258
America and Asia	119,686	112,463	51,311	45,518	170,997	157,981
Other countries	2,434	2,279	4,758	4,524	7,192	6,803
Total assets (notes 3 and 4)	**315,686**	**274,908**	**258,080**	**221,973**	**573,766**	**496,881**
Liabilities						
France	83,426	53,875	112,339	90,582	195,765	144,457
Other European Economic Area countries	85,166	84,622	77,298	74,172	162,464	158,794
America and Asia	74,577	50,633	41,570	40,113	116,147	90,746
Other countries	1,794	2,124	6,505	5,754	8,299	7,878
Total liabilities (notes 14 and 15)	**244,963**	**191,254**	**237,712**	**210,621**	**482,675**	**401,875**

NOTE 40 – CORPORATE INCOME TAX

In millions of euros	2004	2003	2002
Current taxes for the period	1,756	1,579	1,058
Deferred taxes for the period	74	(98)	117
Income tax expenses	**1,830**	**1,481**	**1,175**
– on recurring items	1,967	1,524	1,210
– on non-recurring items	(137)	(43)	(35)

A new tax regime was introduced in the 2003 Finance Act. This regime allows listed real estate investment companies (SIIC) to claim full exemption from corporate income tax on disposal gains and recurring profits generated by their eligible businesses, in exchange for the payment of an exit tax equal to 16.5% of unrealised gains on assets eligible at 1 January 2003. The Klépierre group elected for this regime, and in 2004 the BNP Paribas Group recorded a EUR 26 million provision for the related taxes (EUR 104 million in 2003).

An exceptional tax was introduced in the 2004 Finance Act on a portion of the special long-term capital gains reserve set up by companies. At 31 December 2004, the BNP Paribas Group recorded a EUR 28 million tax charge corresponding to the compulsory portion of this tax.

Tax savings realised by the Group in 2004 from the recognition of tax loss carryforwards or the deduction of expenses accounted for in prior years amounted to EUR 57 million (EUR 51 million in 2003 and EUR 40 million in 2002). Unrecognised deferred tax assets at 31 December 2004 amounted to EUR 373 million (EUR 370 million at 31 December 2003 and EUR 321 million at 31 December 2002).

Analysis for the effective rate of tax:

In %	2004	2003	2002
Standard tax rate in France	33.3	33.3	33.3
Impact of long-term capital gains taxed at a reduced rate in France	(4.0)	(1.4)	(0.6)
Share of earnings of companies carried under the equity method	(0.9)	(0.8)	(0.6)
Permanent differences added back to taxable income in France	1.6	(2.0)	(3.1)
Differences in foreign tax rates	(5.2)	(6.8)	(8.0)
Effect of losses deducted from net income	1.9	3.3	2.9
Other	(0.2)	0.9	0.5
Effective rate of tax	**26.5**	**26.5**	**24.4**

Deferred taxes break down as follows:

In millions of euros, at 31 December	2004			2003	2002
	Companies included in the BNP Paribas SA tax group (note 2)	Other companies	Total	Total	Total
Deferred tax assets (1)	1,906	717	2,623	1,950	1,664
Deferred tax liabilities	1,909	1,246	3,155	2,514	2,374
Net deferred tax liabilities	**3**	**529**	**532**	**564**	**710**

(1) Deferred tax assets include tax loss carryforwards of EUR 65 million in 2004 (EUR 156 million in 2003 and EUR 134 million in 2002).

The deferred tax liability on the capital gain realised on BNP's transfer to its subsidiary Compagnie Immobilière de France of buildings and rights to real estate leasing contracts amounted to EUR 163 million at 31 December 2004.

NOTE 41 – BNP-PARIBAS MERGER-RELATED RESTRUCTURING COSTS

In connection with the merger of BNP and Paribas, on 30 September 1999 – the date on which the Paribas Group was first consolidated – provisions and asset write-downs were recorded in connection with the restructuring of the two groups, for a total amount of EUR 989 million net of tax.

The following table presents an analysis of merger-related restructuring costs incurred since 1 October 1999.

In millions of euros	Restructuring provision	Amortisation of goodwill	Tax effect	Total restructuring charge, net of tax
Fourth quarter 1999	(59)	(183)	33	(209)
2000	(330)	-	101	(229)
2001	(501)	-	163	(338)
2002	(143)	-	45	(98)
2003	(98)	-	34	(64)
2004	(51)	-	18	(33)

NOTE 42 – NUMBER OF EMPLOYEES AT YEAR-END

The number of employees of the BNP Paribas Group (fully and proportionally consolidated companies) breaks down as follows:

	31/12/2004	31/12/2003	31/12/2002
BNP Paribas mainland France	37,473	37,200	37,335
including executives	*14,917*	*14,066*	*13,368*
Subsidiaries in mainland France	14,745	13,844	14,065
Total mainland France	**52,218**	**51,044**	**51,400**
Total outside mainland France	42,674	38,027	36,285
Total BNP Paribas Group	**94,892**	**89,071**	**87,685**
BNP Paribas SA	44,534	44,060	44,908
Subsidiaries	50,358	45,011	42,777

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