

Annual  
Report  
**20**  
**03**



The bank for a changing world





Cybercafé - Shanghai  
Cover photo : Gilles Leimdorfer

# A Changing World

As the theme for this 2003 annual report, we have chosen the BNP Paribas signature: "The Bank for a Changing World."

In partnering our clients in their projects, we frequently help them to shape the future. As a testimony to the role played by our clients, we have selected some twenty examples of the many activities that contribute, each in their own way, to changing the world.

Some of these innovations are rooted in fundamental sciences, such as groundbreaking medical techniques, aerospace projects, nanotechnology applications and initiatives to create a cleaner world.

However, other developments are also changing our world – the fight against terrorism, the emergence of new business models, better opportunities for the disabled, and increased efforts to promote gender equality, all of which are examples of community initiatives undertaken on either an individual or collective scale.

Clearly, the quality of an innovation does not depend on the type of client. The examples we have selected concern both multinationals and small businesses, as well as associations and private individuals.

We would like to thank all our clients, those who have contributed to this project of course, but also all the others who make us want to get to know them better, understand what drives them, devise solutions to their challenges and move forward with them in a constantly changing world.

## Rapho

The photos were taken in January and February 2004 by four photographers from the Rapho Agency. Widely recognised as one of the world's leading photographic press agencies, Paris-based Rapho represents legendary photographers and a team of contemporary photojournalists expressing a sensitive, personal vision of the world.





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# Key Figures

## Number of Group Employees

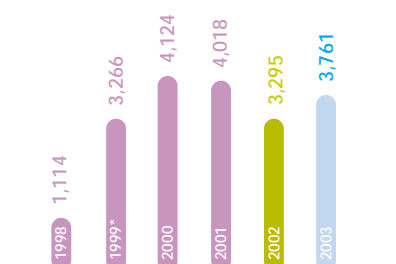
	2003	2002
World	89,100	87,700
Europe	67,400	66,200

## Ratings (as of 16 December 2003)

Moody's	Aa2	Stable outlook
Standard & Poor's	AA-	Positive outlook
Fitch	AA	Stable outlook

## Net income

(in millions of euros)



\* Pro forma net income before restructuring provisions.

## Earnings per share <sup>(1)</sup>

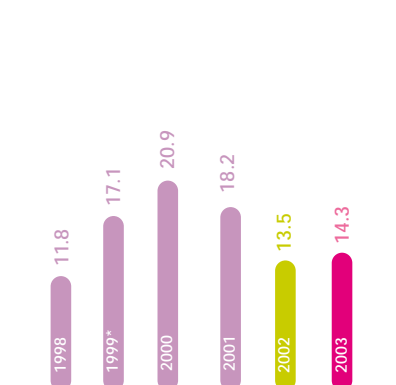
(in euros)



(1) Adjusted for the 20<sup>th</sup> February 2002 two-for-one share-split.

## Return on equity

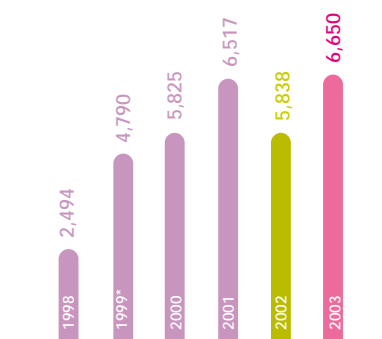
(in %)



\* Pro forma net income before restructuring provisions.

## Gross income

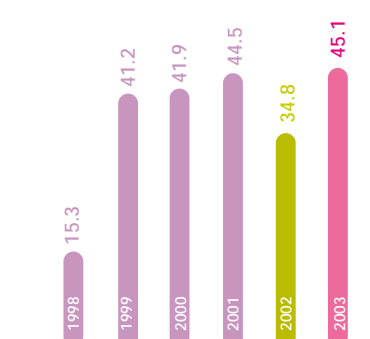
(in millions of euros)



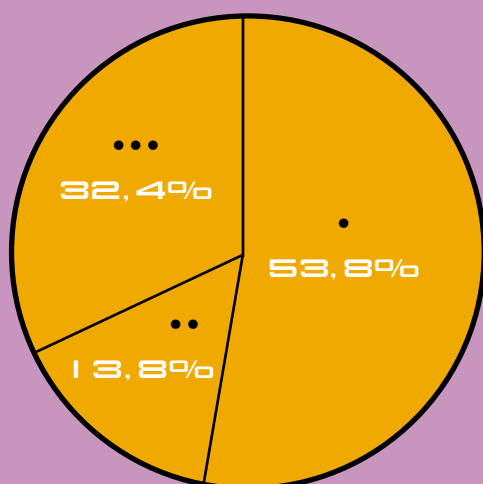
\* Pro forma gross income.

## Market capitalisation

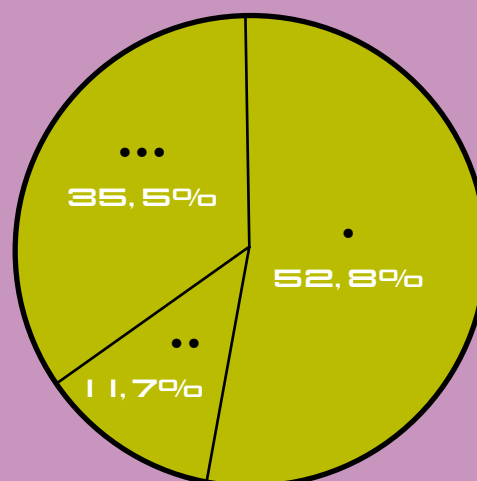
at 31/12 (in billions of euros)



Net banking income  
by core business  
(in %)



Gross operating income  
by core business  
(in %)



- Retail Banking
- Private Banking, Asset Management, Insurance and Securities Services
- Corporate and Investment Banking

## Business

(In millions of euros)

	2003	2002
Total assets	783,076	710,319
Customer deposits	282,568	267,190
Customer loans (gross)	231,479	235,688
Shareholders' equity <sup>(1)</sup>	28,321	26,445
International capital adequacy ratio	12.9%	10.9%
o/w Tier One	9.4%	8.1%

(1) Before income appropriation.

## Results

(in millions of euros)

	2003	2002	Change 2003 - 2002
Net banking income	17,935	16,793	6.8%
Gross operating income	6,650	5,838	13.9%
Operating income	5,289	4,368	21.1%
Pre-tax income	5,586	4,813	16.1%
Net income	3,761	3,295	14.1%

# Chairman's and Chief Executive Officer's Statement



**Michel Pébereau**  
Chairman



**Baudouin Prot**  
Chief Executive Officer

The last two years were not easy ones for the banking and financial services industry. Nevertheless, BNP Paribas reported robust earnings, and has emerged from this period with improved competitive positions, an even stronger balance sheet and sustained high profitability. This performance, which positions us among Europe's leading international financial services corporations, has been fuelled by the intense commitment of our teams, and the balanced nature of our business portfolio. It also reflects our solid ability to innovate and our constant drive to stay one step ahead of emerging client needs. Financial Services is an industry that is undergoing the greatest changes worldwide. Since our Group's formation, we have consistently made it our goal to remain on the forward edge of market developments in all three of our core businesses: Retail Banking, Corporate and Investment Banking, and Asset Management Services.

The global economic outlook for 2004 is one of improvement, although forecasts for the European Union point to only modest growth. At the same time, the world economy is still vulnerable to major financial imbalances and uncertainties of all kinds. While remaining vigilant and poised to respond swiftly to any break in the recovery, we will be turning our attention once again to using our innovation skills to better serve our clients, in order to continue driving profitable growth.

- Serving clients through innovation means leveraging our skills to tailor our offer to new spending habits, new technological applications, and the new needs of businesses and investors. It also means organising our teams and investing in information technology so that BNP Paribas and its subsidiaries can respond even more effectively to future client needs.
- Driving profitable growth means combining assertive organic expansion with a carefully managed acquisitions strategy, while continuing to demonstrate the risk and cost discipline that

# BNP Paribas at a glance

Leading Eurozone bank in terms of profit and market capitalisation

Gross operating income up 13.9%  
Operating income up 21.1%  
Net income up 14.1% to EUR 3.761 million

Dividend up 21% from EUR 1.20 to EUR 1.45

BNP Paribas operates in over 85 countries and  
has 89,100 employees including 67,400 in Europe

has always been a hallmark of our Group. Thanks to our robust financial position and solid earnings, we are able to seek out acquisition opportunities that meet our exacting standards, for the benefit of our Group and our shareholders. As well as completing our announced share buyback programme, we will use our capital discerningly, avoiding transactions that are over-priced or unnecessarily risky, and generally manage our resources in the best medium-term interests of our shareholders.

In 2004, the performance of our French Retail Banking business should be boosted by the ramp-up of our multichannel retail banking services and our extended private banking services. We will finish reorganising our services to corporate clients around 25 business centres, allowing us to better serve existing clients and attract new ones.

The International Retail Banking and Financial Services Division is deploying an ambitious growth strategy.

This can be seen, for example, in the European development of Cetelem, which now generates over 50% of revenues outside France, and in the momentum achieved by BancWest, which is gradually broadening its network to cover the entire Western United States. In 2004, the Division will continue to invest in organic growth – including in France where expanding the business is a key priority – while also looking for acquisition opportunities that fulfil our geographic and financial criteria.

In 2003, Corporate and Investment Banking significantly improved its revenue and earnings performance compared with 2002, when the Division resisted better than most of its competitors in a difficult environment. It also moved rapidly up the league tables in the international capital markets, advisory and corporate banking businesses. The prime objectives of 2004 are to expand the client base, raise the client penetration rate and increase cross-selling, backed by a sales organisation which has recently been further enhanced.

Lastly, Asset Management Services is poised to take up the opportunities created by the economic revival and stock market recovery for most of its investor services businesses, especially in Europe.

BNP Paribas is a powerful and efficient organisation, but it is also an organisation fully aware of its corporate, social and ethical responsibility. In this year's persistently unsettled environment, as the "bank for a changing world", we will maintain our drive for profitable growth while also continuing to earn the confidence of our shareholders, clients and employees. Our Group has the human and financial resources to fulfil this goal.



J. Pébereau

# Corporate & Investment Banking

To strengthen its European positions, expand origination capabilities and leverage its potential for growth in the corporate and investment banking market, BNP Paribas has set up a new integrated group, known as Coverage and Territories Europe (CTE). CTE is responsible for covering strategic client relationships and relationships with large corporates, as well as for leading operations in the European territories.

Outside Europe, the Coverage and Territories International (CTI) group covers strategic and large corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, as well as leading operations in the corresponding Corporate and Investment Banking territories. Lastly, the Financial Institutions Group (FIG) is the integrated group responsible for covering relationships with financial institutions (banks, insurers, supranational organisations, etc.) throughout the world.

These sales teams market all of the products offered by the Group and its subsidiaries. CTE and CTI client relationship managers have an excellent understanding of their clients' industrial strategies and day-to-day management concerns, making them the preferred partners of the Group's large corporate clients and enabling them to effectively coordinate the activities of product specialists.

With a client base comprising some 11,000 corporates and institutions, the new CTE and CTI groups will enhance integration of the specific features of these markets, and particularly their regional characteristics, with a focus on promoting revenue generation across product lines and developing cross-selling.

Based in 20 countries worldwide, the 65-strong FIG (Financial Institutions Group) team manages relationships with 450 institutional clients, including insurers, pension funds and asset managers, supranational organisations, banks and central banks. FIG's experts have built long-term client relationships, rooted in their excellent understanding of each client's business. Thanks to the quality of services provided, BNP Paribas is viewed as the benchmark bank by institutional clients, with a very strong reputation compared with its main competitors. FIG owes its success in no small measure to its close cooperation with the other business lines, mainly Fixed Income, Equities, Asset Management and BNP Paribas Securities Services.

## Advisory and Capital Markets

### Corporate Finance

Corporate Finance offers advisory services for mergers & acquisitions and primary equity market transactions. The M&A teams advise both buyers and sellers and also offer advice on other strategic financial issues, such as privatisations. Primary market services include flotations, equity issues, secondary offerings, and convertible/exchangeable bond issues.

Corporate Finance has adopted a matrix organisation designed to give clients access to the best combination of specialists in each product, industry and geographical area, while optimising resource management.

Corporate Finance employs approximately 330 professionals located throughout its worldwide network. Focused first and foremost on Europe, it is also present in North and South America and enjoys strong visibility in Asia via BNP Paribas Peregine.

In 2003, BNP Paribas confirmed its position as one of the top 15 players in Merger & Acquisition transactions in Europe, being ranked No. 13 among European players by *Thomson Financial* in terms of transaction volumes and No. 11 as adviser to companies considering a merger or acquisition. It is also a leader in France and Europe as a whole for primary equity business, holding the 8<sup>th</sup> spot in Europe and the top slot in France in the Dealogic Bondware rankings.

### Equities

The Equities business encompasses research, trading and sales of European and Asian Equities, as well as Global Equity Derivatives. Equities teams have a worldwide presence, in secondary as well as primary markets, where they complement Corporate Finance's range of activities, taking over where Corporate Finance leaves off. The client portfolio includes financial institutions, companies and individuals.

Equities operates under a product-based organisation. Each of its departments offers a full range of services, covering equity brokerage, equity derivatives and Prime Brokerage (targeted at hedge funds).

In 2003, BNP Paribas was:

- No. 2 in Euronext equities (source: *Euronext*) and No. 3 in Germany for equity brokerage (source: *Deutsche Börse*);
- No. 1 in Futures and No. 2 in Options in the Monep futures market (source: *Euronext*) and No. 2 in France for traded warrant volumes (source: *Euronext*);
- No. 1 in the Futures and Options market on the Osaka Stock Exchange in Japan;
- BNP Paribas won the "2004 Equity Derivatives House of the Year" prize awarded by *Risk Magazine*.



# Corporate & Investment Banking

## Fixed Income

Fixed Income's strong product expertise and distribution capabilities have positioned BNP Paribas in the top three Fixed Income players in Europe and have allowed it to build a strong client franchise in Asia, Japan and the USA.

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

The Bank is recognised as a leader in the interest rate and credit derivatives markets, and is a leading player in the global FX market. BNP Paribas provides a complete range of Fixed Income products via a very strong Sales and Marketing platform. In addition, the Bank provides a full array of research products and services. These take the form of written reports offered to each client with a view to providing assistance and advice, and which can be sent to various media players.

The combination of these offerings enables the Bank's clients to benefit from a comprehensive range of personalised services on a worldwide scale, covering numerous markets and currencies. The Fixed Income division employs 1,400 people across the globe.

BNP Paribas is ranked 3<sup>rd</sup> bookrunner for all investment-grade bonds in euros, No. 2 in corporate bonds in euros, No. 5 for all bonds in euros and No. 8 for all Euromarket Issues (*source: IFR*).

## Financing Businesses

### Energy, Commodities, Export and Project Finance (Ecep)

By grouping together within one structure the financing of energy, commodities, export and project finance, 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 organised 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, including reserves financing and structured inventory financing;
- corporate loans for energy, metals and mining activities in industrialised countries;
- commodities derivatives brokerage on organised exchanges and over-the-counter transactions in New York and London;
- export financing, with 15 export desks covering 28 public credit insurers, and some thirty correspondent banks in importer countries;
- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows.

During the year 2003, BNP Paribas was named "2003 Highly Commended Best Commodity Bank" (*Trade Finance Magazine*).

## Structured Finance and Lending

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, LBO financing, Project Finance, optimisation and asset financing, media and telecommunications financing, marine financing and aircraft financing.

In 2003, BNP Paribas held 6<sup>th</sup> position as mandated lead arranger of syndicated loans worldwide and 4<sup>th</sup> position as mandated lead arranger of syndicated loans in the Europe – Middle East – Africa region (*source: International Financial Review of January 2004*). Also in 2003, BNP Paribas was ranked 4<sup>th</sup> as mandated arranger of leveraged loans in Europe (*source: International Financial Review of January 2004*).

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

## 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.

# Retail Banking

## French Retail Banking

French Retail Banking offers its 6 million individual and small business clients, and 60,000 corporate and institutional clients, a comprehensive line-up of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

The network comprises 2,200 branches and 3,200 ATMs, located primarily in the regions with the greatest economic potential. The main region is the greater Paris area, where BNP Paribas has a 15% share of the retail banking market (source: BNP Paribas French Retail Banking market research, market share based on number of branches). French Retail Banking also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of EUR 82,000 have their main bank account with BNP Paribas (source: IPSOS) – and a leading position in the corporate market.

French Retail Banking includes the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor, a factoring company, and BNP Paribas Développement, a provider of growth capital. It employs 30,000 staff in the branches, serving individuals and small businesses, in the Private Banking centres, in business centres, in the Client Relationship Centre (CRC) and in back-offices dealing with after-sales operations.

Since 1997, BNP Paribas has been conducting a major overhaul of its retail banking network, playing a pioneering role in multi-channel banking in Europe. The reorganisation is designed to offer clients the highest standard of service and to enhance the role of client advisers in the branches. The Client Relationship Centre's two platforms in Paris and Orléans deal with calls to the branches and client e-mails. Client relationship management in the Multichannel Bank environment is based on a new work station representing the hub of the system. This work station is now being used by all client advisers in the branches, as well as by the telephone advisers at the Client Relationship Centre.

French Retail Banking is also stepping up its sales drive, geared to the clients of Private Banking in France, backed by 212 Private Banking centres located throughout the country.

In addition, 17 new business centres were set up towards the end of 2003, providing services to companies.

Finally, the division is re-engineering its back-offices into Production and Sales Support branches. Specialised by type of transaction, they span the whole of France and have fully integrated information systems.

## International Retail Banking and Financial Services

Since 11 June 2003, operations formerly making up Financial Services and International Retail Banking have been grouped in the International Retail Banking and Financial Services division. Following this regrouping, Cortal Consors is now attached to Private Banking and Asset Management.

sales, automobile financing and revolving credits.

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

Cetelem is also partner of choice for banks and insurance companies such as Axa, Banques Populaires, Caisses d'Épargne, Dresdner and KBank which value its credit expertise, as well as for new providers of services to private individuals, such as EDF.

Cetelem currently operates in 20 countries, including 15 in Europe.

## Retail Financial Services

### Cetelem

Cetelem is the leading supplier of consumer credit in the Eurozone (source: annual reports of the participants concerned and European Credit Research Institute), with EUR 29.0 billion in outstanding loans as of 31 December 2003 and more than 10,000 staff throughout the world. For the past 50 years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

Cetelem is the benchmark in the industry. Its Aurore card, held by 15 million consumers worldwide, demonstrates Cetelem's ability to innovate. Its high-quality service offerings – backed by outstanding technical expertise and tight risk control – meet most household financing needs, including personal loans, instalment

### UCB

UCB specialises in financing residential real estate purchases by individuals, for both personal and investment purposes. UCB is active in France and, via its subsidiaries, in Spain, Italy, Portugal and the Netherlands.

At 31 December 2003, UCB's managed outstandings totalled EUR 16.3 billion.

UCB markets its products through a network of business referral partners in the real estate industry, such as estate agents and builders, or in some countries brokers, who refer buyers to UCB. Its strengths are specialisation, a commitment to innovation, effective risk management and a high market share among French civil service employees, all of which make UCB a recognised force in residential property financing. Synergies with BNP Paribas' retail

network lends additional power to UCB's existing resources.

Through its servicing business, UCB also makes its tools and expertise available to other industry partners. For instance, it provides Société Générale with IT management services.

At 31 December 2003, UCB's market share was 2.35% for France, 3.25% for Spain and about 1% for Italy and Portugal.

## BNP Paribas Lease Group (BPLG)

BPLG is specialised in providing investment financing for corporate clients and small businesses. With an operating presence in 10 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, and No.1 in France with a market share of some 20% (source: Association Française des Sociétés Financières – ASF –, *Entreprises et Professionnels*), BPLG works in partnership with equipment manufacturers, importers and distributors, with a view to helping them optimise their sales performance by integrating financing into the sale contract. BPLG provides and manages equipment and property financing, marketed by the BNP Paribas banking network to its clients in France and the rest of Europe.

## Contract Hire and Fleet Management

The Contract Hire and Fleet Management unit consists of three groups of companies that offer customised solutions to corporate clients seeking to outsource both 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 PHH
- Heavy goods vehicles: Artegy
- IT related assets: Arius

The flexible products and services offered are designed to meet the clients' needs to remove certain assets from their balance sheets and, more importantly, optimise 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 PHH is the core business's main company. It has direct operations in 16 countries and a leading European position in the long-term leasing and fleet management market, with 600,000 vehicles under its management at the end of 2003.

Arval PHH has a sales and technological agreement with PHH North America, a subsidiary of Avis Group specialised in fleet management which trades under the name of PHH Arval.

## International Retail Banking

### BancWest

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.

In December 2001, BNP Paribas acquired the 55% of BancWest shares it did not already own. This transaction was followed, in March 2002, by the acquisition of United California Bank (UCB) whose operations were merged with those of Bank of the West at the end of the third quarter of 2002.

Bank of the West offers retail banking services to individuals and companies in 6 Western states: California, Washington, Idaho, Nevada, New Mexico and Oregon. Following its merger with UCB, it is now California's 5<sup>th</sup> leading retail bank (source: FDIC 30 June 2003). It also has strong national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church Lending, and Small Business Administration.

With a 40% market share based on deposits (source: FDIC 30 June 2003), First Hawaiian Bank is now Hawaii's leading bank, offering a broad array of products to a local clientele of private individuals and companies.

In total, BancWest has 7,461 employees, 350 branches and some 2 million clients. At 31 December 2003, it had total assets of EUR 38.4 billion.

## Emerging and Overseas Markets

Emerging and Overseas Markets retail banking operations are organised around four geographical areas: Africa-Indian Ocean, French overseas departments and territories, North Africa-Mediterranean Basin, and the Middle East. BNP Paribas is leveraging the expertise acquired in running the branch network in mainland France to drive the development of its subsidiaries in these regions, which represent approximately 350 branches and 1.3 million clients.

BNP Paribas' operations in Africa are organised around the network of the Banque Internationale pour le Commerce et l'Industrie (BICI). With around one hundred branches located in 6 countries (Burkina Faso, Côte d'Ivoire, Gabon, Guinea Conakry, Mali and Senegal), BNP Paribas manages one of the largest banking networks in French-speaking Africa. In the Indian Ocean region, the Group has operations in Madagascar (BMOI) and the Comoro Islands (BIC).

In the North Africa-Mediterranean Basin region, the Group is represented in Morocco by Banque Marocaine pour le Commerce et l'Industrie (BMCI), in Tunisia by Union Bancaire pour le Commerce et l'Industrie (UBCI) and in Algeria by BNP Paribas El Djazair. The Group also has solid local positions in the French overseas departments and territories, where it operates through 49 branches.

In the Middle East, BNP Paribas has operations in Lebanon (BNPI Beirut), Egypt (BNP Paribas Cairo), Cyprus and Djibouti. The Gulf states are served by the regional headquarters in Bahrain, responsible for four territories (Bahrain, Abu Dhabi, Dubai and Qatar).

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

# Private Banking, Asset Management, Securities Services and Insurance

Cardif also operates in 27 countries outside France where it has co-operation agreements with banks and other credit institutions. In certain European countries, products are distributed through networks of independent financial advisers.

BNP Paribas Assurance ranks 4<sup>th</sup> in France among life insurers (*FFSA data*), with a 7.3% market share in terms of total inflows of new money.

## Securities Services

BNP Paribas Securities Services specialises in securities services for companies and financial institutions, including banks, brokerage houses, pension funds, asset managers and insurance companies. In addition to clearing and custody services, BNP Paribas Securities Services offers a wide range of related services, such as securities and cash position financing, collateral management, outsourcing of middle and

back-office functions, fund administration and accounting, performance measurement and attribution analysis, issuer services, retail account management, as well as transfer agent and corporate trust services. As of 31 December 2003, assets held in custody stood at EUR 2,090 billion and the estimated number of transactions handled over the year was 23.4 million.

BNP Paribas Securities Services is ranked number one among European custodians and 5<sup>th</sup> worldwide (*source: Institutional Investor Magazine, ranking published in September 2003 based on assets in custody at end-March 2003*).

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

## Real Estate

BNP Paribas offers a comprehensive range of products and services through its array of property subsidiaries – Meunier, Comadim, Gérer, BNP Paribas Immobilier, Coextim, Antin Vendôme and Espaces Immobiliers. The focus is on adding value by proposing solutions that meet all the needs of a demanding clientele.

BNP Paribas' real estate arm, which also includes the listed property company Klépierre and its management subsidiaries centred around Ségécé, is present in all three segments of the property market: office, residential and commercial. The Bank's property subsidiaries are among the leading players in the market and offer specialised services in Asset Management, Coverage, Cash Flow Financing and Management, Advisory Services, Property Development, Property Appraisal, and Property Management.

In addition to operating in the greater Paris area, BNP Paribas' real estate services subsidiaries are expanding in the Rhône Alpes and Provence Alpes regions, as well as along the French Riviera. Meanwhile, Klépierre is strengthening its leading European position in the shopping centre management market.

## BNP Paribas Capital

BNP Paribas Capital encompasses all of the Group's Private Equity activities. The private equity business consists of investing in the capital of unlisted companies, with the objective of realising a capital gain in the medium-term.

BNP Paribas Capital's specialised teams are organised into independent management companies, each with a dual role:

- advise the BNP Paribas Group on its proprietary portfolio;
- manage or give advice on funds held partly by the Group and partly by outside investors.

BNP Paribas Capital is active in all segments of the Private Equity market.

Large LBOs in Europe are handled by PAI partners.

Dedicated funds managed or advised by BNP Private Equity and its subsidiaries handle medium-sized LBOs and venture capital transactions in France as well as investments in the media and telecommunications sectors.

BNP Paribas Capital aims to continue evolving towards a fund management model, with most invested capital deriving from external sources, while gradually scaling down its proprietary portfolio.



# Private Banking, Asset Management, Securities Services and Insurance

This 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, the division offers fund management and discretionary asset management services, backed by a range of high value-added investor services. It is organised around three business lines:

- Institutional and Private Asset Management, comprising private banking services (BNP Paribas Banque Privée), asset management services (BNP Paribas Asset Management) and Cortal Consors on-line brokerage services;
- Insurance (BNP Paribas Assurance) ;
- Global Securities Services for financial institutions (BNP Paribas Securities Services).

## Wealth and Asset Management

### Private Banking

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

With more than EUR 96 billion in client assets under management, BNP Paribas Banque Privée is the world's 10<sup>th</sup> largest private banking specialist (As of 30 June 2003, source: *Wealth Partnership Review – October 2003*). It is ranked No. 1 in the French private banking market, with EUR 42 billion worth of assets under management and a network of more than 120 outlets nationwide. Its presence is growing rapidly in European domestic markets and already has a strong foothold in the international private asset management capitals of Europe and Asia.

### Asset Management

BNP Paribas Asset Management offers third party asset management services in 24 countries. Its teams of fundamental and quantitative asset management specialists cover all the main asset classes, while the alternative and structured asset management organisation combines dedicated expertise with highly specialised partnerships.

Sales teams are organised by client category in all the countries where BNP Paribas Asset Management operates, to provide client-specific offers and a personalised local service.

BNP Asset Management is now building positions in emerging markets, such as Brazil, South Korea and China, where an asset banking licence was obtained at the end of 2003. These markets represent powerful future growth drivers, as well as investment opportunities for all of the business line's clients.

With a franchise of over 400 institutional clients, BNP Paribas Asset Management had EUR 168 billion worth of assets under management at 31 December 2003. It is a major player in the European investment fund market – as of 30 September 2003 it was Europe's 9<sup>th</sup> leading sponsor (source FERI).

In 2003, Fitch Ratings upgraded BNP Paribas Asset Management's asset manager rating to aa+.

### Cortal Consors

Europe's leading personal investment management company and online broker (source: *Reuters October 2003*), Cortal Consors offers clients its expertise, stock market trading technology and investor advisory experience, together with a broad range of products including short-term investment products, mutual funds and life insurance policies, backed by leading-edge online brokerage technologies.

### Insurance

BNP Paribas Assurance is a holding company that owns the entire capital of Natio Vie and Cardif SA. It also owns half of the capital of Natio Assurance – a non-life insurer – with the remaining half owned by the Axa Group. BNP Paribas Assurance has adopted a multi-brand, multi-partner and multi-country strategy.

Natio Vie and Natio Assurance distribute their products in France via the networks of Retail Banking and Private Banking. Policies cover the whole range of personal insurance, including life, health, death & disability and savings & retirement lines, as well as automobile risks, comprehensive home insurance and educational insurance.

In France, Cardif sells personal insurance, savings and pension products to both individual and corporate clients. Its distribution network includes group companies in the International Retail Banking and Financial Services division, partner banks, brokers, independent financial advisers and direct marketing channels.

The companies' non-brand-specific functions are performed by an inter-company partnership, providing economies of scale.

# History



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- 1966** **Creation of BNP**  
The merger of BNCI and CNEP to form BNP represented the largest restructuring operation in the French banking sector since the end of the Second World War.
- 1968** **Creation of Compagnie Financière de Paris et des Pays-Bas**
- 1982** **Nationalisation of BNP and Compagnie Financière de Paris et des Pays-Bas along with the nationalisation of all leading French banks.**  
In the 1980s, deregulation of the banking sector and the growing tendency of borrowers to raise funds directly on the financial market transformed the banking business in France and worldwide.
- 1987** **Privatisation of Compagnie Financière de Paribas**  
With 3.8 million individual shareholders, Compagnie Financière de Paribas had more shareholders than any other company in the world. Compagnie Financière de Paribas owned 48% of the capital of Compagnie Bancaire.
- 1993** **Privatisation of BNP**  
BNP's return to the private sector represented a new beginning. During the 1990s, new banking products and services were launched, the Bank expanded its presence in France and internationally, and prepared to reap the full benefits of the introduction of the euro. Privatisation also significantly boosted the Bank's profitability – in 1998, it led the French banking industry in terms of return on equity.
- 1998** **Creation of Paribas**  
On 12 May 1998, the shareholders of Paribas approved the merger between Compagnie Financière de Paribas, Banque Paribas and Compagnie Bancaire.
- 1999** **A benchmark year for the Group**  
Following an unprecedented double tender offer and a stock market battle waged over six months, BNP was in a position to carry out a merger of equals with Paribas. For both groups, this was the most important event since their privatisation. At a time of economic globalisation, the merger created a leading player in the European banking sector, poised to compete on a global scale.
- 2000** **Creation of BNP Paribas**  
Merger of BNP and Paribas on 23 May 2000  
Building on strong banking and financial services businesses, the new Group's objectives are to create value for shareholders, clients and employees by building the bank of the future and becoming a benchmark player in the global market.

# 2003

**A sharp increase in operating performance in a difficult environment**

BNP Paribas is the most profitable bank in the Eurozone. Throughout 2003, the Bank posted strong growth in its operating performance, against an improved overall economic backdrop – albeit still tough in Europe – and despite the negative impacts of the fall of the dollar.



# Executive Committee

At its meeting on 11 June 2003, the Board of Directors of BNP Paribas determined the conditions for splitting up the functions of Chairman and Chief Executive Officer. This change had been approved in principle on Michel Pébereau's recommendation at the Board meeting on 14 May, prior to the Annual Shareholder's Meeting.

Michel Pébereau chairs the Board of Directors in accordance with the law, the Company's Articles of Association, and best corporate governance practices.

The Board sets the orientations for BNP Paribas businesses and ensures that they are implemented.

In close cooperation with Executive Management, Michel Pébereau represents the Group in its high-level relations, particularly those involving major clients and ensures that good shareholder relations are established and maintained.

Baudouin Prot has been named Chief Executive Officer. Accordingly, he manages the Group and has been given full powers. He supervises the Group's core businesses and functions.

On Baudouin Prot's recommendation, the Board of Directors has appointed Georges Chodron de Courcel and Jean Clamon as Chief Operating Officers and corporate representatives. Their mission is to assist the Chief Executive Officer with carrying out his functions.

#### **Consequently:**

- Responsibility for Corporate and Investment Banking (CIB) has been entrusted to Philippe Blavier.
- Responsibility for Retail Financial Services (RFS) and International Retail Banking (IRB), regrouped under the name International Retail Banking and Financial Services (IRFS), has been entrusted to Pierre Mariani.
- At the same time, Cortal Consors - Europe's leading on-line broker - has been placed under the responsibility of the Asset Management and Services core business.
- Responsibility for the other core businesses - French Retail Banking (FRB) and Asset Management and Services (AMS) - remains entrusted to Jean-Laurent Bonnafé and Vivien Lévy-Garboua, respectively.

#### **Responsibilities within Executive Management have been attributed as follows:**

- Georges Chodron de Courcel is specifically in charge of coordinating Corporate and Investment Banking (CIB) as well as Asset Management and Services (AMS).
- Jean Clamon is specifically in charge of coordinating French Retail Banking (FRB) and International Retail Banking and Financial Services (IRFS).

#### **The following individuals report directly to the Chief Executive Officer:**

- Dominique Hoenn, BNP Paribas Senior Adviser in charge of market risks and asset/liability management, who also represents the Group in its dealings with market and industry bodies.
- Amaury-Daniel de Seze, Head of BNP Paribas Capital. BNP Paribas has given up control over the fund management company PAI, which manages its funds in a completely autonomous manner.





**A** Baudouin Prot,  
Chief Executive Officer

**B** Georges Chodron de Courcel,  
Chief Operating Officer

**C** Jean Clamon,  
Chief Operating Officer

**D** Amaury-Daniel de Seze,  
Head of BNP Paribas Capital

**E** Philippe Blavier,  
Head of Corporate and Investment Banking

**F** Jean-Laurent Bonnafé,  
Head of French Retail Banking

**G** Philippe Bordenave,  
Head of Group Development and Finance

**H** Hervé Gouëzel,  
Head of Group Information Systems

**I** Bernard Lemée,  
Head of Group Human Resources

**J** Vivien Lévy-Garboua,  
Head of Asset Management and Services

**K** Pierre Mariani,  
Head of International Retail Banking and  
Financial Services



# A new organisation



To strengthen its European positions, expand origination capabilities and leverage its potential for growth in the corporate and investment banking market, BNP Paribas has set up a new integrated group, known as **Coverage and Territories Europe (CTE)**. CTE is responsible for covering strategic client relationships and relationships with large corporates, as well as for leading operations in the European territories.

Outside Europe, the **Coverage and Territories International (CTI)** group covers strategic and large corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, as well as leading operations in the corresponding Corporate and Investment Banking territories.

Lastly, the **Financial Institutions Group (FIG)** is the integrated group responsible for covering relationships with financial institutions (banks, insurers, supranational organisations, etc.) throughout the world.

These sales teams market all of the products offered by the Group and its subsidiaries. CTE and CTI client relationship managers have an excellent understanding of their clients' industrial strategies and day-to-day management concerns, making them the preferred partners of the Group's large corporate clients and enabling them to effectively coordinate the activities of product specialists.

With a client base comprising some 11,000 corporates and institutions, the new CTE and CTI groups will enhance integration of the specific features of these markets, and particularly their regional characteristics, with a focus on promoting revenue generation across product lines and developing cross-selling.

Based in 20 countries worldwide, the 65-strong FIG (Financial Institutions Group) team manages relationships with 450 institutional clients, including insurers, pension funds and asset managers, supranational organisations, banks and central banks. FIG's experts have built long-term client relationships, rooted in their excellent understanding of each client's business. Thanks to the quality of services provided, BNP Paribas is viewed as the benchmark bank by institutional clients, with a very strong reputation compared with its main competitors. FIG owes its success in no small measure to its close cooperation with the other business lines, mainly Fixed Income, Equities, Asset Management and BNP Paribas Securities Services.



## Record capital increase for France Télécom

France Télécom's EUR 15 billion capital increase – for which BNP Paribas was the global coordinator and lead arranger – broke a number of different records. Not only was it the biggest capital increase ever carried out in Europe, but its innovative structure – developed jointly with France Télécom – enabled the company to reduce the ordinary timescale for such deals by almost a third and therefore ensure the success of the transaction in extremely volatile market conditions.

## Corporate Finance

Despite the challenging economic backdrop, Corporate Finance strengthened its positioning in Mergers & Acquisitions and reaped the benefits of the stock market upturn for its Primary Equity Markets business.

### BNP Paribas Corporate Finance, the world's No. 3 player in the media sector

Corporate Finance boasts strong expertise in the media sector, with a specialised team based in Paris and London, and correspondents in North America and Asia.

The media industry is constantly developing and changing, as illustrated in the wave of high-profile mergers and acquisitions in 2003. Against this backdrop, Corporate Finance has succeeded in positioning itself as an advisory bank for transactions representing EUR 18 billion. The main transactions during the year were:

- Telefonica's sale of 25% of Antena 3 to Planeta;
- the June acquisition of Seat Pagine Gialle by Investitori Associati, CVC, BC Partners and Permira;
- the merger of Vivendi Universal Entertainment (VUE) and NBC in the United States to create a new entity, 80%-owned by General Electric and 20% by existing VUE shareholders.

In the Mergermarkets rankings, BNP Paribas held the No. 3 slot worldwide for mergers and acquisitions announced in the media industry in 2003.

In 2003, BNP Paribas remained a key mergers & acquisitions player in France, participating in most of the year's major transactions and coming in at No. 1 in the Dealogic rankings. During the year, BNP Paribas defended Pechiney against the offer made by Alcan, advised the two major shareholders on the sale of Sophia, liaised with the French government in relation to Air France's acquisition of KLM, and advised CDC on the merger between Caisses d'Épargne and Eulia. BNP Paribas was involved in several significant transactions at a European level, thanks to Corporate Finance's increased focus on this region: it advised Kingfisher on its de-merger with Kesa and was involved in the sale of the Italy-based insurer, Toro as well as the merger between the breweries, Interbrew and Spaten-Franziskaner.

For the Primary Equity Markets, 2003 saw a high number of share increases with pre-emptive subscription rights for existing shareholders. These operations raised some EUR 48 billion in Europe, helping companies to strengthen their balance sheets or finance growth. BNP Paribas managed several key transactions, including EUR 15 billion for France Télécom – the largest transaction of this kind – and a EUR 1.3 billion capital increase for Lafarge. Continuing low interest rates had a positive impact on equity linked products, with over EUR 40 billion worth of issues carried out during the year. BNP Paribas is ranked No. 3 by Dealogic Bondware in Europe for these issues based on the number of transactions managed. Transactions in 2003 included a EUR 1.1 billion issue for PPR and USD 0.8 billion worth of securities issued by Glencore exchangeable for Xstrata shares.

(source : Thomson Financial).



## BNP Paribas named Equity Derivatives House of the Year by *Risk Magazine*

At the 2004 Risk Awards organised by *Risk Magazine*, BNP Paribas was named Equity Derivatives House of the Year, in recognition of its world leadership in equity derivatives. The world's largest buyers of structured products gave BNP Paribas top marks for successfully meeting investors' needs in 2003 by offering them straightforward, innovative products based on equities, indexes and investment funds. BNP Paribas also won acclaim for its five-star service, a key requirement of major distributors.

## Equities

### 2003 will go down as the year when BNP Paribas won recognition as one of the world's leading players in Equities

At the 2004 Risk Awards organised by the highly-respected *Risk Magazine*, BNP Paribas was named Equity Derivatives House of the Year, in recognition of the excellent overall performance of the Equity Derivatives business (see inset). Acclaimed and recognised by both clients and the industry, the Bank also finished very high up in the league tables on the world's largest markets. It was ranked No. 2 on the Euronext stock market (source: Euronext), No. 3 on the German equities brokerage market (source: Deutsche Börse), No. 1 in futures and No. 2 in options on the Monep traded options market (source: Euronext), No. 2 in warrant trading volume in France (source: Euronext) and No. 1 in futures and options trading on Japan's Osaka Stock Exchange.

These very strong performances were achieved in a rapidly changing environment. In 2003, the three-year decline in the world's stock market indexes finally came to an end. The Dow Jones (USA) ended the year up 25%, the Nasdaq (USA) gained 50%, the Nikkei 225 (Japan) 24%, the Hang Seng (Hong Kong) 35%, and the Eurotop 300 (Europe) 12%. In certain segments, client trading volumes started to pick up after a long period in the doldrums. However, the process of industry restructuring continued throughout the year, with widespread moves to scale back equities brokerage capacity, ring-fence research activities and focus on equity derivatives.



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**BNP PARIBAS**  
thanks its clients for making it  
a world-class Equity Derivatives House

**Risk  
AWARDS  
2004**

**BNP PARIBAS**  
EQUITY DERIVATIVES HOUSE OF THE YEAR  
"BNP Paribas gets top marks for ideas generation,  
but its service is as important as pricing."  
Risk magazine Awards 2004

As a leading corporate and investment bank, BNP Paribas delivers innovative equity derivatives solutions with superior product origination, execution and service, and a solid commitment to every client. But our reach and expertise don't stop there. BNP Paribas provides an extensive range of sophisticated financial products and services around the world for all our clients' needs.

[www.bnpparibas.com](http://www.bnpparibas.com)

The bank for a changing world

**BNP PARIBAS**



- The Group also put down roots in China, forming an investment banking joint venture with local securities house Changjiang Securities to broaden the franchise already acquired by BNP Paribas Peregrine.
- In the United States, BNP Paribas acquired Zurich Capital Markets' fund derivatives portfolio and teams. This acquisition has raised the Group to the position of world leader in the fast-growing fund derivatives market. It has also strengthened BNP Paribas' position in equity derivatives, a market where the Group is recognised worldwide for its innovation capabilities in developing and structuring new equity and index derivatives.

## Equity Derivatives teams, a unique blend of local expertise serving a global business

- 500 front office staff, including 150 salespeople representing 30 different nationalities, who have a deep understanding of their clients' cultures and environments and speak their language;
- Five regional platforms serving clients in 60 countries;
- A first-rate international trading strike force.

### 2003 Risk Awards

- **Exotic Options**
  - No. 1 for basket options
  - No. 1 for binary/digital, barrier and worst-of options
  - No. 2 for index options
  - No. 2 for ratchet, barrier and look-back options
- **Index Options**
  - No. 1 for Nasdaq 100 options
  - No. 2 for Nikkei 225 and SMI options
  - No. 3 for S&P 500 and DJ Euro Stoxx 50 options
- **Flow Options**
  - No. 2 for reverse convertibles in France
  - No. 2 for warrants in France

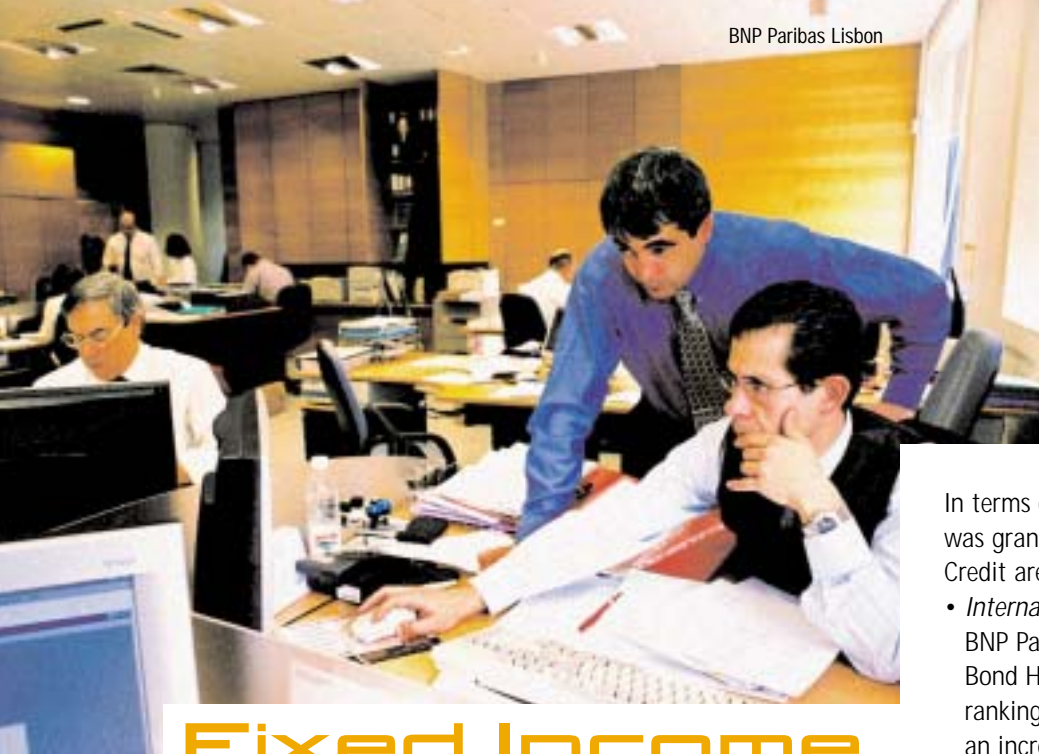
### 2003 Asia Risk interbank ranking: BNP Paribas named Best Dealer

- No. 1 for structured equity products in Japan
- No. 1 for Asian index options (excluding Japan)
- No. 2 for Asian structured equity products (excluding Japan)

## The Equities business was extensively strengthened in 2003, on the back of decisive strategic and marketing breakthroughs

Faced with increasingly demanding clients and escalating competition, BNP Paribas made major breakthroughs in all of its Equities businesses, by bolstering product and service lines and securing key positions in geographic markets with strong growth potential:

- In the European institutional brokerage market, BNP Paribas joined forces with Exane, a French company that is Europe's largest independent stockbroker, to form Exane BNP Paribas.
- In Asia, the Group kept up the strategic development of its investment banking subsidiary, BNP Paribas Peregrine, which the industry once again named Small and Mid-Cap Equities House of the Year (*source: IFR Asia*).



## Fixed Income

In 2003, the Bank has benefited from a favourable market environment which has resulted in an increase of client revenues in all the four regions where the bank operates as well as an increase of the value-added part of client revenues. Overall, the deepening of the client franchise combined with exceptionally high trading revenues has driven profitability to substantially improved levels.

BNP Paribas provides a complete range of Fixed Income products to Debt Management professionals, ranging from the simplest financial instruments to in-depth specialist advice on the most complex of Debt Management challenges. BNP Paribas operates the second largest balance sheet in Europe and trades with an AA-/Aa2/AA<sup>(1)</sup> rating. From this formidable platform, the bank has built a comprehensive Fixed Income capacity with a client-driven approach that is backed up by strong Legal and Operations expertise.

The Bank has continued to optimise its business structure in 2003:

- Cash and Derivatives trading teams have been merged for interest rates and global credit;
- The Forex platform has been streamlined with the centralisation of trading in a few hubs;
- Sales forces in the US, Japan and Asia have been rationalised between derivatives and cash products (bonds).

(1) Ratings attributed by the rating agencies Standard & Poor's, Moody's and Fitch Ratings

In terms of market recognition, BNP Paribas was granted the following awards in the Global Credit area:

- *International Financing Review* named BNP Paribas Euro Investment-Grade Corporate Bond House of the year in 2003, after its ranking edged up to No. 2 from No. 3 with an increased market share of 8.7%;
- BNP Paribas ranked No. 1 for trades done on the Market Axess platform;
- BNP Paribas was ranked 2<sup>nd</sup> lead-arranger of synthetic CDOs for Q3 in CreditFlux, and in December 2003 Asia Risk rated BNP Paribas No. 1 in Japan.

In the interest rates area, BNP Paribas has confirmed its position in particular regarding innovative products such as inflation swaps, as witnessed by the rankings shown in the September 2003 Global Derivatives Survey, *Risk Magazine*, where the Bank stands as 2<sup>nd</sup> in the Eurozone and 3<sup>rd</sup> in America.

Alongside the products and transaction services BNP Paribas offers to its Fixed Income clients through classic channels, the Bank also offers a full range of Internet solutions. As an example, in the Forex area, BNP Paribas's Forex portal was mentioned as "Highly Commended Website" in the best online Forex research and analytics category from the Euromoney Technology awards in December 2003, and BNP Paribas ranks 10<sup>th</sup> out of 44 providers in FXAll for RFOs dealt.



# Credit and Structured Finance

For Structured Finance, 2003 was a year of strong growth across all businesses, leading to significant worldwide market share gains. BNP Paribas was named European Loan House of the Year by *IFR* (*International Financial Review*), reflecting market

recognition of the Bank's vanguard position as arranger and book-runner for syndicated financing deals such as corporate loans, acquisition financing, leveraged finance and asset financing.

In a year when large-scale mergers and acquisitions were rare, BNP Paribas was selected to act as mandated lead-arranger for the Olivetti/Telecom Italia financing, winner of the European Loan of the Year award.

In the more active mid-sized mergers and acquisitions market, the Bank enjoyed further growth in Europe.

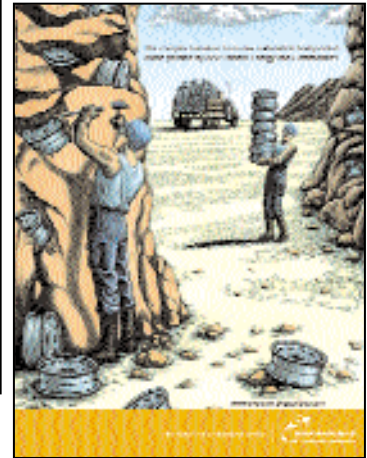
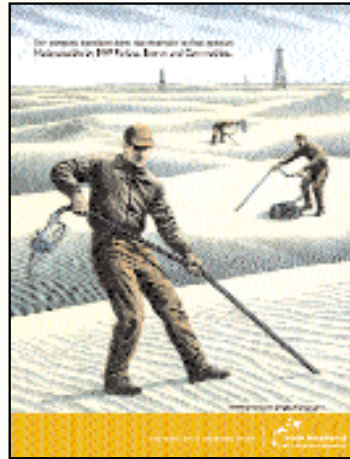
Highlights of the year included arranger mandates for acquisitions by Pierre et Vacances in France and Kesa in the UK. The Bank also had a successful year in the United States, arranging financing for the acquisition carried out by Intelsat.

In 2003, BNP Paribas confirmed its position among the top-ranking players in the European Leveraged Finance market. Among the success stories was the lead manager mandate for the Seat LBO in Italy, named European Deal of the Year. In the Média & Télécoms sector, the leading European cable operators restructured their businesses, against a backdrop of renewed growth driven by rising demand for Internet services. BNP Paribas was selected to lead-manage numerous financing deals in this sector, including those for Casema in the Netherlands and for Optimus in Portugal.

Activity levels in the asset financing market were also high. In aircraft financing, BNP Paribas won three Deal of the Year awards, in Europe (Aeroflot), the United States (CIT) and Asia (Singapore Aircraft Leasing Enterprise). In marine financing, the Bank earned plaudits for the financing of the Bergesen acquisition by Hong Kong's Worldwide Shipping. Lastly, Capstar, the Bank's tax lease specialist, chalked up numerous successes, not only in France but also in the United Kingdom and the United States.







## Energy, Commodities, Export, Project Finance (Ecep)

### BNP Paribas finances wind-powered generation

Over the past ten years, there have been remarkable developments in the area of wind power, which offers an alternative to standard energy sources, promotes greater diversity in power supply and uses an inexhaustible, clean resource. In 2003 BNP Paribas financed several wind turbine projects in Greece, the United Kingdom, Spain and the United States.

Ecep offers financing on a short- to long-term basis, in the areas of energy, commodities and infrastructure, particularly in emerging countries. Ecep is an integrated platform of products and services covering all financing needs arising during the various phases of the operating cycle.

In 2003, all Ecep operations experienced satisfactory growth, especially commodities and energy financing, despite the sharp deterioration in euro-to-dollar exchange rates.

- Financing of commodities trading was boosted by high oil prices throughout the year, with strong momentum in the United States and also in the areas of metals, soft commodities and coal.
- Structured financing achieved earnings growth through broader geographic coverage, notably for soft commodities in Latin America, and by expanding the offer of structured products in Asia. This business also extended its operations to Eastern Europe and the North Sea as a result of developing the financing of oil reserves.

- Derivatives operations grew vigorously throughout the year owing to volatility in energy and metals markets and also thanks to the Group's expanded array of products and services on offer, with the opening of a desk in Singapore.

In a market that remains as highly competitive as ever, export finance proved very buoyant in 2003. The Bank's strategy of diversifying into multisource loans, combined with a stronger sales presence in buyer markets, enabled it to bolster its leadership position in the French market and to regain lost ground in foreign markets.

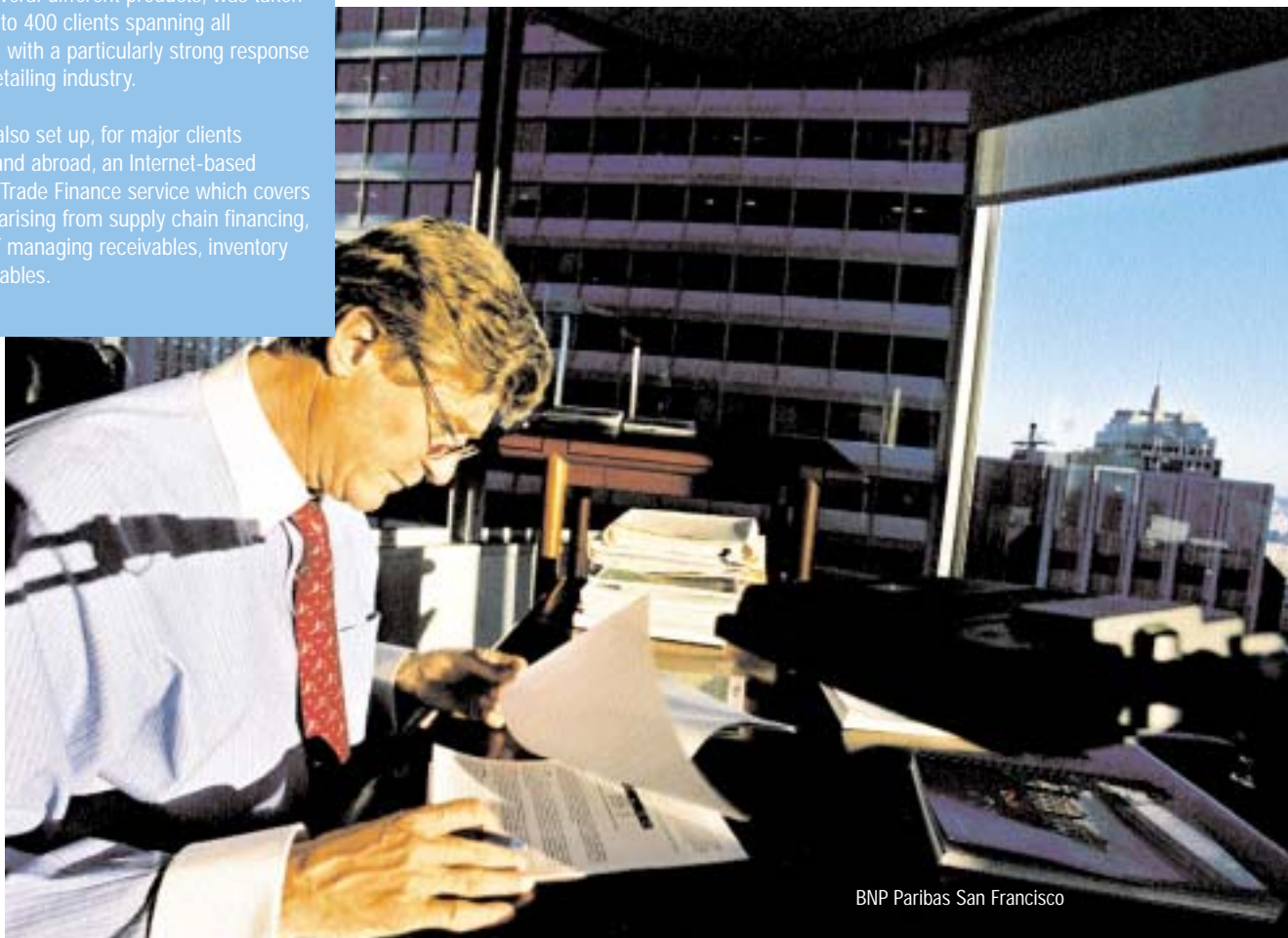
## Global Trade Services – financing international trade

Global Trade Services has strengthened its position as one of the world leaders in Trade Finance, with unrivalled leadership in the French market, thanks in part to the high-quality services provided by its global network of 65 Trade Centres.

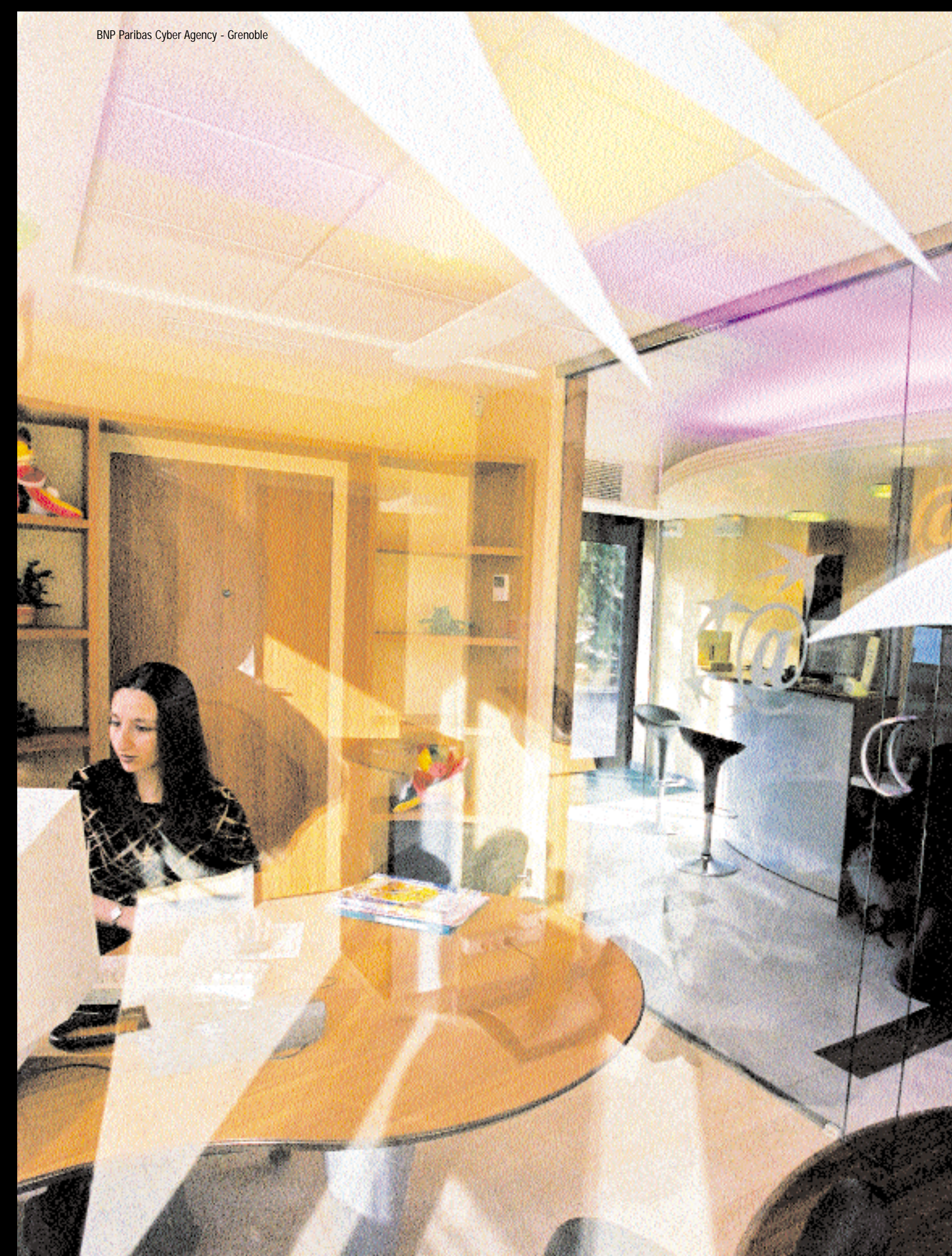
The year 2003 saw the successful launch, in no less than 30 countries, of Connexis Trade, a secure Internet workstation that allows clients to electronically manage their import and export trade transactions, as well as international insurance. This facility, provided through several different products, was taken up by 350 to 400 clients spanning all continents, with a particularly strong response from the retailing industry.

The Bank also set up, for major clients in France and abroad, an Internet-based structured Trade Finance service which covers the needs arising from supply chain financing, in terms of managing receivables, inventory and/or payables.

Lastly, in project finance, the Bank expanded beyond its traditional segment of energy by becoming actively involved in infrastructure financing, particularly in the United Kingdom where it took part in a large number of public-private partnerships based on the government's Private Finance Initiative. The geographic scope of project finance was also broadened as a team set up operations in Spain and the Bank entered Eastern European markets.











# Retail Banking

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Retail Banking  
in France

Financial services  
and International  
Retail banking





# French Retail Banking

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In 2003, French Retail Banking turned in a strong earnings performance, in tandem with seeking to enhance client satisfaction. During the year, it continued to make strides in expanding its franchise, backed by Multichannel Banking, the Private Banking Centres and the new Trade Centres that have helped to better meet client needs by enabling synergies to be fostered with other BNP Paribas divisions.

# Individual clients

The deployment of Multichannel Retail Banking was completed in early 2003. Its key features – a special workstation for branch advisers, the Client Relations Centre and the [bnpparibas.net](http://bnpparibas.net) portal – have created new ways of generating more frequent and closer contact with clients, leading to enhanced service quality and a very robust sales performance.

## Electronic payments

By launching its Visa Infinite card in 2003, BNP Paribas provided its high-end clientele with an innovative range of value-added services. This card was an instant success, with nearly 10,000 sold. As a leading player in Private Banking, BNP Paribas is ideally placed to understand the needs of a demanding clientele and to build into the Visa Infinite card services that are both time-saving and easy to use.

In addition to being a very high-end credit card, Visa Infinite offers customised services on a 24/7 basis through a highly sophisticated call centre, including priority access to reservations for taxis or car rentals, travel or vacation planning from start to finish, as well as access to a full array of cultural events and leisure activities.

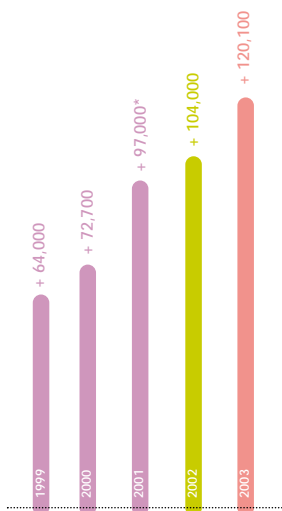




### Faster growth in new accounts

In 2003, French Retail Banking made further strides in new account growth, raising the number of personal accounts by a net 120,100 compared with 104,000 in 2002.

Growth in the number of personal bank accounts



\* plus 30,000 new clients from the Treasury network

These strong results were mainly driven by initiatives targeting young and very young clients:

- At the end of 2002 the Group launched Weezbee, an account bearing 4% interest that can be opened at birth;
- In September 2003 Spunky was rolled out – a product designed to help young people entering professional life.



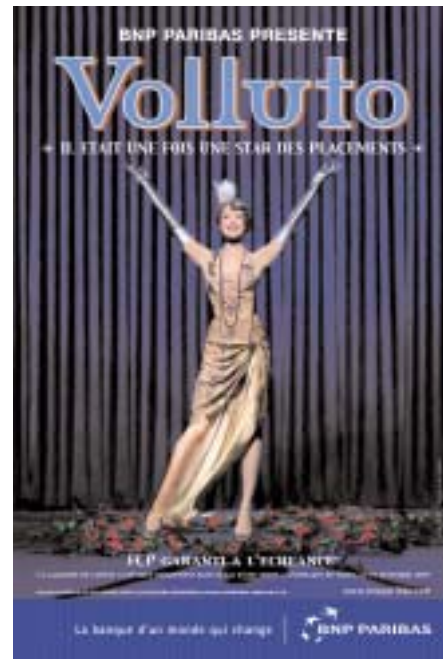
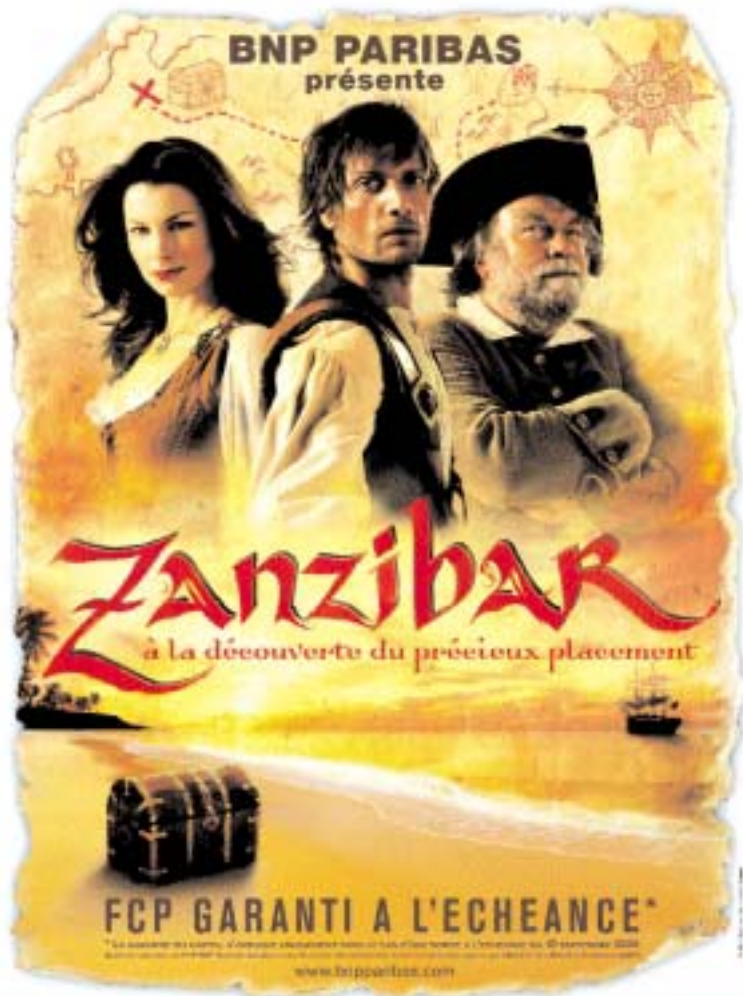
- During the year, partnerships were signed with companies that are well-established providers of services to young people, including the student health insurance company La Mutuelle des Étudiants (LMDE).

### Vigorous growth in loan distribution

The pace of client acquisitions was also buoyed by the distribution of mortgage loans, an area in which BNP Paribas plays a very active role. The number of new loans totalled some 110,000 amounting to EUR 9.4 billion. Against a fiercely competitive backdrop, French Retail Banking increased its market share for outstanding mortgage loans to individual clients to 7.30% at the end of October 2003.

Backed by strong advertising campaigns for the "Crédit Power" and "Un amour de crédit" products, new instalment consumer loans totalled EUR 2.25 billion, up 25% in relation to 2002. This helped to increase French Retail Banking's market share for consumer loans to 9.29% at the end of October 2003, up from 8.70% at 31 December 2002.





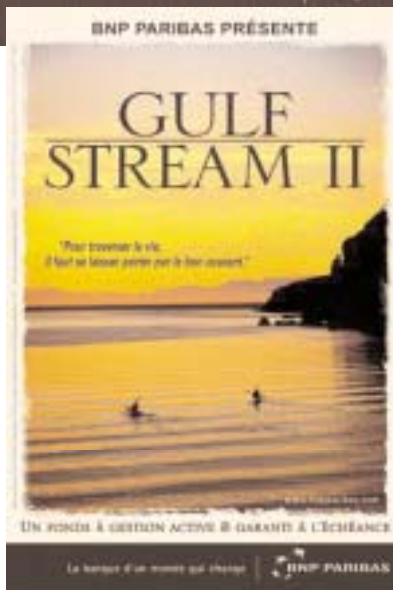
### Continued growth in savings products

Growth in household savings products outpaced market trends, with funds invested in savings accounts climbing 18.3% over the course of the year.

Following the success of K2 in 2002, French Retail Banking took another innovative step in 2003 by launching Z2, which combines a savings account with a guaranteed fund. The move proved successful, as EUR 960 million were collected in just six weeks.

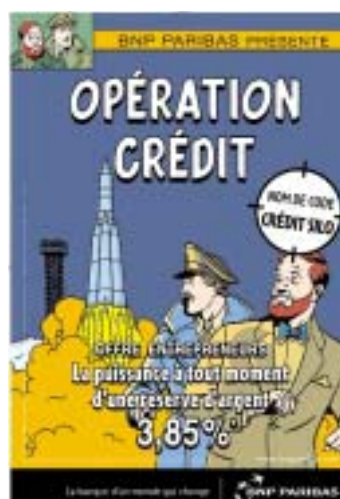
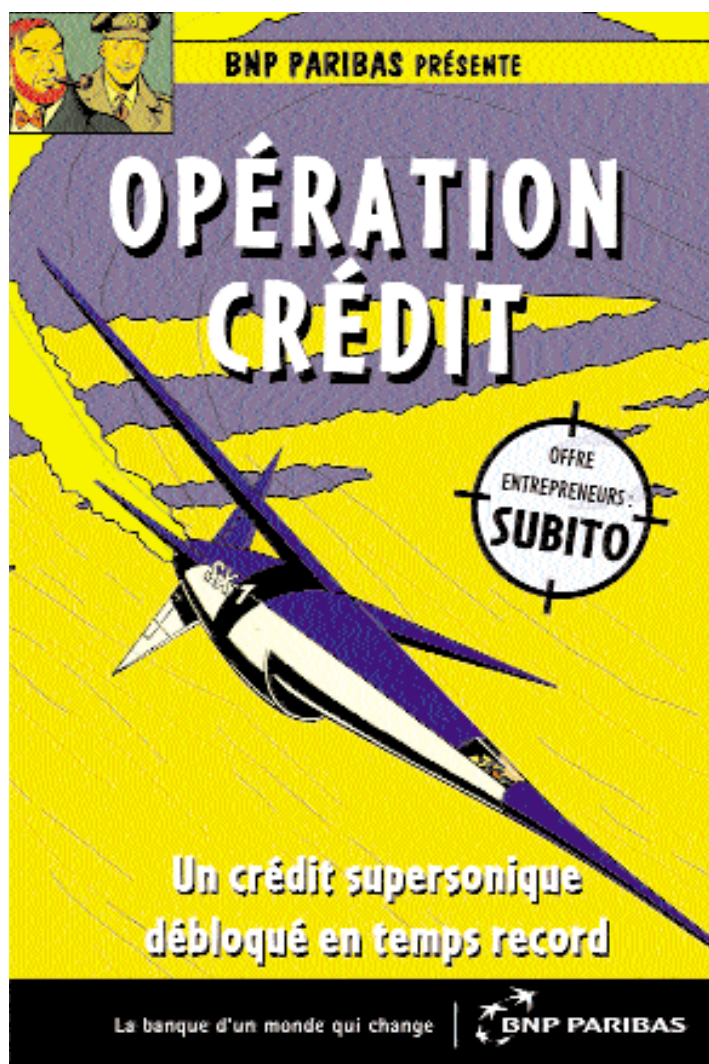
French Retail Banking captured additional market share in medium- to long-term mutual funds, with a particularly strong increase in guaranteed funds. Despite an unsettled financial environment, the Gulf Stream 2, Speeder and Volutto offers encountered considerable success.

These offers helped create a 12% growth in life insurance revenues and ensured that a strong proportion (much higher than the market average) of the new money invested in savings went to unit-linked products.





# Entrepreneurs and Freelance professionals



## A sales development project

To provide more reactive and rapid service to clients who run individual or small-sized businesses, and to freelance professionals, French Retail Banking has set up a specific sales unit within groups of branches placed under the leadership of sales managers and backed by experts in the fields of credit, payment transactions and payment instruments.

The aim is to expand this business and deepen relations with the dynamic clientele of entrepreneurs and freelance professionals, through prospecting, pursuing a proactive loan distribution policy and seeking out opportunities to provide both personal and professional banking services.

## Promising early results

At 31 December 2003, half of the groups of branches had adopted this new sales structure. Early results are promising, as they show new investment loans up 24% in relation to 2002.

# Corporate clients

## Business Support Services

Business Support Services, based at the Grande Arche de La Défense in Paris, represent a facility of a new kind in the French banking industry. It comprises a team of professionals who answer questions put to them by BNP Paribas's business clients in France by telephone or e-mail, using personal access codes to guarantee confidentiality. Covering issues ranging from daily account management to payment instruments or accounting entries, Business Support Services is a centralised point of entry whose objective is to simplify relations between BNP Paribas and its clients, and constantly enhance the quality of services offered.

## A new approach to businesses in 2003

To respond to client demands for more specialised services and to establish BNP Paribas as a leading bank in the corporate market, French Retail Banking decided to leverage the Group's wealth of different products and roll out distinct sales campaigns for each segment of this market. A new specialised system is thus being implemented, consisting of:

- Trade Centres, whose management and marketing teams deal exclusively with corporate clients. These centres are gradually being set up throughout the country and totalled 17 at 31 December 2003, which should increase to 26 in 2004;
- A number of high-ranking managers who are exclusively dedicated to tracking the needs of the largest clients;
- A highly professional after-sales support department able to answer all client questions, which takes on the management of corporate accounts as and when trade centres are opened;
- An institutional advertising campaign that highlights how BNP Paribas Entreprises' expertise plays a key role in our clients' projects.

## Trade Centres in France and Regional Trading Rooms

BNP Paribas GTS, a foremost world-class player in Trade Finance, consolidated its leadership position in the French market in 2003 both for import and export documentary credits and for international guarantees. The robust sales results posted in France against a challenging economic backdrop reflect the combination of the high professional standards of some 40 sales staff working in 10 Trade Centres, the strength of the worldwide network of the 65 Trade Centres, as well as the wide range of Trade Finance products and services that is constantly being enriched.

## Key Account Managers

### Their mission

Each Key Account Manager is in charge of overseeing overall relationships with some twenty major corporate clients of French Retail Banking.

These individuals are experienced bankers with an in-depth knowledge of the Bank's products and services. They work closely with the Trade Centres, the International Network and business line specialists, to offer customised solutions in such varied areas as bank financing, debt issues, international trade, external growth, hedging of interest-rate/currency risks, cash management and real estate.

### Benefits for clients

The largest clients of French Retail Banking benefit from comprehensive monitoring of their accounts, overseen by a single high-level contact person.

Thanks to a clear view of the challenges faced by each company in question and deep knowledge of the client, the Key Account Manager can provide solutions that take into consideration all aspects of the client's situation.

Key Account Managers are based at regional head offices to allow a close and effective relationship with their clients, and they are in constant contact with the Bank's Executive Management.



The year 2003 saw the successful launch of Connexis Trade, a secure Internet portal enabling clients to manage their international trade transactions online. Over 200 French companies have subscribed to this service to date, particularly in the mass retail sector. For example, Carrefour – the world's second largest retailer – has entrusted BNP Paribas with the worldwide management of its import documentary credits.

French Retail Banking's 7 regional trading rooms and their 35 trading specialists offer French companies and institutions tailored solutions for hedging interest rate, currency and investment risks.

In 2003, the derivatives unit posted an increase in net income of 50%, spurred by new clients and the sale of new products such as Flexiterme, a flexible currency hedging solution. The investment business also enjoyed strong expansion thanks to the marketing of capital guaranteed structured funds.

Hedging solutions offered to clients will be further bolstered in the coming months on the back of close links established between the Trade Centres and the Regional Trading Rooms.

### BNP Paribas Cash Management

BNP Paribas provides an array of solutions, both domestic and international for payment, collection and cash management, suited to companies of all sizes. BNP Paribas is the French leader in cash management and one of the leading European players in this strategic business, with over 500 specialists worldwide.



BNP Paribas is pursuing a client-centred strategy based on quality, with value-added services that have won ISO certification. This includes tailor-made solutions for client companies, devised by financial engineering and implementation teams, as well as personalised and proactive tracking of transactions through the Cash Client Service which acts as a centralised point of entry and sole contact for 250 major clients with specific needs.

Through its partnership with other network banks in Europe and the United States, BNP Paribas Cash Management is also able to give its clients access to a combined network of 12,000 branches worldwide.

As part of its constant search for innovation, BNP Paribas has pioneered along with its client Arcelor – the global leader of the steel industry – the development of SwiftNet, a service that makes the Swift banking communications network available to major multinational corporations.

### **Products and services offered by the Group as a whole**

BNP Paribas draws upon the skills of all Group businesses, including Private Banking, Retail Financial Services, Corporate and Investment Banking, and Asset Management, to reach out to companies and institutions. In 2003, the Group garnered a number of impressive successes in selling interest rate and currency hedging products, as well as in structured financing, long-term financing, and specialised financing (such as leasing and factoring), and in cash management and innovative investments. These successes were achieved by targeting marketing opportunities that enabled the sales teams from the Trade Centres and specialised businesses to work together in a coordinated fashion to provide clients with the best possible service.

### **After sales support**

As planned, network back offices are gradually being merged into Production and Sales Support Branches (PSSBs).

At 31 December 2003, there were 38 PSSBs, combined into 10 Production and Sales Support Groups, with a total of nearly 3,000 employees. The new system is due to be completed in 2004, with the creation and ramp-up of nearly 30 PSSBs.

Alongside this reorganisation of back offices, the revision of all operational procedures is being continued, with a view to optimising and standardising them.

This major upgrade in the data processing and sales support system is generating savings that are in line with forecasts, in terms of both amount and schedule.







# International Retail Banking and Financial Services

The International Retail Banking and Financial Services Division counts some 30,000 employees in 54 countries. Set up in June 2003, it groups six business lines: Retail Banking in the United States, Retail Banking in the Emerging Markets and Overseas Network, Consumer Financing, Corporate Capital Equipment Financing, Property Financing for Private Individuals, and Contract Hire and Fleet Management. These business lines are all rooted in the values of autonomy, corporate spirit, strong earnings performance and swift responsiveness. Leveraging their strategic fit, they can unleash synergies and benefit from cross-selling, placing them at the heart of BNP Paribas' growth strategy.

# Cetelem

For the first time in its history, Cetelem – the Eurozone’s No. 1 supplier of consumer credit – generated more than half of its business outside France, topping the EUR 10 billion mark. Altogether, new lending climbed 8% year-on-year to EUR 19.9 billion, boosting managed loans to EUR 29 billion, a 4% increase on the 2002 figure.

- In France, where Cetelem ranks No. 1, new lending advanced 2% to EUR 9.8 billion despite the lacklustre economic environment. The Cetelem Group reported a 10% surge in business, buoyed both by the contribution from Crédit Universel and by the strong performance of Facet, the finance company behind the credit operation of Conforama, a brown and white goods retailer.

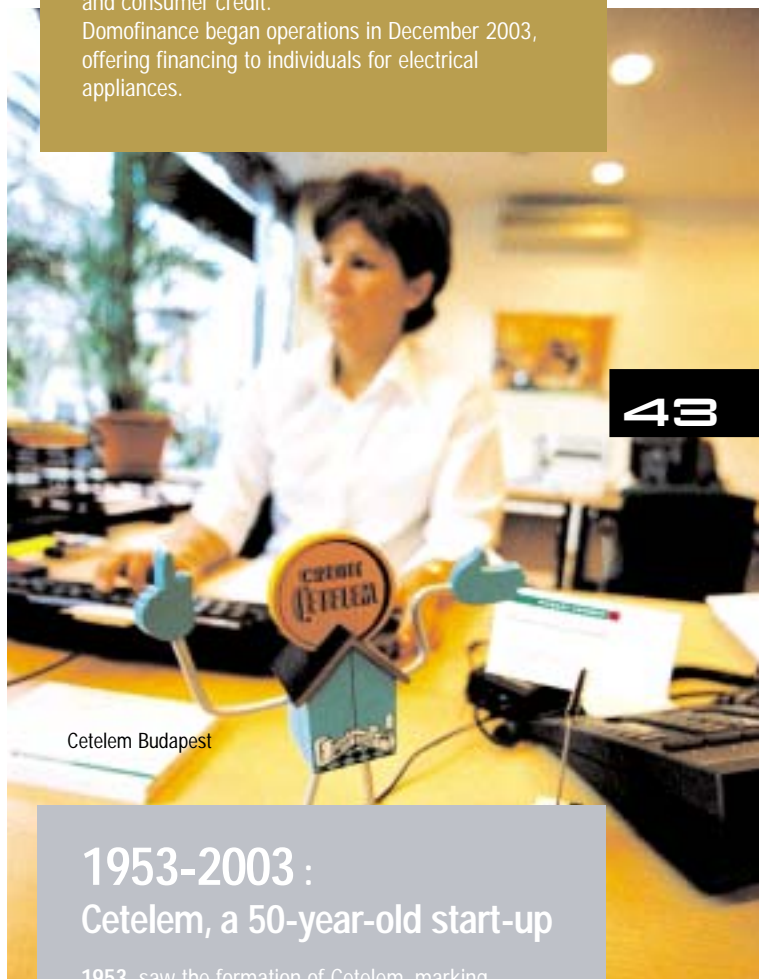
Loans sold through retail, bank and insurance partners rose 9%, excluding the impact arising from the scheduled termination of the partnership with Crédit Lyonnais at the end of 2002. The increase was fuelled primarily by robust results posted by CEFI (Caisse d’Épargne Financement), which provides consumer financing to Caisse d’Épargne clients.

- Outside France, new lending came to EUR 10.1 billion, an increase of 15%. The rise in new loans outside France further strengthened Cetelem’s European ranking as No. 1 in Italy and Hungary, and No. 3 in Spain, Portugal and the Czech Republic. Cetelem turned in a solid performance again in Southern Europe, posting 18% growth, with each country in the region recording significant gains. Italy and Spain also continued on the growth track, reflecting the improved marketing efficiency provided by new client-centred solutions for organisation and information systems. New financing in Eastern Europe experienced further growth, especially in Hungary and Poland. Overall, Cetelem recorded 14% growth in this region.

## EDF and Cetelem enter a partnership to create Domofinance

EDF and Cetelem have come together to set up Domofinance – a joint financing subsidiary 45% and 55% held by the two companies respectively. This partnership will enable EDF and Cetelem to pool their respective skills in energy supply and consumer credit.

Domofinance began operations in December 2003, offering financing to individuals for electrical appliances.



Cetelem Budapest

## 1953-2003 : Cetelem, a 50-year-old start-up

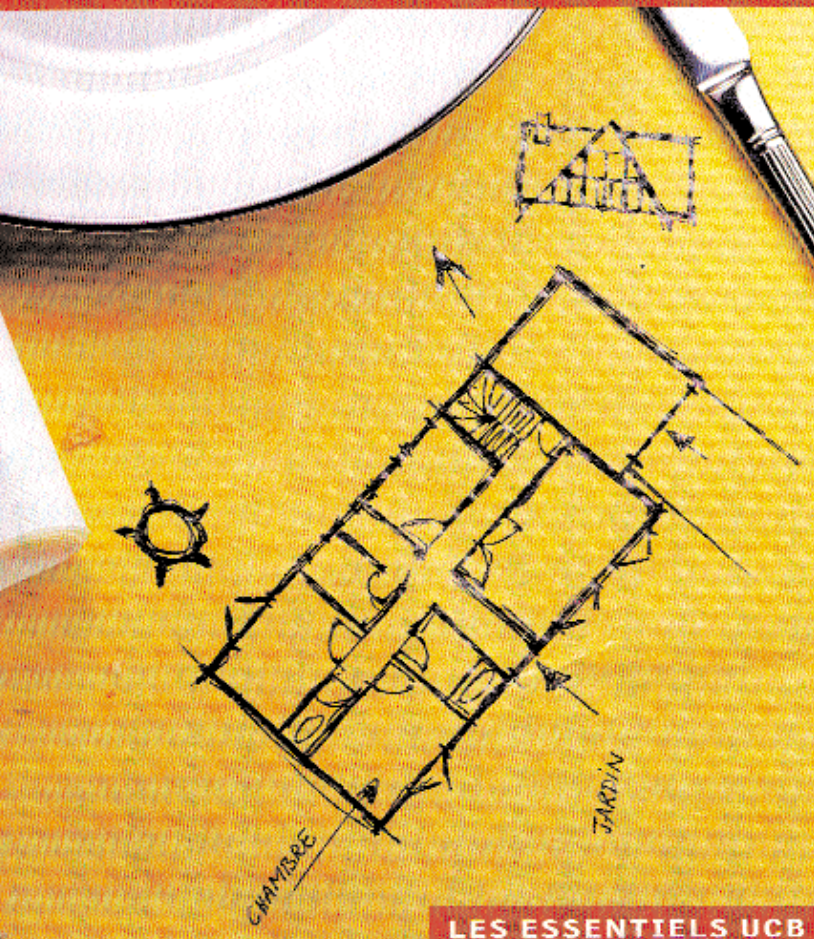
1953. saw the formation of Cetelem, marking the start of a totally new type of business in France. The company’s purpose was to help families buy the consumer products they needed and acquire modern conveniences, while fostering the development of trade. Since then, Cetelem has grown into one of the European leaders in consumer credit, on the strength of its constant capacity to adapt and innovate, combined with a strong corporate culture and commercial and financial success in terms of lending as well as profitability.

In 2003 even though Cetelem has flourished and matured, it is still in the early stages of growth. Its current goals are to consolidate its leadership positions in Europe, expand its global market penetration and become the BNP Paribas consumer credit centre of excellence.



**“JE FAIS CONSTRUIRE”**  
**TOUTES LES ÉTAPES POUR**  
**PASSER DU RÊVE À LA RÉALITÉ.**

www.ucb.fr **ÇA DONNE ENVIE D'ACHETER**



# UCB

Economic conditions remained very favourable for property financing in 2003. UCB continued to expand its business, against a backdrop of continued price hikes in Europe and record low interest rates. At EUR 4.650 billion, new loans topped the EUR 4 billion mark for the first time, representing a rise of more than 20% in France and over 30% in Spain and Portugal. UCB Hypotheken, a Netherlands-based UCB subsidiary set up in July, generated over EUR 140 million for its first year of operations.

Synergies between French Retail Banking and UCB were stepped up during the year. UCB put French Retail Banking into contact with more than 10,000 new personal banking clients. In return, the French Retail Banking network brought more than EUR 160 million in new lending to UCB, corresponding to client segments or products in which UCB is a recognised specialist.

UCI, a subsidiary set up in partnership with SCH, obtained authorisation from the Bank of Greece and the Bank of Spain to open a new branch in Greece. Lending activities are expected to start in early 2005.

During the year, UCB continued to securitize mortgages both in France and Spain.





# BNP Paribas Lease Group

BNP Paribas Bordeaux

The reduction in yields on investments in France and the majority of other European countries in 2003 negatively impacted BPLG's medium-term financing which came to EUR 5.9 billion, down 5.3% on the 2002 figure on a comparable structure basis. Against a backdrop of continuing market uncertainty, BPLG focused on margins and the quality of its risk control. In line with the trend that began in 2001, non-domestic financing volumes rose 11.8% (excluding the impact of portfolio acquisitions), with international operations representing 31.6% of BPLG's total financing volumes.

## New local and cross-border agreements

Despite the difficult economic conditions in France and Europe as a whole, BPLG managed to consolidate and bolster its client base on the back of new partnership agreements and extensions of sale financing agreements, including with:

- Manitou Costruzioni Industriali srl, the world's leading manufacturer of handling equipment;
- Neuson Kramer, a European public works equipment manufacturer;
- Renault Agriculture, the French market leader for tractors.

## Information systems merger

In 2003, the company's new integrated information system was successfully merged in France within the allotted time frame. The acquisition of this system, which is currently being rolled out to all European subsidiaries, forms part of BPLG's drive to improve internal productivity and enhance client service quality.



## Quality certification

In November 2003, BNP Paribas Lease Group obtained ISO 9001 certification for its quality control. This success represents a major milestone for BPLG's key commitment to client satisfaction.

## Training employees and partners

BPLG has developed an e-learning training programme for all of its employees to help them come to grips with the company's new information system.

2003 saw the first steps towards Europe-wide use of training modules for the sales teams of BPLG's partners. The initial test rolled out in Belgium met with success.



## Services offered by Arval PHH

- Purchase and financing of cars and light trucks under long-term leasing arrangements
- Car policy advisory services
- Vehicle maintenance management, under either fixed-price or cost-plus invoicing models
- Roadside assistance and replacement vehicle management
- Insurance and claims management
- Fuel card management
- Fleet management reporting
- Vehicle resale assistance
- Fleet buyback

As in 2002, the growth rate in the long-term vehicle leasing market slowed considerably in Europe in 2003 compared with previous years, with an increase of some 5% in leased vehicles for the year.

Despite this challenging and ever-competitive operating context, Arval PHH recorded an 11.8% increase in its number of leased vehicles, substantially outpacing market growth and winning additional market share in most of the countries in which it operates, especially in France, Italy, Spain and Germany.

At 31 December 2003, Arval PHH's leasing business corresponded to total assets of EUR 4.7 billion. Meanwhile, vehicles under management (a wider concept including vehicles that are not leased but which benefit from various service offerings) climbed 11.7% year-on-year in mainland Europe but fell 24.8% in the United Kingdom, mainly due to the termination of three major (but low-margin) contracts with lease-holders.

At a time of market concentration, Arval PHH continued to extend its geographic reach. The aim of this was twofold: respond to increasing demand from large international groups for global solutions and seize local growth opportunities. Two subsidiaries were opened with this dual objective in mind, one in the Czech Republic and the other in Hungary.

# Contract Hire and Fleet Management





## Services offered by Artegy

- Full service long-term leasing for industrial vehicles:
  - joint vehicle design, followed by manufacture and delivery;
  - inspection follow-up;
  - maintenance and tyre management
- Fleet management
- Fleet buyback
- Resale of used vehicles

The harsh economic climate in 2003 compelled companies to once again seek efficiency gains in all areas of production and distribution. This conjuncture won an ever-increasing number of clients for Artegy, an innovative product which provides a full array of specialist outsourcing services and enables companies to leverage their fleet management on an operating, financial and accounting level.

Artegy ended the year with some 7,200 industrial vehicles under management and had committed to major investments with a view to expanding internationally.

In a year that saw another sharp contraction in the IT market, Arius continued to grow its desk-top asset management offering. The company focused increasingly on providing high value-added services and fostering sales and marketing synergies with the French Retail Banking business.

## Services offered by Arius

- Needs assessment and design of information systems, and systems audit
- Delivery and integration of multi-environment solutions, design and delivery of X-net solutions
- Technical services, implementation of solutions and related services
- Leasing solutions
- Desk-top asset management
- Equipment resale





BNP Paribas San Francisco (Bank of the West)



## BancWest

The policies implemented by the US authorities, particularly in terms of budget deficit, taxation, exchange rates and interest rates, helped to gradually boost the economy, especially from the summer of 2003 onwards. This was reflected in GDP growth rate, inventory replenishment, a turnaround in capital spending, and early signs of a slowdown in unemployment.

2003 was also a year in which BancWest continued to expand in the Western United States and Hawaii, following the completion of its integration with UCB (United California Bank) in late 2002. At 31 December 2003, total deposits were up 7.5% to USD 26.4 billion

and outstanding customer loans stood at USD 25.8 billion, an increase of 6.3%.

These growth rates were the highest on record for personal lending, for loans granted both at a local level through the branch network, and at a national level through specialised niche markets (including financing of leisure vehicles such as yachts), in which Bank of the West once again strengthened its competitive positioning.

On 15 March 2004, BancWest signed an agreement with a view to acquiring Community First Bankshares ("Community First"), headquartered in Fargo, North Dakota. Community First operates through 155 branches in 12 states, mainly in the Western United States, with a particularly strong presence in Colorado, Wyoming, Minnesota and North Dakota. With net income of USD 75 million in 2003, Community First has total assets of USD 5.5 billion and USD 4.5 billion of deposits under management. Representing a purchase price of USD 1.2 billion, the acquisition is currently subject to approval by Community First's shareholders and by various regulatory agencies in the US. It will enable BancWest to significantly broaden its reach in the Western US, a high potential region where BancWest will rank as the 7<sup>th</sup> largest commercial bank with over 500 branches in 17 states.





## Emerging Markets and Overseas Network

In 2003, the Emerging Markets and Overseas Network continued to develop its retail banking operations in the four regions that it covers.

Organic growth has been particularly strong in North Africa, with the opening of 15 branches and 35 ATMs in Morocco, Tunisia and Algeria, on the back of a sales drive focusing on innovation. In Morocco and Tunisia, the range of products was broadened through the successful deployment of Connexis Trade, an Internet-based solution for processing international trade transactions, and, in Morocco, the launch of automated cash pooling services. Following Morocco's lead, the Group's Algerian and Tunisian subsidiaries are now offering web-enabled

account management tools. Lastly, individual customers in Tunisia are being offered a revolving loan solution known as Provisio.

In other parts of Africa, the bank's emphasis was also on launching new products, despite a generally lacklustre environment. A savings plan for studies enjoyed a successful debut in Guinea, as did the Assuria life insurance policy and Festival, a bundled product, in Côte d'Ivoire. In Southern Africa, BNP Paribas disposed of investments that it considered to be non-strategic, namely CBON in Namibia, BNPnedbank in Malawi and the sales portfolio of Boundary Financing in South Africa.







BNP Paribas Bamako

In Egypt, where the sharp devaluation in the pound had a marked effect on the economy, BNP Paribas bolstered its stake in its subsidiary BNP Paribas Cairo, by taking up a large share issue. To step up revenue growth, the Bank implemented a development programme that will expand its network of branches.

In the Persian Gulf, BNP Paribas devoted additional capital expenditure to setting up a regional platform of back offices in Bahrain serving the Group's four branches in the region (Bahrain, Abu Dhabi, Dubai and Qatar).

In addition, thanks to the international Retail Banking IT system which came on stream at all BNP Paribas sites in the Middle East at the beginning of 2003, launches of new products have proceeded at an accelerated pace. A major priority has been to broaden the sales offerings for individual customers.

In French overseas territories, new services continue to be rolled out, particularly in the form of new features for remote banking. Guadeloupe, Martinique and French Guyana are now connected into the Group's bnpparibas.net system, which will soon reach the islands of La Réunion and New Caledonia. Several sophisticated savings products were introduced successfully, such as Garantie Top 18, an 18-month mutual fund for companies and non-profit organisations, and Goliath, a capital guaranteed investment fund that gathered more than EUR 26 million in new funds over the course of a month and a half.



## 30<sup>th</sup> anniversary of BICIA-B

In November 2003, BICIA-B, the Burkina Bank for Commerce, Industry and Agriculture (Banque pour le Commerce, l'Industrie et l'Agriculture du Burkina), celebrated its 30<sup>th</sup> anniversary. Over the years, BICIA-B has become one of the country's leading network banks and has established its reputation as an innovator.

It offers its corporate customers the "Poste Banque" software package and was the first in the country to launch a banking card. It also set up 17 ATMs that are managed as a network, and in 2003 created [www.biciabnet.net](http://www.biciabnet.net), the country's first online banking service.

Today, BICIA-B is Burkina's leading bank in terms of assets and its net income is among the highest in the country. Its management teams are determined to continue to lend their active and practical support to the establishment of a business-friendly environment, from which customers, shareholders and employees all benefit.



## Spin-off and integration of Private Banking operations in Asia

In 2003, the Private Banking business completed the project to spin off its activities in Hong Kong and Singapore into integrated subsidiaries. All Private Banking clients in Asia and their asset management advisers now have access to a single, innovative product offering backed by a highly efficient, dedicated transaction processing platform. BNP Paribas is now the 6th-largest private bank in Asia, excluding Japan (source : note BCG, 2003).

BNP Paribas Tokyo

## Private Banking

### Development of an offer targeted specifically at entrepreneurs

To respond more effectively to the many needs of entrepreneurs looking for a buyer for their business, BNP Paribas has developed a comprehensive asset structuring and optimisation offer, together with a full asset management offer in both the French and international markets. This targeted approach, which leverages the synergies between Private Banking and the BNP Paribas corporate banking teams, serves these clients' interests more effectively, while also creating a major growth stimulus for Private Banking.

In an economic and financial environment that remained very unsettled throughout 2003, BNP Paribas' Private Banking teams stayed in close contact with clients, offering them expert advice backed by products tailored to their needs. These include a comprehensive range of structured products with partial or full capital protection, as well as a broad array of hedge funds.

Discretionary asset management services were enhanced with the international launch of "Convention Patrimoniale", a product giving clients broader access to the advice of the Bank's specialists on portfolio engineering and financial products, and to a discretionary asset management solution encompassing new classes of assets.

As part of its drive to constantly improve service quality while steadily bringing down costs, the Private Banking business kept up its policy of merging international structures and setting up dedicated platforms to enhance operations efficiency.

# Cortal Consors

## **New savings management products and services have been launched, helping savers to make the most of European investment opportunities**

With the merger between Cortal and Consors completed at the end of 2003, the new company now enjoys a truly European dimension. It has a Franco-German Executive Committee and operates in Germany, France, Spain, Belgium, Luxembourg and Italy. The two former company names have been combined in the new brand in order to leverage the recognition gained by both Cortal and Consors in their respective domestic markets. At the same time, the merged outfit has been endowed with a new visual identity that stands out strikingly from other players in the banking industry.

In tandem, Cortal Consors has adopted a new corporate signature: "Benefit from the best of financial Europe".

At end-2003, assets under management amounted to EUR 13.7 billion, up 24% on the previous year.

## **A successful year for brokerage in German over-the-counter markets**

Some 40% of orders were executed over-the-counter in 2003, a 136% increase on the 2002 figure, fuelled by the speed of transactions, a reduction in fees and the quality of prices quoted.

59

## **European launch of the new Cortal Consors brand**

The hand on the new logo symbolises giving, receiving, acting and achieving. It reflects the advisory services that Cortal Consors offers its clients as part of a closely cooperative relationship. The image of the tree and its leaves symbolises growth and yield.



**Cortal Consors**





# BNP Paribas Asset Management

In a difficult environment for the asset management industry, BNP Paribas Asset Management continued to make advances in the segments where its size, know-how, experience and diversified revenue base give it a clear competitive advantage.

## Setting out to conquer the Chinese market

At the end of December, BNP Paribas Asset Management and Shenyin & Wanguo, one of China's leading securities houses, obtained a licence to set up a fund management joint venture. The new company will contribute to developing the asset management business in China by offering local investors a selection of conventional and structured funds, backed by a first-rate service..

## BNP Paribas Asset Management rated aa+

Fitch Ratings, the international rating agency, has upgraded BNP Paribas Asset Management's rating to aa+ for its global asset management businesses based in Paris, London and Hong Kong. The higher rating testifies to the strength of the Company's organisation, the quality of its risk control structures and the efficiency of its transaction processing. For the first time, the rating takes into account the global bond management expertise (outside Europe) of Fischer Francis Trees & Watts (FFTW), in which the BNP Paribas Group holds a majority interest.

BNP Paribas Beijing





BNP Paribas Asset Management's expertise in fundamental and quantitative management extends across all of the main asset classes, including European and global equities, euro and international fixed income, euro treasury and diversified management.

In alternative and structured funds, BNP Paribas Asset Management has combined its in-house knowledge with that of highly specialised partners. These include Overlay Asset Management, a currency overlay expert, BNP Paribas Fauchier Partners, a multi-manager alternative fund specialist and, since 2003, Cooper Neff Advisors, a specialised hedge fund manager.

In 2003, BNP Paribas Asset Management also continued to build positions in emerging markets. By developing local management and distribution expertise, BNP Paribas Asset Management is ready to reap the full benefits of the expected growth in these markets and offer new investment opportunities to its clients. To this end, a new management company was set up in China at the end of the year.

## BNP Paribas Asset Management ranked No. 1 in the French socially responsible investment market

With over EUR 1 billion in assets under management at 31 December 2003 (source : *Europerformance*), BNP Paribas Asset Management confirmed its commitment to socially responsible investment in 2003 by including sustainable development criteria in its assessment of companies considered for investment. It also offers a comprehensive range of funds tailored to the specific needs of private investors, companies and institutions.

## BNP Paribas Épargne Entreprise

BNP Paribas Épargne Entreprise confirmed its leadership of the employee savings plan management market, with EUR 6.583 billion in assets under management at the end of 2003. Licensed to offer account management and custodial services, on 12 December 2003 BNP Paribas Épargne Entreprise obtained ISO 9001:2000 certification for its employee savings account management, custodial, and transaction order receipt and transmission processes.





# BNP Paribas Securities Services



BNP Paribas London

In an economic and financial environment which continued to be difficult during 2003, BNP Paribas Securities Services focused on further developing its products and services, completing the integration of Cogent acquired in September 2002, and optimising its costs and resources.

Among product developments, major achievements include the roll-out of a full-service offering for German pension funds which allowed BNP Paribas Securities Services to

significantly penetrate this high-growth market through a number of new client mandates; the launch of a new clearing and custody service allowing clients ease of access to the Polish and Hungarian markets via the bank's Frankfurt branch, and the development of shareholder voting via the Internet for French corporations.

A key accomplishment in 2003 was the completion of the Cogent integration on schedule and in line with an ambitious integration plan. The successful management of this project illustrates the dynamism and savoir-faire of the team at BNP Paribas Securities Services to ensure the firm's expansion, as well as the ability to mobilise the combined talents of the two organisations. The first results of the integration were realised in 2003 with the launch of Global Custody, cash management and forex services in the United Kingdom, and associated revenue synergies coming on stream during the year.





Like others in the securities services industry, BNP Paribas Securities Services was not spared from the adverse conditions in world financial markets. In a difficult context efforts were concentrated on rationalising resources and costs while maintaining high levels of investment in technology and operations so as to continue to deliver high-quality service standards.

As was the case in previous years, the service quality and product innovation of BNP Paribas Securities Services were recognised by clients and peers in 2003. For the fourth year in succession, the magazine *Global Investor* awarded BNP Paribas Securities Services the prize of 'Best Regional Custodian – Europe', and domestic custody operations in nine countries were classed as 'Top Rated' or 'Commended' in the annual survey conducted by *Global Custodian* magazine.

## A strong performance in the German pension fund sectors

In 2003 Bayerische Versorgungskammer, Germany's largest pension fund, appointed BNP Paribas Securities Services as its global custodian, Depotbank and provider of performance and risk measurement services. In addition to this landmark mandate, six other pension fund clients appointed BNP Paribas as global custodian during the year, confirming BNP Paribas' reputation as a quality service-provider to the German pension fund sector.





Finally, the quality of the bank's sub-custodian network was once again recognised by *GSCS Benchmarks*, with two citations: 'Best Overall Network' and 'Best Emerging markets Network'.

The BNP Paribas Securities Services brand, built around client-centred values - excellence, respect, innovation, team work, fun - brings together 3,100 specialised professionals in 16 countries dedicated to providing creative, value-added solutions for clients. This dynamic, international spirit which characterises BNP Paribas Securities Services will enable it to start the coming year with confidence.

## A 'Super' deal in New Zealand

In October the New Zealand Superannuation Fund (NZ Super), a public pension fund established by the Government to provide an old age pension to all New Zealanders, appointed BNP Paribas Securities Services as custodian and investment-operations-provider for the fund's assets. This high profile mandate was all the more noteworthy coming only a few months after the re-launching of the ex-Cogent business in Australasia under the BNP Paribas brand. It underscored the commitment of BNP Paribas Securities Services to the region - and particularly in New Zealand where it is one of only a few players to maintain a local presence.

## Support for Axa in its acquisition of Mony

In September, French insurance giant Axa announced its intention to acquire the MONY Group, Inc, a US-based life insurer. Financed by an issuance of debt securities redeemable for Axa shares, BNP Paribas Securities Services assisted Axa in this significant international operation by acting as centralising agent in France and handling the subscription orders emanating from Axa shareholders.

## Cardif in the United States and in Russia

In the United States, Cardif has acquired Famli (Financial American Life Insurance), a loan insurance specialist. This acquisition will enable Cardif to offer insurance products to the customers of BancWest, a wholly-owned subsidiary of BNP Paribas with a network of branches in the Western United States, including California, where it is the 5<sup>th</sup>-largest retail bank. In Russia, Cardif has entered into partnership with Russian Standard Bank, a consumer loan specialist, and acquired a 25% stake in its new subsidiary, Russian Standard Insurance.

# BNP Paribas Assurance

During the first half of 2003, the financial markets continued to fluctuate and savers remained wary of investing in insurance products. The improved economic conditions observed as from the summer onwards restored their confidence, however, leading to a surge in new money collected by BNP Paribas Assurance.

Premium income for the year as a whole totalled EUR 9.3 billion, an increase of 12% over 2002.

All business segments rebounded during the year.

In France, new money invested in personal savings products rose 8% to EUR 5.9 billion.

Sales of group products to companies soared 73% to EUR 480 million, helped by closer marketing ties between BNP Paribas Assurance, Retail Banking and the employee savings plan business.

In personal risk insurance, like-for-like premium income increased 12% to EUR 590 million. During the year, the individual personal risk scheme distributed by BNP Paribas Retail Banking was revamped and the Cardif network began marketing personal risk products.

## Quality certification

Afaq, an international certification body, has awarded ISO 9001: 2000 certification to BNP Paribas Assurance for all of its French life and non-life businesses. The activities covered by the certificate, representing some 1,400 employees, include:

- The entire process from design to administrative and financial management of savings products and of individual and group personal risk products;
- All property and casualty insurance services, apart from loss adjustment.
- BNP Paribas Assurance cross-functional services.

In property and casualty insurance, the marketing drive to boost sales of comprehensive homeowner insurance led to 19% growth in premium income. During the year, preparations were made for the launch of a new motor insurance product.

Outside France, new money invested in savings products totalled EUR 867 million, up 10% over 2002. New products were launched in various markets, including South Korea which was opened up to bancassurance products in September 2003. The personal risk business continued to expand briskly, with 23% growth in premium income to EUR 1.4 billion – in line with the objective set by BNP Paribas Assurance.

Cardif set up operations in the United States and Russia and wrote its first premiums in Hungary.

During the year, the Group placed all of its insurance businesses in France and abroad under the umbrella of a new holding company, BNP Paribas Assurance.



# Real Estate

The housing market experienced another year of record performance in France, buoyed by the apartment sector – a key growth driver. Although office rents edged down, investment levels hovered around EUR 10 billion, on a par with the 2002 figure, testifying to domestic and foreign investors' interest in the greater Paris area. Shopping centres continued to be in high demand, despite a fall-off in consumer spending.

The Bank's real estate arm, Klépierre, owns some 330 shopping centres managed by Ségécé and its local subsidiaries. Revenues have increased steadily, reflecting the success of Klépierre's expansion strategy that has been rolled out over the past three years. In addition, the company is looking at considerable growth potential in the most promising Eurozone markets, drawing on its unrivalled capabilities in property development and management. At the end of June 2003, Klépierre's property assets represented a total value of EUR 4.8 billion, with the office component scaled back to some 20% following selective asset disposals of EUR 176 million during the year, and new investments in European shopping centres to the amount of EUR 585 million. Having opted for the tax-transparent REIT-style structure (SIIC), Klépierre is continuing to build on its shareholder-focused strategy, posting a 10.8% increase in the share price during the year.

Meunier – the third-leading French property developer – operates through about 15 subsidiaries specialised by business line and geographic area. The company continued to broaden its reach in 2003, adding 140,000 sq.m. to its office portfolio and investing in 2,000 new residential units. Of the total investments, 60% concerned the greater Paris area, with the



## Meunier implodes the Corosa tower block at Rueil-Malmaison

In the space of just 4 seconds, a 15-storey high rise spectacularly collapsed to the ground. The local residents obviously had to be evacuated for several hours, but the implosion was much more environmentally friendly and less of a disturbance for the neighbourhood than a traditional demolition process, which would have lasted nearly five months.

Meunier is currently constructing a building to replace the former tower block, which will blend much more harmoniously with the site. Set in an open green area of 3,000 sq.m., it will sport elegant stone and glass wall facings designed by Jacques Haour and the architectural firm Boisseson-Dumas-Vilmorin.

## The Property Services Department has branched out into a new strategic – fit business – selling old properties on an apartment by apartment basis

Operating across all business lines in the real estate market, Meunier has diversified into a new area that fits strategically with property development and management. At the same time, it has been able to tap synergies: Meunier and BNP Paribas Immobilier are financing the launch of the new business area, Astrim is overseeing any renovation work that may be required, and Gérer is in charge of organising the whole operation and selling the apartments, drawing on the sales and marketing strengths of Espaces Immobilières – real-estate boutiques crafted by BNP Paribas.

As of 31 December 2003, four sales operations were underway, representing over 260 apartments.

## A great success for Bords de Seine 2

Bords de Seine 2 – developed by Meunier – won the building of the year competition organised in connection with SIMI, a corporate property trade fair for the greater Paris area. The prize was awarded by a jury composed of major corporate users.

remaining 40% focused on the French Riviera and the Rhône Alpes and Provence Alpes regions. This geographic rebalancing of the portfolio was made possible through the acquisitions of Faure, a property developer with operations in Lyons, Grenoble and Annecy, and FGIP, which is present along the French Riviera and in the Provence Alpes region. Property service companies have also actively helped BNP Paribas to consolidate its leadership positions, both in the real-estate investment trust market – with Antin Vendôme's market share boosted to 17% after the acquisition of PGS – and in property management, with Comadim climbing to the number two spot in the French corporate property management market on the strength of new contracts. In 2003, Comadim managed over 5 million sq.m. of office space. During the year, BNP Paribas' subsidiaries once again proved their ability to adapt to an unsettled climate. They continued to expand slowly but surely and to capture market share, concentrating on the twin goals of turning in steady profits while containing risks, and bolstering service revenues while remaining highly customer-centred.

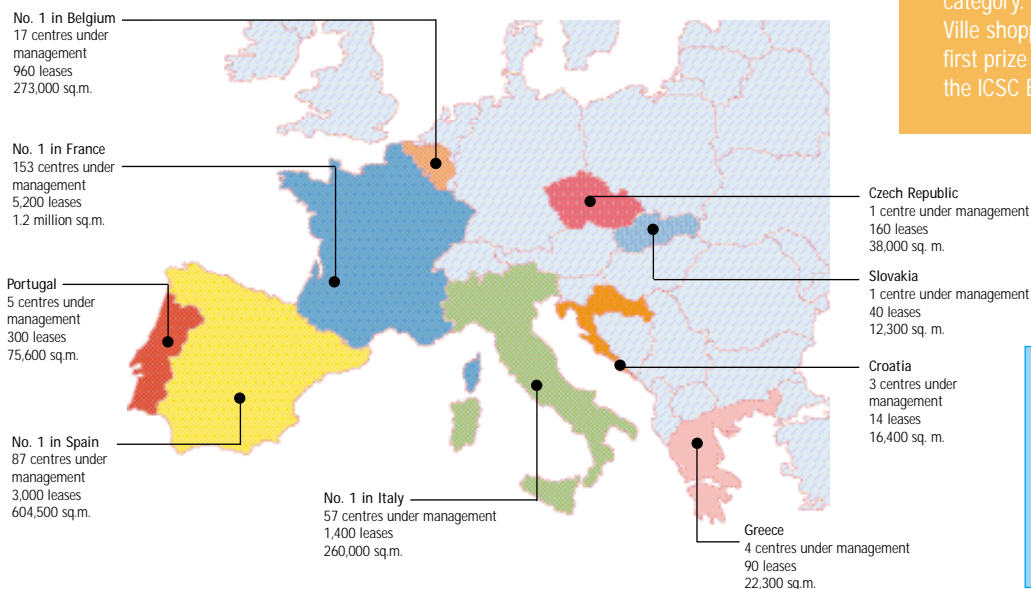


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## Awards granted to three shopping centres developed and managed by Ségécé

Val d'Europe and Courier, which last year both won International Council of Shopping Centers awards, were once again each granted a prize in the 2003 International Design and Development Awards, organised in the United States. Val d'Europe won a Design Award and Courier was given a Merit Certificate in the Innovative Design category. In addition, the Passages de l'Hôtel de Ville shopping centre in Boulogne Billancourt won first prize in the New Small Centers category of the ICSC European Awards.

## Property assets managed by the BNP Paribas Group as of 1 January 2004



- 9 countries
- 328 shopping centres under management
- 11,000 leases
- 2.5 million sq.m. under management



# BNP Paribas Capital

BNP PARIBAS  
ATENDIMENTO  
EMPREENHIMENTO





### Transactions in the proprietary portfolio

During 2003, BNP Paribas Capital sold its remaining interest in Royal Canin, as well as its stakes in Intercos, Jouan, Mobistar and Aegon, raising EUR 1.1 billion in cash for the Group.

Direct investments carried out during the year were not material.

### Investment in private equity funds

PAI LBO Fund, the first European LBO fund launched in 1998 and fully invested in 2000, carried out three major divestments in 2003 – Michel Thierry, an automotive equipment manufacturer sold in a management buyout, Frans Bonhomme, France's leading plastic pipe and connector wholesaler and Ceva, a veterinary pharmaceuticals laboratory.

BNP Paribas, which is the fund's sponsor and leading investor, shared in the distribution of the profits earned on these transactions.

PAI Europe III, launched in 2001, to which BNP Paribas contributed EUR 250 million, has already invested 46% of its capital.

The fund recently announced the acquisition of Saeco, Italy's leading manufacturer of home espresso-makers.

Middle Market Fund II, a EUR 125 million fund launched in 2000 and managed by Banexi Capital Partenaire, is now 79%-invested.









# Sustainable Development

In a year challenged by a harsh operating environment, BNP Paribas achieved outstanding financial results and remained on a profitable growth track. In spite of the challenging economic backdrop and ensuing pressure on business performance, the Group endeavoured to fully meet its social and environmental responsibilities. During the year, BNP Paribas earned wide acclaim for its unwavering commitment. The Group's corporate social responsibility (CSR) rating was upgraded by the leading social rating agencies and its disclosure policy, corporate governance and contribution to sustainable development were officially recognised by the following awards:

- First Prize in the AGM Awards <sup>(1)</sup> ;
- Grand Prize winner – Annual Report of the Year <sup>(2)</sup> ;
- Best Disclosure Policy and Best Corporate Literature <sup>(3)</sup> ;
- Prize for Human Resources Director of the Year <sup>(4)</sup> ;
- Special Jury Prize for Corporate Patronage <sup>(5)</sup> ;
- Ranked No. 1 among French companies for social and environmental reporting, in compliance with the NRE Act <sup>(6)</sup>.

These awards, which recognised the all-round performance of BNP Paribas' employees during a period of uncertainty and worsening economic conditions, contribute to a high degree of staff pride in the organisation. They further validate the Group's efforts in adopting rigorous standards for corporate governance and its relations with stakeholders.

This acknowledgement of our contribution to sustainable development obliges us to remain pragmatic in our approach given the multiplicity of public expectations in this area. At the same time, however, it strengthens our resolve to further integrate CSR performance into all of the Group's businesses in accordance with the objectives of the Executive Committee's 2004 strategic plan.

As a natural extension to this approach, in 2003, BNP Paribas became a member of Global Compact, a worldwide programme set up by the Secretary General of the United Nations to encourage voluntary cooperation by multinational companies in promoting sustainable development.

(1) Prize awarded by *Le Revenu* magazine.

(2) Prize awarded by *Le Figaro Economie* and *La Vie française*

(3) Prize awarded by *Investor Relations Magazine* at the 5<sup>th</sup> Eurozone Conference.

(4) Prize awarded by the French consultancy firm Hudson and *Le Figaro*.

(5) Organised as part of the Admical Corporate Sponsorship Oscars award.

(6) Study performed by the French consultancy Utopies and published in *Le Figaro Entreprises*.

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# General Business Principles

## An integrated approach

Imbued with the values of humanism and mutual responsibility, BNP Paribas' general business principles underpin its environmental and corporate social responsibility and provide a yardstick against which employee action is measured throughout the Group. The approach pursued is consistent with BNP Paribas' corporate identity and values. It is founded upon a realistic definition of the Group's corporate social responsibility (CSR) and on a clear commitment to sustainable development.

By applying an integrated approach to sustainability, BNP Paribas seeks to take into account the interests of all of its stakeholders. Its commitments are defined by a coordinating body for Group-wide sustainability issues and formalised in a programme of actions which is approved by the Executive Committee.

## Strengthened sustainability governance

In 2003, the Group took its business principles a step further by becoming a partner in the Global Compact programme launched by the General Secretary of the United Nations, and by subsequently implementing specific guidelines signed by the Chairman and Chief Executive Officer of BNP Paribas.

In addition, BNP Paribas adopted a ten-point framework formalising its commitment to the environment.



This framework was further bolstered in 2003 with the launch of an online Sustainability information centre which is incorporated into the Group's "business to employee" (BtoE) Intranet.

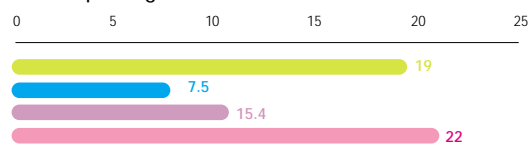
## A comprehensive reporting system

The section on sustainable development included in the Group's Review of Operations defines BNP Paribas' commitments to each stakeholder group, namely: shareholders, employees, clients, suppliers, the environment and civil society. In accordance with the French Financial Security Law, corporate governance issues are discussed in the Chairman's report on corporate governance and internal control. Information on ethics-compliance procedures is provided in the "Internal Control" section of the Review of Operations.

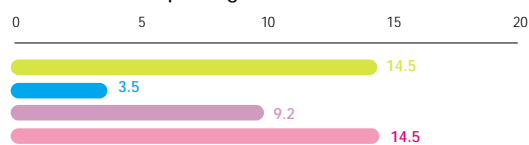
In view of the favourable response to the summary of social and environmental reporting data presented in the appendices to last year's Review of Operations in application of Article 116 of the NRE Act, this section has been included again this year.

## General level of compliance with the NRE Act

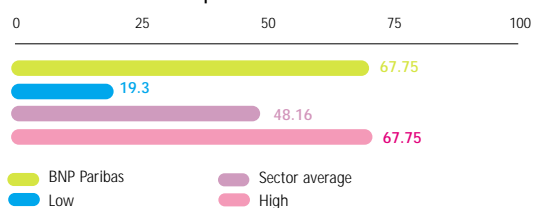
### Social reporting



### Environmental reporting



### General level of compliance with the NRE Act



In 2003, BNP Paribas was ranked first among financial services companies listed on the Premier Marché for the excellence of its social and environmental reporting:

- No. 1 for environmental reporting;
- No. 2 for social reporting;
- No. 1 for general level of compliance with the NRE Act.

Survey performed by Adef (Association des Épargnants de France)

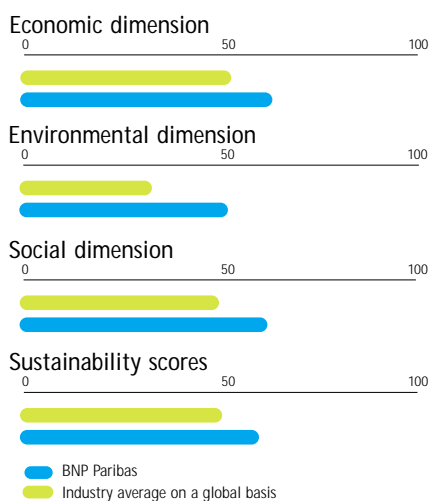
### Improved ratings performance

In 2003, BNP Paribas was once again included in the four benchmark indexes for socially responsible investment (SRI): Dow Jones SI World, Dow Jones SI Stoxx, FTSE 4 Good and Aspi Eurozone.

#### • SAM

SAM Research Inc., a ratings agency that assesses whether companies should be included in the Dow Jones Sustainability Index, confirmed that BNP Paribas has a very good overall sustainability performance compared to the industry average.

#### SAM scores

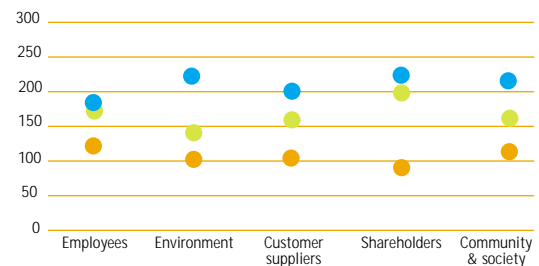


#### • Vigeo

The 2003 rating published by this agency (possible range: --unconcerned to ++ pioneer) was as follows:

Criteria	2002	2003
Human Resources	+	+
Environment	-	=
Customers and Suppliers	=	=
Shareholders	++	+
Community and Society	=	=

#### Benchmark company/industry sector

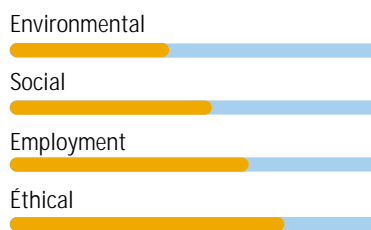


Legend: Blue dot = Max. sector, Orange dot = Min. sector, Green dot = BNP Paribas

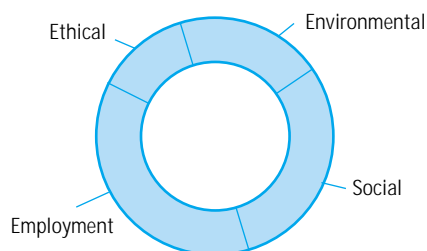
#### • CoreRatings

For its inaugural rating on BNP Paribas, this new social ratings agency assigned the following sustainability performance score:

#### Investment Risk Management



#### Investment Risk Weighting



During the year, the Group also worked closely with other social ratings agencies and CSR analysts, notably Innovest, Ethibel, Banque Sarazin and CFiE, in connection with research updates for their lists of approved SRI stocks.



# Group Ethics and Compliance

The legal and regulatory environment was further tightened in 2003, throughout the world. France passed a financial security law on 1 August 2003. The European Union issued directives on "market abuse" in investment operations. In June 2003 the Financial Action Task Force on Money Laundering (FATF) published new recommendations on money-laundering and corruption. A Swiss Federal Order of January 2003 set out new rules on preventing money-laundering. More stringent US legislation on identifying and seeking out terrorism suspects came into force, and so on.

The Group's various core businesses and business lines continued to hone their procedures, methods and tools to bring them into compliance with these stricter requirements in the shortest possible timeframe.

French Retail Banking continued with the setting-up of its Ethics and Compliance organisation, beginning to draft a compendium of guidelines on ethics and preventing money-laundering, and launching a large-scale programme to make the relevant procedures and tools available online. More than 22,000 employees of this business received training in 2003 on how to combat money-laundering, corruption and terrorism financing.

In view of the specific conditions at play in emerging markets and French overseas territories, International Retail Banking and Financial Services is particularly watchful about implementing methodical processes for combating money-laundering, corruption and terrorism financing. It endeavours to share best practices and tools among all subsidiaries whenever possible.

For Asset Management and Services, the key priorities remain the "Know Your Customer" (KYC) programme and controlling capital flows. Stricter procedures have been adopted for the management of client assets, such as a documented ethics and compliance review of products and a voting policy for asset managers.

Corporate and Investment Banking further strengthened its Ethics and Compliance teams, both quantitatively and qualitatively, at its sites in France and abroad. Tools for monitoring financial flows were rolled out to a greater number of sites and business lines, alongside enhanced risk-management procedures. Particular attention was devoted to thickening the "Chinese Walls" between Corporate Finance and equity analysts, and to further specifying the latter's work and publication rules. A new directive was issued, defining the overall responsibility of heads of geographical areas for ethics and compliance issues affecting all Group businesses and subsidiaries within their area.

In fighting money-laundering, corruption and terrorism financing, there has been better surveillance of commercial activities and capital flows thanks to continued training and awareness-raising initiatives, and to the additional resources given to the teams in charge of reporting suspected money-laundering to authorities. In-house rules and instructions have been updated and fleshed out. They now include the Group's own ranking of countries exposed to risks of corruption and terrorism.

Lastly, the unit supervising the personal transactions of Group employees who have access to information considered to be privileged, based on financial market regulations, has updated its information technology tools for monitoring and detection. It has also circulated a new discretionary asset management contract for those employees who are prohibited from managing their personal assets directly.

# Shareholder Information

## Share capital

At 23 January 2003, BNP Paribas' share capital stood at EUR 1,791,759,648 divided into 895,879,824 shares (details of the historical share performances are provided in the "Changes in share capital" section of the review of operations).

Up until 31 December 2003, two series of transactions led to changes in the number of shares outstanding:

- a total of 618,431 new shares were issued upon exercise of stock options;

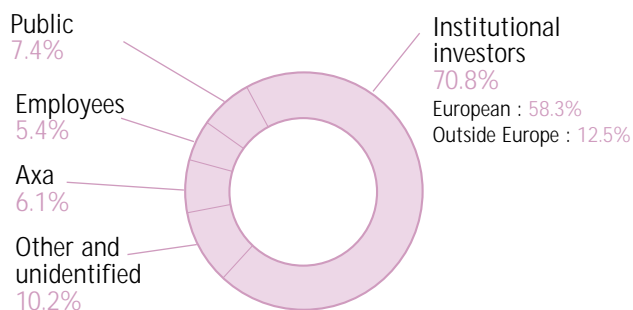
- 6,673,360 shares were subscribed through the share issue reserved for employees.

As of 31 December 2003, BNP Paribas' share capital stood at EUR 1,806,343,230 divided into 903,171,615 shares with a par value of EUR 2<sup>(1)</sup>. The shares are all fully paid-up and are held in registered or bearer form at the choice of their holders, subject to compliance with the relevant legal provisions. None of the Bank's shares carry double voting rights.

Over the past three years, the Bank's ownership structure changed as follows:

Shareholder	31/12/2001			31/12/2002			31/12/2003		
	number of shares (in millions)	% interest	% voting rights	number of shares (in millions)	% interest	% voting rights	number of shares (in millions)	% interest	% voting rights
Axa	26.47	6.0	6.1	52.45	5.9	6.0	52.07	5.8	6.1
Employees	20.29	4.6	4.7	41.24	4.6	4.8	46.36	5.1	5.4
- o/w corporate mutual funds	14.36	3.2	3.3	31.68	3.5	3.7	34.58	3.8	4.0
- o/w directly owned	5.93	1.3	1.4	9.57	1.1	1.1	11.78	1.3	1.4
Corporate officers	0.15	NM	NM	0.28	NM	NM	0.27	NM	NM
Treasury shares	8.88	2.0		28.26	3.2		46.43	5.1	
Public	36.77	8.3	8.5	66.25	7.4	7.6	63.70	7.1	7.4
Institutional inv.	287.94	65.0	66.3	599.67	67.0	69.2	606.57	67.2	70.8
- European	225.92	51	52	493.96	55.2	57.0	499.87	55.3	58.3
- Outside Europe	62.02	14.0	14.3	105.71	11.8	12.2	106.70	11.8	12.5
Other and unidentified	62.48	14.1	14.4	107.03	12.0	12.3	87.77	9.7	10.2
TOTAL	442.99	100.0	100.0	895.17	100.0	100.0	903.17	100.0	100.0

BNP Paribas ownership structure as of 31 December 2003 (based on voting rights)



To the best of BNP Paribas' knowledge, no shareholder other than Axa owns more than 5% of BNP Paribas' capital or voting rights.

<sup>(1)</sup> Since the end of the financial year, 443,989 new shares have been issued upon exercise of stock options. As of 28 January 2004, BNP Paribas' share capital stood at EUR 1,807,231,208 divided into 903,615,604 shares with a par value of EUR 2.

## Share performance

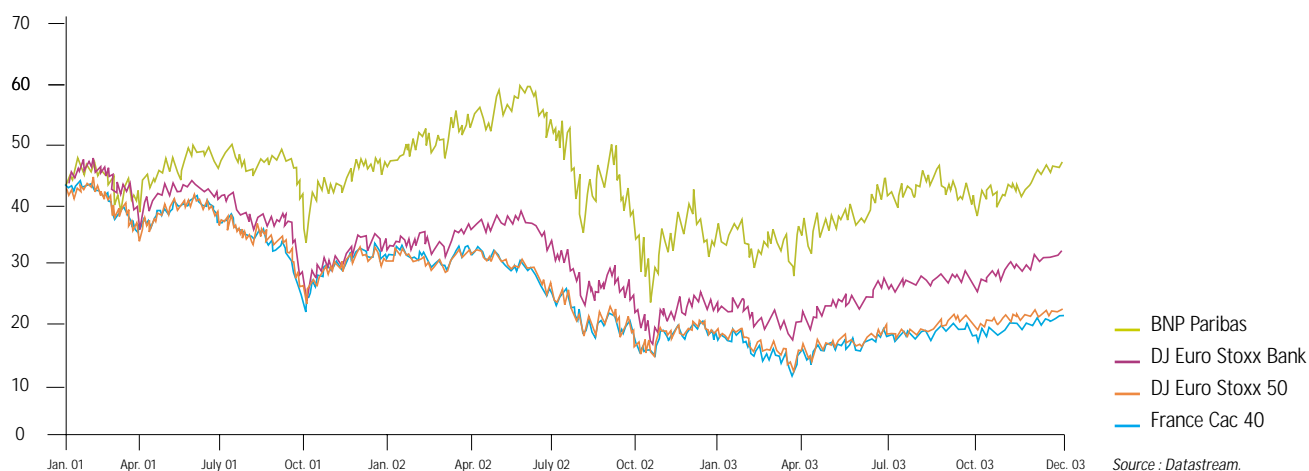
When the shareholders of BNP and Paribas approved the merger between the two banks at the Extraordinary General Meetings of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares have been registered under ISIN code FR0000131104. BNP shares were first listed on the Cash Settlement Market of the Paris Stock Exchange on 18 October 1993, following privatisation, before being transferred to the Monthly Settlement Market on 25 October. When the monthly settlement system was eliminated on 25 September 2000, BNP Paribas shares became eligible for Euronext's Deferred Settlement Service (SRD). The shares are also traded on Seaq International in London and on the Frankfurt Stock Exchange, and have also been listed on the Tokyo Stock Exchange since

13 March 2000. Since privatisation, a Level 1 144A ADR programme has been active in the USA, where JP Morgan Chase is the depository bank (2 ADRs correspond to 1 BNP Paribas share). To help increase the number of shares held by individual investors, BNP Paribas carried out a two-for-one share-split on 20 February 2002, reducing the par value of the shares to EUR 2. BNP became a component of the Cac 40 index on 17 November 1993 and a component of the Euro Stoxx 50 index on 1 November 1999. Since 18 September 2000, BNP Paribas has been a component of the Dow Jones Stoxx 50. BNP Paribas shares are also included in the four main sustainable development indices: Aspi Eurozone, FTSE4Good, DJ SI World and DJ SI Stoxx. All of these listings have fostered liquidity and share price appreciation, as BNP Paribas shares feature in every portfolio and fund that tracks the performance of these indexes.

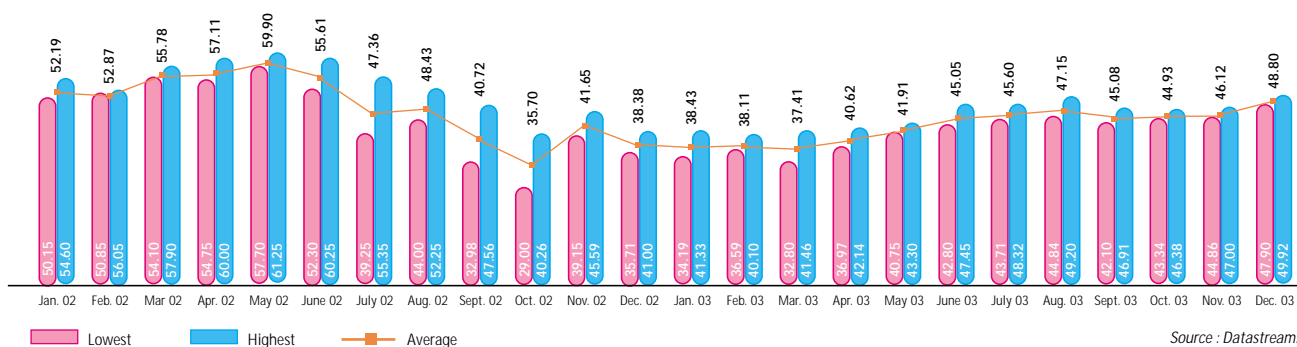


### Share performance since 2 January 2001 until 31 December 2003

Comparison with the DJ EURO STOXX 50, DJ EURO STOXX BANK and CAC 40 INDEXES (indexes rebased on share price)



### Average monthly share prices and monthly highs and lows since January 2002

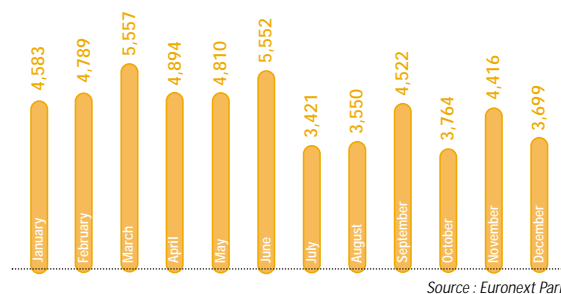




- As of 31 December 2003, the BNP Paribas share was listed at EUR 49.92, up 28.56% compared with 31 December 2002, when it was listed at EUR 38.83. By way of comparison, during 2003 the Cac 40 index increased by 16.12%, the Euro Stoxx 50 index by 15.68% and the DJ Euro Stoxx Bank index by 30.98%.
- Between 2 January 2001 and 31 December 2003, the BNP Paribas share price gained 7.12% on average, whereas the Cac 40, DJ Euro Stoxx 50 and DJ Euro Stoxx Bank indexes respectively lost 38.65%, 41.28% and 21% over the same period.
- BNP Paribas' market capitalisation totalled EUR 45.1 billion as of 31 December 2003, representing the 3<sup>rd</sup>-largest capitalisation in the Cac 40 index (2<sup>nd</sup>-largest in terms of free float), and the 9<sup>th</sup>-largest in the Euro Stoxx 50, as against 5<sup>th</sup> and 13<sup>th</sup>, respectively, a year earlier. As of 31 December 2003 and during almost all of the year, BNP Paribas was the leading Eurozone bank in terms of market capitalisation.
- Trading volume contracted slightly in 2003, primarily due to lower volatility, with an average of 4,447,548 shares changing hands each date, 14.9% less than the 2002 average of 5,224,362.

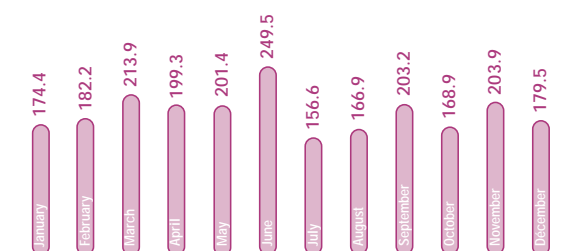
## 2003 trading volume

Daily average in thousands of shares



Source : Euronext Paris

Daily average in millions of euros



Source : Euronext Paris

## Yield and performance data

In euros	2003	2002	2001	2000	1999
Earnings per share <sup>(1)</sup>	4.31	3.78	4.64	4.70	2.79
Net assets per share <sup>(2)</sup>	31.5 <sup>(3)</sup>	29.3	27.1	24.0	21.5
Total dividend per share <sup>(4)</sup>	2.175 <sup>(3)</sup>	1.80	1.80	1.69	1.32
Payout rate (in %) <sup>(5)</sup>	34.8 <sup>(3)</sup>	32.6	26.5	24.5	30.1 <sup>(6)</sup>
Share price					
High	49.92	61.25	52.55	54.75	46.73
Low	32.65	29.00	37.95	37.78	33.13
Year-end	49.92	38.83	50.25	46.75	45.80
Cac 40 index on 31 December	3,557.90	3,063.91	4,625.58	5,926.42	5,958.32

Data in the above table have been adjusted to take into account the two-for-one share-split carried out on 20 February 2002.

(1) Based on the average number of shares outstanding during the year.

(2) After dividends.

(3) Subject to approval at the Annual General Meeting of 28 May 2004.

(4) Including *avoir fiscal* tax credit at 50%.

(5) Recommended dividend expressed as a percentage of net income for the year.

(6) Based on pro forma net income after restructuring costs (EUR 2,615 million).

## Creating value for shareholders

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

### A - Total Shareholder Return -TSR:

Calculation parameters:

- the dividend includes the avoir fiscal tax credit at a rate of 50% and is assumed to have been reinvested in BNP shares then BNP Paribas shares;
- returns are gross returns, i.e. before any tax payments.

- Since privatisation in October 1993

Initial investment = 1 share at the IPO price (FRF 240 or EUR 36.59) on 18 October 1993.

#### Investment Growth

Years	Gross dividend per share (in euros)	Gross dividend received by shareholder (in euros)	Price of shares acquired by reinvesting dividend <sup>(1)</sup> (in euros)	Fractional share acquired by reinvesting gross dividend	Total number of shares after gross dividend reinvestment
1994	0.69 <sup>(1)</sup>	0.69	37.17	0.0186	1.0186
1995	0.73 <sup>(1)</sup>	0.82 <sup>(3)</sup>	34.30	0.0239	1.1425 <sup>(3)</sup>
1996	0.82 <sup>(1)</sup>	0.94	27.36	0.0344	1.1769
1997	1.23 <sup>(1)</sup>	1.45	38.28	0.0379	1.2148
1998	1.60 <sup>(1)</sup>	1.94	75.92	0.0256	1.2404
1999	2.25	2.79	80.85	0.0345	1.2749
2000	2.625	3.35	93.95	0.0357	1.3106
2001	3.375	4.42	100.50	0.0440	1.3546
2002	1.80	4.88	54.10	0.0902	2.7994
2003	1.80	5.04	45.32	0.1112	2.9106

(1) To be consistent with subsequent years, it has been assumed that the dividend was paid in cash and not in shares, although the Board of Directors approved the payment of scrip dividends for the year in question.

(2) Based on the assumption that the dividend was reinvested in shares at the opening price on the first trading day after the ex-dividend date.

(3) Taking into account the March 1995 allocation of one share for every 10 shares acquired at the time of the IPO and held for 18 months.

(4) After the two-for-one share-split on 20 February 2002.

Closing price on 31 December 2003 = EUR 49.92, valuing the initial investment at  $49.92 \times 2.9106 =$  EUR 145.30. This represents an average annual increase (average annual TSR for the period) of 14.46% and an amount 3.97 times higher than the original investment made in 1993.

- over 5 years

Initial investment = 1 share at the opening price on 4 January 1999 = EUR 73.04.

#### Investment growth

Years	Gross dividend per share (in euros)	Gross dividend received by shareholder (in euros)	Price of shares acquired by reinvesting dividend <sup>(1)</sup> (in euros)	Fractional share acquired by reinvesting gross dividend	Total number of shares after gross dividend reinvestment
1999	2.25	2.25	80.85	0.0278	1.0278
2000	2.625	2.70	93.95	0.0287	1.0565
2001	3.375	3.57	100.50	0.0355	1.092
2002	1.80	3.93	54.10	0.0726	2.2566
2003	1.80	4.06	45.32	0.0896	2.3462

(1) Based on the assumption that the dividend was reinvested in shares at the opening price on the first trading day after the ex-dividend date.

(2) After the two-for-one share-split on 20 February 2002.

Closing price on 31 December 2003 = EUR 49.92, valuing the initial investment at  $49.92 \times 2.3462 =$  EUR 117.12. This represents an average annual increase (average annual TSR for the period) of 9.92% and more than a 60% increase over 5 years.

## Total shareholder return

- Since privatisation in October 1993
  - Initial investment = 1 share at the IPO price (FRF 240 or EUR 36.59) on 18 October 1993.
  - Reinvestment of dividends and the March 1995 allocation of one share for every 10 shares acquired at the time of the IPO and held for 18 months.

*Two-for-one share-split on 20 February 2002*

- Closing price on 31 December 2003, valuing the initial investment at  $2.9106 \times \text{EUR } 49.92 = \text{EUR } 145.30$  (FRF 953.11)

**Initial capital multiplied by 3.97**

**Total shareholder return: 14.46% per year**

- Over 5 years
  - Initial investment = 1 share at the opening price on 4 January 1999 = EUR 73.04 (FRF 479.11)
  - Reinvestment of dividends

*Two-for-one share-split on 20 February 2002*

- Closing price on 31 December 2003, valuing the initial investment at  $2.3462 \times \text{EUR } 49.92 = \text{EUR } 117.12$  (FRF 768.26)

**An amount 60.4% higher than the original investment**

**Total shareholder return: 9.92% per year**

## B - Five-year comparison of an investment in BNP Paribas shares with the "Livret A" passbook savings account and medium-term Treasury Notes

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

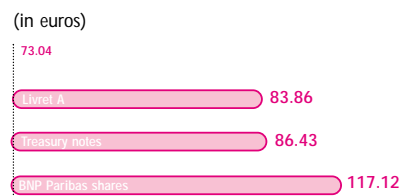
- Investment of EUR 73.04 on 1 January 1999 in a "Livret A" passbook account:  
At the investment date, the official interest rate on Livret A accounts was 3%. The rate was reduced to 2.25% on 1 August 1999, then set again at 3% on 1 July 2000, and returned to 2.25% on 1 August 2003. As of 31 December 2003, the account balance is EUR 83.86.

The value created through an investment in BNP Paribas shares, reflecting the additional risk, amounts to  $117.12 - 83.86 = \text{EUR } 33.26$  per share over five years.

- Investment of EUR 73.04 on 1 January 1999 in five-year French government notes:  
The five-year interest rate (BTAN) on that date was 3.3672%; at the end of each subsequent year, interest income is re-invested in a similar note on the following terms:
  - 4.7161% (BTAN) in January 2000 for 4 years;
  - 4.5421% (BTAN) in January 2001 for 3 years;
  - 3.6622% (BTAN) in January 2002 for 2 years;
  - 2.749% in January 2003 for 1 year (Euribor).At the end of five years, the accrued value of the investment is EUR 86.43.

The additional value created by choosing BNP Paribas shares as the investment vehicle is therefore  $117.12 - 86.43 = \text{EUR } 30.69$  per share over five years.

Comparative total yields over 5 years for investment of EUR 73.0.



## Communication with shareholders

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

The Investor Relations Department informs institutional investors and financial analysts, in France and abroad, of the Group's strategy, major events concerning the Group's business and, of course, the Group's results which are published quarterly. In 2004, the financial timetable is as follows<sup>(1)</sup> :

- 5 February 2004: 2003 results announcement;
- 6 May 2004: first-quarter 2004 figures;
- 2 August 2004: first-half 2004 results announcement;
- 4 November 2004: third-quarter 2004 figures.

(1) Subject to alteration at a later date.



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

The **Individual Shareholder Relations** department informs and listens to the Group's 660,000 or so individual shareholders (*source: 30 December 2003 "TPI" survey*). A half-yearly financial newsletter informs both members of the "Cercle BNP Paribas" and other shareholders of important events concerning the Group and a summary of the matters discussed during the Annual General Meeting is sent out in July. During the year, the Chairman or other members of senior management present the Group's policy to individual shareholders at meetings organised in the main French cities and towns (for example in 2003, meetings were held in Marseilles, on 18 March, in Lille, on 1 October, in Metz, on 16 October, and in Toulouse, on 29 October). Also, BNP Paribas representatives met and spoke with over 1,000 people at the "Actionaria" trade show held in Paris on 21 and 22 November 2003. In 1995, the "Cercle BNP Paribas" was set up for individual shareholders holding at least 200 shares. The Cercle currently counts 53,000 shareholder members. Three times a year, in alternation with the financial newsletter, they receive "La Vie du Cercle", a publication inviting them to take part in artistic and cultural events with which BNP Paribas is associated, as well as training sessions. These include Stockmarket seminars on warrants, financial research, etc., as well as "Managing your finances on the Internet" seminars, "Private asset management" courses and "Economic update" sessions organised by BNP Paribas teams specialised in the respective

fields. In addition, the Bank regularly organises scientific conferences and visits to industrial sites. The seminars are held in Paris and the provinces, on weekdays and the weekend, to enable as many people as possible to attend. In 2003, 200 events were organised for 15,765 participants. Shareholders can obtain information about these services by dialling a special toll-free number (in France): 0800 666 777. A telephone news service can also be accessed on the same number, offering a wide range of information to BNP Paribas shareholders, such as the share price and shareholders' events. The **BNP Paribas website** (<http://invest.bnpparibas.com>) provides information on the Group, including press releases, key figures and details of significant developments. Annual and interim reports can be viewed and downloaded, as can presentations to financial analysts and institutional investors. The latest share performance data and comparisons with major indexes are also obviously available on this website, as are webcasts of the Annual General Meeting. In addition, an "Individual Shareholder" section (in French and English) has been created to address the specific needs of individual investors in terms of information and proposed events.

Recent information about the BNP Paribas Group is also available on the French Minitel service **3614 BNPACTION**, at a cost of EUR 0.057 per minute. Through this shareholders can also ask questions, leave messages or order documents.

In 2003, BNP Paribas won first prize in the French Financial Analysts Association (SFAF) awards for the BEST WEB SITE dedicated to professionals, based on the votes of 258 analysts who specifically browsed 290 sites. The prize, which is granted to listed companies in recognition of superior quality financial communications, was awarded to the Bank by Euronext.

## Liaison committee

From the outset, the new BNP Paribas Group decided to create a Shareholder Liaison Committee to help the Group communicate better with its individual shareholders.

At the 23 May 2000 Shareholders' Meeting which approved the BNP Paribas merger, Michel Pébereau, CEO of BNP Paribas, kicked off the nomination process, which culminated in the naming of the Committee members at the end of 2000.

Headed by Michel Pébereau, the Committee includes a member of the Board, 10 representative shareholders, both geographically and socio-economically, and 2 employees or former employees. Each member serves a 3-year term. When their terms expire, announcements will be published in the press and in the Group's various financial publications, inviting new candidates to come forward. Any shareholder can become a candidate. The members of the Liaison Committee are as follows:

- Michel Pébereau, Chairman;
- Michel François-Poncet, Board member;
- Marie-Nathalie Rodrigues, resident of the Allier département;
- Patrick Ballu, resident of Reims;
- Jacques Begon, resident of the Loire département;

- André Brouhard, resident of Nice;
- Jean-Pierre Edrei, resident of the Paris area;
- Joseph Fauconnier, resident of Amboise;
- Jean-Baptiste Fernandez, resident of the Paris area;
- Marcel Grégoire, resident of the Jura département;
- Rémy Lauprêtre, resident of Le Havre;
- Michel Rolland, resident of the Haute-Garonne département;
- Frédérique Barnier-Bouchet, BNP Paribas employee;
- Jean-Marie Gabas, former BNP employee now retired.

In accordance with the Committee's Charter – the internal rules that all members have signed up to – the Committee met twice in 2003, on 14 March and 12 September. Reports on these meetings were included in the shareholder newsletters. The main topics broached included:

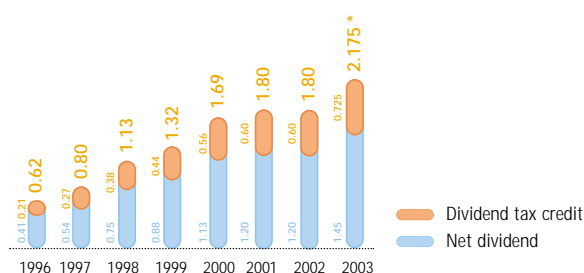
- BNP Paribas' participation in the "Actionaria" trade show. At this event, several Liaison Committee members explained the Committee's role to people who visited the Bank's stand;
- 2002 Annual Report and separate section dedicated to sustainable development;
- initiatives concerning preparations for the Annual General Meeting;
- changes to the BNP Paribas individual investors website.



## Dividend

At the 28 May 2004 Annual General Meeting, the Board of Directors will recommend a net dividend of EUR 1.45 per share, an increase of 21% compared with 2002. Including the dividend tax credit of 50% received by individual shareholders resident in France, the gross dividend will be EUR 2.175. The dividend will be payable as from 11 June 2004, if approved at the Annual General Meeting. The proposed distribution amounts to EUR 1,310.2 million, compared with EUR 1,075.1 million in 2003. The proposed payout rate is 34.8% <sup>(1)</sup>.

### Dividend growth (in euros per share)



The dividends for the years 1996 to 2000 have been adjusted for the two-for-one share-split carried out on 20 February 2002.  
\* Subject to approval at the 28 May 2004 Annual General Meeting.

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

## BNP Paribas registered shares

### Shares registered directly with BNP Paribas

The 21,385 shareholders whose shares were registered directly with BNP Paribas at 31 December 2003:

- automatically receive all documents regarding the company which are sent to shareholders;
- are automatically entitled to use a **toll free telephone number (0800 600 700)** to place buy and sell orders;
- benefit from special, discounted brokerage fees;

(1) Dividend recommended to the Annual General Meeting of 28 May 2004 expressed as a percentage of net income for the year.

- have access to "GIS Nomi" (<http://gisnomi.bnpparibas.com>), a fully secure dedicated web server in order to view their registered share accounts as well as place and track their trading orders;
- and as always, pay no custodial fees and are systematically invited to the General Meetings.

### Registered shares held in an administered account

BNP Paribas is also extending its administered share account services to institutional shareholders. For institutional shareholders, this type of account combines the main benefits of holding shares in bearer form as well as those of holding registered shares:

- the shares can be sold at any time, through the shareholder's usual broker;
- the shareholder can have a single share account, backed by a cash account;
- the shareholder is systematically invited to attend and vote at General Meetings, without the invitation being sent through a third party;
- the block on the sale of the shares in the days leading up to the meeting does not apply and the shareholder can take part in the vote via the Internet.

## Annual General Meeting

The last Annual General Meeting was held on 14 May 2003 on second call. All resolutions were approved by a comfortable majority. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website, where the original live webcast took place.



## BNP Paribas wins first prize in the AGM Awards

BNP Paribas was singled out for having organised and led the best annual general meeting in 2003, based on the analysis of 22 comprehensive topics. The prize, granted jointly by the financial magazine "Le Revenu" and Publicis Consultants•Ecom, was awarded by Paris Europlace, an organisation dedicated to promoting Paris as a financial centre.

BNP Paribas received the same award in 2000, once again in recognition of its high quality financial communications.

The 2003 Annual General Meeting was an additional opportunity for BNP Paribas to reaffirm its commitment to sustainable development. Ever since BNP Paribas was founded, at the General Meeting of 23 May 2000, the Group has sought to create solid, recurring value, testifying to its respect not only for "traditional" partners comprising shareholders, clients and employees, but also for the community at large. It seemed appropriate that these principles be reflected in the Group's General Meetings. That is why it was decided, in conjunction with the Shareholder Liaison Committee, to donate EUR 10 to IVS (*Institut des Vaisseaux et du Sang*) for every attending investor. IVS is a state-approved organisation that helps combat vascular disease and cancer. A total of EUR 9,110<sup>(1)</sup> was collected. A report on how the funds were used will be given at the Annual General Meeting on 28 May 2004.

(1) Only 911 shareholders were able to attend the meeting of 14 May 2003, due to severe transport strikes on that date.

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

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

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

Ordinary and Extraordinary General Meetings may be called in a single notice of meeting and held on the same date. BNP Paribas will hold its Annual and Extraordinary General Meetings on 28 May 2004, on second call.

### Notice of Meetings

- Holders of registered shares are notified by post. The notice of meeting contains the agenda, the draft resolutions and a postal voting form.
- Holders of bearer shares are notified via announcements in the press. In addition to legal requirements, BNP Paribas sends:
  - notices of meetings and a postal voting form for shareholders who own over a certain number of shares (set at 400 shares in 2003);
  - information letters concerning attendance procedures. In 2003, these were sent to all holders of at least 200 bearer shares.

## Attendance at Meetings

Any holder of shares may gain admittance to Annual and Extraordinary General Meetings, provided that the shares have been recorded in their accounts for at least one day. Holders of bearer shares must in addition present an entry card or certificate indicating that ownership of their shares has been temporarily frozen.

## Voting

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

- vote by mail;
- give proxy to their spouse or another shareholder;
- give proxy to the chairman of the meeting or indicate no proxy.

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

## Disclosure thresholds

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

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

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

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



# Human Resource Development

## BNP Paribas' Head of Human Resources wins HR Director of the Year award

On 20 October, Bernard Lemée was named Human Resources Director of the Year by the French national newspaper, *Le Figaro*. The award recognises the quality of BNP Paribas' HR strategies and the smooth integration of the merger that led to the formation of the BNP Paribas Group.

### Framework

By effectively transposing the core values and management principles defined shortly after the formation of the BNP Paribas Group into performance assessment criteria, the Group has been able to provide a consistent basis for assessing employee performance and attitudes around the world.

The initiatives undertaken in the area of strategic human resource management are knit together by an integrated policy framework for human resources. This framework, which is available to employees in document and online form through the intranet, is based upon a code of responsibilities, a directives manual, a set of procedures, a best practices handbook and an audit methodology.

In 2003, these initiatives were rounded out by the Group joining the United Nations' Global Compact programme, following which it issued a specific guideline signed by the Chairman of BNP Paribas.

### Delegation of responsibility

At the time of BNP Paribas' formation, Management recognised the need to cater to the diverse business areas and corporate cultures existing within the Group. An integrated HR organisation was set up and given a twofold mission to lead the merger integration process, and deploy a consistent approach for career management and compensation.

To reinforce BNP Paribas' top-ranking strengths in terms of global HR management, Group Human Resources was reorganised in 2003 with the objectives of facilitating decision-making and delegating greater responsibility to operating units, subsidiaries and regional structures. As a result, entity-level HR directors now have general oversight for career management and succession planning for the top-2,000 senior executive positions within the Group. In addition, new procedures for delegation of authority, career mobility and the development of high-potential managers have been introduced as part of this reorganisation which was completed in the fourth quarter of 2003.

### Group employees

During the year, the number of BNP Paribas employees increased to 89,071 FTEs (full-time equivalent employees), representing an increase of 1,386 compared with 2002.

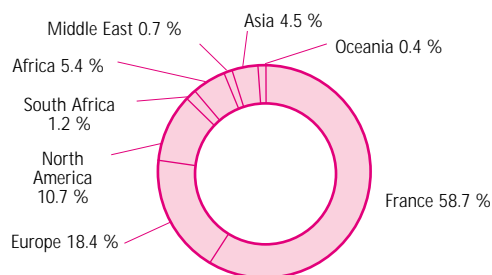
A significant portion of this increase is attributable to external growth operations, with the integration of all Cogent teams within the Asset Management and Services core business. Excluding changes in Group structure, staffing levels were either stable or slightly lower due to the difficult operating environment faced by certain business lines. Conversely, employee numbers continued to rise in the Cetelem consumer finance business, the Arval PHH fleet management and services business, and the real estate arm.

In geographical terms, the main changes were recorded in Germany, with a 672 increase in FTEs following the integration of Consors, and the United Kingdom, where the number of FTEs rose by 548 as a result of the Cogent acquisition. In other countries, average employee numbers were either flat or declined marginally. Overall, the proportion of Group employees outside France increased to 41.3% of the workforce at the year-end.

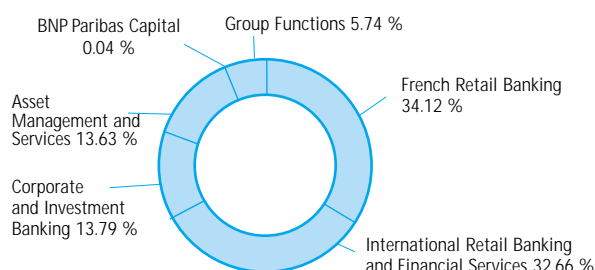


The Group's workforce breaks down as follows:

- analysis by geographical area:



- analysis by business:



## Career mobility

The Group adopts a proactive approach to career management, promoting career diversity and making every effort to assign employees affected by staffing changes to new positions within the organisation.

To rise to the challenges of a difficult economic environment and ensuing slower-paced growth in certain business lines, internal mobility-France and recruitment teams were combined into Group Human Resources in order to centralise within a single unit responsibility for job openings and internal or external hiring decisions.

Thanks to this policy, after eliminating the impact of job transfers related to changes in structure, 1,800 employees moved to a new job or a new location within BNP Paribas in 2003.

The internal job postings site, Opportunités Carrière, which is available to all employees via the intranet, was used to fill some 30% of job vacancies.

## Hiring

Reflecting the weak operating environment in France, the Corporate and Investment Banking, and Asset Management and Services businesses reduced hiring as from late 2002. The number of people hired by BNP Paribas in France fell to 2,500, down from 4,000 a year earlier, mainly due to the uncertain short-term prospects for a return to robust growth.

More than half of the new recruits joined the French Retail Banking network, with university graduates accounting for the bulk of those hired. A large number of these employees were hired in order to meet requirements for service representatives at the Client Relations Centres (CRC) in Paris-Tolbiac and Saran. In 2003, more than 300 new team members were taken on by these centres, thus allowing CRC projects to be ramped up during the year.

## Employee diversity

Since its creation, BNP Paribas has placed particular emphasis on respect for people and cultural sensitivity.

To bolster its worldwide development, the Group has made strides in developing an international management structure. At the end of 2003, almost 50% of the positions within the Group considered to be open to international candidates were filled by non-French nationals.

For historical reasons, the proportion of women in executive positions remains low. However, this is gradually evolving toward a better balance, notably due to the impact of the Group's demographic structure, an increasing number of female recruits, and a higher number of women managers being promoted within the organisation.

Every effort is made to ensure that strategic career management processes, which include annual appraisals, career planning reviews and succession planning, are non-discriminatory and are designed to support the objective assessment of the performance, skills, attitude and potential of each staff member.

## Ambitions for Corporate Excellence - ACE

The ACE programme was completed in June. Since its launch in September 2001, 27 seminars have been held for some 900 participants, comprising senior managers and Executive Committee members

Established one year after the Group's creation, this programme was designed to instill the Group's core values and management principles and to weld together specific corporate cultures and business operations.

The programme also enabled participants to acquire a better understanding of their management style, personal strengths and areas for improvement, along with the requirements of the latest version of the Group's performance appraisal system.

### Skills building

Training plans are drawn up and structured with a view to anticipating change and meeting foreseeable needs in each business line while giving staff opportunities to increase their current job skills and develop long-term capabilities.

The integration forum for newly hired senior executives, which was first held in Europe in 2002, was organised for an international group of 100 participants in 2003. During the forum, discussions were hosted by the Group's key executives as well as by teams responsible for ethics and compliance.

A range of initiatives has been developed to support employees taking up mobility assignments within the Group. Depending on individual needs, programmes are geared towards equipping staff with the generic skills required for mobility, to facilitate integration, or enable them to acquire technical skills related to a business line. Overall, approximately 80,000 hours of training were provided to staff as part of functional mobility programmes within BNP Paribas SA in 2003.

In 2003, risk management training was provided for account managers and risk managers working in BNP Paribas' French Retail Banking business as part of the Bank's "New Approach" programme for business clients. Training modules were developed jointly by the French Retail Banking

division, Global Risk Management and the Louveciennes Training Centre. New training programmes were also launched for Retail Banking sales teams working with private individuals and, finally, specific training actions were developed for wealth management staff.

The integrated training management system developed during the year provides training managers with a suite of resources for identifying needs and planning and monitoring the delivery of training. As from 2004, staff will be able to access an online training catalogue providing information and enrolment for all of the Group's training offerings.

### Workforce planning

For many years, the Group has implemented a workforce planning strategy aimed at evaluating demographic consequences and anticipating qualitative and quantitative changes in employment. As part of this strategy, a new Employment Adaptation Plan (EAP) was introduced at the end of 2003 for BNP Paribas SA in France.

This plan incorporates the findings of forward-looking studies based on proven methodologies to analyse future employment requirements in each of the various functional lines. Factors taken into account included the estimated impact of IT projects, reorganisations and business developments. The plan, which is designed to prevent overstaffing in certain administrative functions, gives the company the flexibility required to maintain its long-term recruiting momentum and allow succession management. In this regard, it builds on the results of the previous plan which was completed on 31 December 2003.

### Occupational health and safety

Promoting occupational health and work safety has always been a key policy concern for the Group. In France, legal responsibility for overseeing compliance with occupational health and safety regulations essentially lies with Health, Safety and Working Conditions Committees whose work is supplemented by a

large number of corporate actions. In 2003, initiatives taken by BNP Paribas included reinforcement of psychological counselling support for staff members who have been victims of attacks, support for business travellers following the outbreak of severe acute respiratory syndrome (SARS), and a variety of local responses taken to assist staff during the exceptional heatwave in August.

Occupation health risk assessments performed by the Group's medical officers have principally highlighted the potential for psychosocial risks. Measures taken to mitigate and prevent these factors have focused on improving work organisation. In 2003, a seminar on strategies for detecting, preventing and dealing with personal harassment in the workplace was organised for all of the Group's Human Resources professionals.

In its retail banking operations in sub-Saharan Africa, the BNP Paribas Group makes every effort to improve the social conditions for local employees and their families, notably by participating in prevention measures and co-ordinating emergency responses to fight endemic diseases in the region.

In the concerned countries, employees are provided with benefit schemes to cover medical, consultation and hospital expenses for themselves, their spouses and dependent children. Any additional expenses are paid by mutual health insurance schemes.

The Group's associated banks maintain internal medical services which provide annual medical check-ups and emergency treatment, and co-ordinate prevention campaigns aimed at employees.

Although very few of the associated banks operate in countries with high HIV prevalence rates, they work alongside local authorities to support national initiatives and WHO-funded programmes.

## Employee share ownership and employee savings

Proceeds from the June 2003 worldwide employee rights issue totalled EUR 206 million in spite of the fact that the issue was organised in a smaller number of countries than in 2002 and against the backdrop of a slump in global equity markets. Notwithstanding this unfavourable context, the take-up rate was high, with some 45,000 eligible employees and retirees subscribing to the issue.

### Employee rights issue:

	2000	2001	2002	2003
Subscribers	56,794	52,428	60,914	44,749
Amounts subscribed (in millions of euros)	314	266	322	206

Since 2000, employees have invested more than EUR 1 billion (excluding company matching contributions) in BNP Paribas shares, thereby showing their confidence in the Group's capacity to deliver sustained returns.

As of 31 December 2003, 4.57% of BNP Paribas' capital was held by employees either directly or through employee savings plans. On the same date, the Group's employee savings plans had total assets of EUR 2 billion and almost 70,000 beneficiaries.

The Group has continued its stock option policy in accordance with the strategic guidelines set by the Board of Directors. As in previous years, option grants were made selectively in 2003 and primarily concerned the Group's most senior executives and, to a lesser extent, high-potential executives. No discount to market value was applied in setting the exercise price for stock options. Allocation is conditional upon pre-determined thresholds for the relative performance of BNP Paribas shares versus the Dow Jones Euro Stoxx Bank index.

## BICI – Guinea

In tandem with social partners, BICIGUI has played a leading role in implementing health protection systems for banking employees in the West African Republic of Guinea. In January 2003 in Conakry, a delegation led by the head of the Geneva-based International Labour Office's African regional programme on occupational safety and health commended the bank's efforts as "an exemplary initiative for the region".





*Michel Duchevet and his association offer young people from Livry-Gargan a chance to go on holiday*

## Helping staff involved in the community

This programme was launched by Fondation BNP Paribas in late 2002 with the objective of assisting BNP Paribas France employees involved in voluntary work and fundraising projects in the community.

In recognition of the high quality of the projects received and the enthusiasm shown by staff, the members of the

Corporate Sponsorship Committee made 35 grants, ranging from EUR 600 to EUR 2,000, for a total of 49 applications in 2003. Approximately half of the projects were aimed at helping children and youths concerned activities for the disabled, with humanitarian, social inclusion and community health projects accounting for the remainder.

### Employee-employer relations

BNP Paribas continued to develop its labour-management processes in 2003 in order to keep pace with the Group's growth and to promote on-going consultation and dialogue with employee representatives.

**Company agreements.** The Commission on Employment Law – BNP Paribas SA's labour information and negotiation body – met on forty occasions in 2003. Thanks to these regular meetings, a total of 13 company agreements, including agreements on compensation and profit-sharing, were signed.

**European works council and Group works council.** Building on the agreement which established the BNP Paribas' European works council in 1986, ahead of the transposition of the European directive into French law, Executive Management and social partners reached a consensus on the need to adapt this body, notably in light of European enlargement and the lessons learned from the council's functioning since its establishment. The signing of a new agreement illustrates the Group's determination to further develop employee consultation and incorporate the proposals made. In a similar vein, a company agreement was also approved which introduces modifications to the functioning of the Group works council and the number of employee representatives elected to this body in order to take into account changes in the Group's size and characteristics.

**Employee representative bodies: a decentralised system.** To address the implications of recent organisational changes within French Retail Banking operations, a company agreement

was signed on a new organisational scope for employee representative bodies. The new structure is designed to promote decentralisation and increase local representation.

### Internal communications

**Ambitions** is the quarterly in-house magazine distributed to everyone who works in the BNP Paribas Group. The magazine is published in print and electronic form and has a print run of 90,000 copies. One-third of the print run is distributed in English. While **Ambitions** has proven highly successful, intranet technology is rapidly emerging as the medium of choice for internal communication. In 2003, Human Resources intranet sites operated for BNP Paribas Group and BNP Paribas SA employees continued to receive a high number of visits while the EchoNet portal had an average of 22,000 visitors per day.

**B2E** ("Business to Employee"), the Group's employee intranet portal, was launched towards the end of 2003. The site, which offers a personalised working environment based on a single-entry point providing customised access to information, is organised around five themes: **The BNP Paribas Group** – understanding the Group's environment: organisation, strategy, business mission and operations of the Group and its entities.

**News** – bulletins and announcements from the Group and business lines: personalised or general news, press releases, appointments, publications.

**Employee Related** – an HR information centre: leave, performance appraisals, internal mobility, training, employee savings, employee rights issues, staff provident scheme.

**Facilities** – making daily life easier: ordering business cards, special staff offers, IT support, photocopying.

**My business** – day-to-day business functions: business announcements, reporting procedures, project spaces and peer support groups.

In time, the employee Intranet will operate as an information system offering access to Group news, as well as personalised information on business line, entity, activity and functional line activities; and updates on developments within local businesses and subsidiaries. These functions are currently being progressively rolled out. Once complete, the system will provide all of the Group's employees around the world with access to a customised and structured information environment.

# Clients and Supplier Relations

## European consumers: "Seeking sustainable consumer choices"

For the 15<sup>th</sup> edition of its "Observer" survey, Cetelem measured and analysed consumer spending in eight major markets: Spain, France, Italy, Portugal, the United Kingdom, Russia, Germany and Belgium. In contrast to the results of its 1999 survey, Cetelem observed a shift in consumer confidence across Europe. The survey response from over 5,000 consumers shows that Europeans are concerned about the economy, but are optimistic about their own fortunes. Broadly speaking, consumers are in a buying mood but are more cautious than before about their spending. Overall, their decisions show the emergence of a more balanced, mature, and enlightened consumer culture.

### Listening to our clients

In keeping with its client-centric focus, BNP Paribas has developed a variety of quality monitoring and client feedback channels. These include client satisfaction surveys, "mystery visits" to branches, quality monitoring for staff performance, procedures and client service, and a complaint management process. The information obtained is used to develop new products and services in response to market needs, to optimise internal procedures, and to provide skills training for staff. The Quality and Client Relationship Department collaborates with marketing and sales managers in identifying areas for improvements to client service and formulating recommendations.

In 2003, the results of the client satisfaction survey conducted in French Retail Banking showed a substantial improvement in clients' perceptions of the quality of branch premises and the service provided by account managers. During the year, Arval PHH, the BNP Paribas vehicle leasing subsidiary, launched its own

"Observer" study, which reports on the main trends in the corporate fleet market in France and the rest of Europe. In France, Arval PHH staged an innovative road safety campaign aimed at clients and employees in association with the Road Safety and Traffic Department and CNAMTS, a national health insurance fund for employees.

### A new business model: multichannel banking

The new Multichannel Bank business model implemented by BNP Paribas is designed to provide:

- Easy access to banking services, either via branch account managers or through full-service banking machines.
- Remote banking channels, including telephone, Internet, Minitel and the postal system.

BNP Paribas offers clients the comfort of being able to do their banking when and where they wish. Whatever the channel used to access the Bank, clients can keep track of their account details and transaction history. This approach enables BNP Paribas to continue to improve the quality, efficiency and responsiveness of its services.

BNP Paribas Net, the Group's online banking service, is being rolled out to emerging and overseas markets. Since the end of 2003, the service has been made available to clients in Burkina, Guadeloupe, French Guyana, Martinique and Tunisia. Twelve other sites will soon add this product to their offering. BNP Paribas Net allows clients to access a range of products and services, contact account managers, and make online loan simulations as well as loan applications.

### Quality programme

Since 1994, 59 processes have been ISO-certified under BNP Paribas' ISO 9000 certification programme. Today, it has 41 active certificates, since 12 certificates awarded to the Group's insurance business have been combined into a single certificate. Quality efforts extend across all of the Group's operating units and corporate functions, both in France and abroad. Thanks to the experience acquired by the ISO 9000 certification team, BNP Paribas reported a higher rate of ISO registrations than the world average in 2003 (*source: ISO Survey*). In 2003, the Group earned 13 new certificates (8 in France and 5 outside France) for client-facing activities serving individual clients, companies or local government authorities. These included insurance products, statement printing, logistics services, project management, documentary credit services, structuring and legal implementation for investment vehicles.

A dozen certification projects have been launched for 2004, several of which will be completed in the first quarter of the year.

### Relations with consumers

Relations with consumer rights groups make a vital contribution to BNP Paribas' efforts to meet client expectations. Regular focus group sessions and consultation meetings are held throughout the year to anticipate market opportunities and customer trends.

To meet the needs of young people seeking to rent accommodation, BNP Paribas has introduced an original offer in which the Bank serves as a guarantor for its clients' tenant lease obligations. BNP Paribas conducted two research projects to study the expectations of people concerned by new pension reforms introduced in France in 2003. In addition to offering advice and assistance to the public, BNP Paribas introduced a range of custom solutions, designed to help clients to achieve their goals according to their saving capacity while benefiting from tax benefits and exemptions from social deductions in light of existing and new provisions introduced under the Fillon Act.

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### Cetelem's consumer relations department ranked No. 1

Cetelem's Consumer Relations Department, which was awarded ISO 9001 certification in 2003, was ranked 1<sup>st</sup> in a review of 204 firms for its handling of telephone, post and e-mail complaints. Cetelem obtained an overall score of 19.65 out of a possible 20. The review was performed by Challenge Qualité, an independent research agency, which has been performing comparative benchmarking studies for leading companies in France since 1990.



Finally, BNP Paribas improved its complaints management process by assigning some twenty technicians from the Quality and Client Relationship Department and around one hundred client relations managers from branch groups to help speed up complaints handling and respond more quickly to clients.

Complaints referred to the Mediator essentially concerned deposit accounts held by individual customers. Of the 5,300 complaints received, 2,685 were addressed to the Mediator and were essentially made by low-income clients or young people starting out in life, for the most part encountering financial difficulties. In total, 1,547 complaints, 58% of those received, were eligible for mediation. Of the 396 recommendations issued by the Mediator in 2003, 17.7% were granted in favour of clients. As a matter of policy, BNP Paribas systematically follows the Mediator's recommendations.

### **Promoting socially responsible investment (SRI)**

BNP Paribas Asset Management took decisive steps to promote socially responsible investment in 2003. These efforts, marked by the adoption of SRI criteria for investment screening and the award of the CIES quality label (*Comité intersyndical de l'Épargne Salariale* – a trade union federation), were very favourably received by the investment community.

### **Adoption of SRI criteria by BNP Paribas Asset Management**

Socially responsible investment section criteria are essential for the analysis of corporate opportunities and risks. To this end, BNP Paribas Asset Management has integrated SRI methods into its fundamental analysis processes.

## **Novethic upgrades its SRI rating for the BNP Éthéis equity fund**

BNP Éthéis received the highest possible SRI rating (aaa+++) in the April 2003 Panorama review of socially responsible investment funds published by the research agencies, Novethic and Amadeis. The review analyses the performance of 58 SRI funds which have been operating for over a year in the SRI market in France. The rating upgrade acknowledges the quality of BNP Paribas Asset Management's SRI approach as well as its asset management. This recognition adds to the success of BNP Éthéis which has become the leading socially responsible equity fund available in the French market since its launch in 2002.

An analysis function has been created for socially responsible investment and uses a proprietary screening process. The members of the SRI analysis team work closely alongside financial analysts and portfolio managers. In 2003, the SRI analysis team forged partnerships with the social investment consultancies Deminor and Innovest. These agreements, which add to the existing agreement with Vigeo, enable BNP Paribas Asset Management to broaden its geographic scope and reinforce its research capabilities in the areas of social responsibility, corporate governance and environmental performance.

### CIES quality label

This label awarded by CIES certifies that fund investment products have been screened using socially responsible investment criteria and offer excellent price and quality characteristics. It also indicates that employee representatives hold the majority of seats on the supervisory boards. The employee investment savings product Phileis was also awarded a CIES label in 2003. This product combines BNP Paribas Épargne Entreprise's expertise in the design of packaged employee savings with the investment management skills of BNP Paribas Asset Management. It features six SRI funds, each covering different performance/risk profiles, and includes two micro-finance funds.

### Promoting socially responsible investment

As part of its involvement in 2003 Sustainability Week organised throughout France from 2 to 13 June, BNP Paribas Asset Management produced a daily radio programme on Radio Classique which outlined the human and financial value of SRI funds to investors. This client education programme was also endorsed by the French Secretary of State for Sustainable Development.

## BNP Paribas Asset Management becomes market leader

"BNP Paribas unveiled its 'Retirement Projects' strategy, a global range of retirement savings products and services last December. The options available to clients include the BNP Paribas Retraite mutual fund, one of whose many qualities is that it is managed according to SRI criteria. This represents a significant development for the French SRI market, putting the latter's total assets at over EUR 3.5 billion, and positions BNP Paribas Asset Management as the SRI market leader in France with EUR 900 million in assets under management.

*La Lettre de l'économie responsable – Issue 18, January 2004*



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### Leverage the Group's purchasing clout: Global Procurement Group (GPG)

The Global Procurement Group (GPG) is dedicated not only to controlling and containing procurement costs, but also helps to spearhead BNP Paribas' direct relations with its major suppliers.

When renegotiating expired contracts or issuing new tender offers, GPG systematically integrates social and environmental clauses. This extends beyond the traditional business approach to client-supplier relations.

It provides an opportunity to broaden and clarify the requirements of the Group's CSR policy as defined by its general business principles and its commitment to sustainable development.

In this way, BNP Paribas continues to take a leading role by developing a contractual framework to manage its sustainability commitments while extending and enriching its contribution to society.

To support the increased role of the Procurement function and enable it to monitor supplier compliance efforts around the world, the Group has developed a global Procurement organisation with dedicated staff in Paris, London, New York and Singapore.

This organisation has access to worldwide databases providing:

- An extensive inventory of the Group's worldwide relations, covering more than 90% of external suppliers;
- Standard supplier contracts, which have been developed for 700 of the Group's largest suppliers, accounting for half of the worldwide supplier base.

Rules of conduct relating to employee relations with clients and suppliers are defined in the Group's guideline framework.

The audit conducted by General Inspection in 2003 found the Procurement teams were familiar with the provisions of the rules of conduct.

In addition to implementing the contractual agreements for the Group's CSR commitments, a systematic process which began in 2002, the Procurement function has also introduced a number of measures for sustainability performance:

- Systematic monitoring of environmental and social performance of the Group's largest suppliers and their competitors, using models developed by BNP Paribas Asset Management's SRI analysts, with the aim of including sustainable criteria in contract awards;
- Wide-ranging consultation with suppliers, which includes a feedback survey in which suppliers can discuss their perception of BNP Paribas as a client. An action plan will be developed in 2004 to respond to the principal requests of suppliers;
- Development of green purchasing contracts which are awarded according to environmental criteria rather than the lowest price option, particularly in areas such as renewable energy;
- Encouraging recycling programmes developed by groups of general services managers from different sites.





# Environment

## **BNP Paribas' commitment to the environment**

BNP Paribas has adopted a set of ten operating guidelines which are inspired by the Environmental principles of the United Nations Global Compact programme:

### **1. Mitigation of environmental impacts**

The BNP Paribas Group has always placed particular emphasis on preventing any adverse impact on the environment in which it operates. The Group embraces solutions designed to limit the impact of its activities and, in particular, to reduce emissions of greenhouse gases. Insofar as the majority of its operations are sited in urban areas, the Group is keen to ensure that its sites are harmoniously integrated into the urban landscape of the cities in which they are located.

### **2. Compliance**

The Group seeks to comply with all of the legal and regulatory environmental requirements applicable to its operations in the countries where it conducts business.

### **3. Energy efficiency**

The Group complies with the provisions of energy policies as required by public authorities in the countries where it operates. In this regard, it actively promotes technical and organisational solutions enabling it to reduce energy consumption on a constant Group structure basis.

### **4. Supplier selection**

The Group seeks to develop commercial relations with suppliers and subcontractors who share its commitment to environmental performance. Compliance is enforced through appropriate clauses in tender and contract documents.

### **5. Waste management**

The Group strives to adopt best waste management practices for the reduction, sorting and recycling of waste volumes.

### **6. Risk management**

In its credit risk management process, the Group recognises that it must identify and assess environmental risks, and strives to implement effective measures for this purpose. The Group lending policy has been translated into specific policies for some business lines. Similarly, the Group rating policy for corporate financing provides a framework for factoring environmental risk data into rating models.

### **7. Cost containment**

To satisfy client demands for optimal service quality and cost, the Group has identified cost containment as one of the main priorities for the success of its profitable growth strategy. To this end, it implements strategies to reduce resource consumption (paper, water, materials, etc.).

### **8. Developing specific products**

The Group favours the marketing of financial instruments which respond to environmental challenges and opportunities in a cost-efficient way.

It seeks to develop these products and services according to the degree that they meet the requirements of the Group's risk management and capital adequacy rules.

At the same time, it is determined to make use of tax and government incentives to develop environmentally sound lending policies.

## 9. Employee awareness

Guidelines governing Group entities are circulated to employees throughout the world. These guidelines have been translated into specific methods and procedures for business processes and functional areas. Sustainable development modules have been incorporated into the Group's induction and management training seminars.

## 10. Efficiency of internal control

Accountability for applying environmental guidelines is integrated into the day-to-day responsibilities of operating units and corporate functions. The various levels of control defined in the Group's internal control system verify effective implementation of the Group's environmental guidelines and include "controls on controls" which are performed by the Group's Inspection unit.

## Impact of new technology on the Group's business

BNP Paribas has taken advantage of two major developments in the financial services industry to support its efforts in preventing and mitigating direct environmental impacts:

- The virtualisation of back-office and client-facing business processes;
- Cost containment and the downward trend in the cost/income ratio.

Current technology developments are fuelling an unprecedented reduction in processing time as well as explosive growth in data volumes. These trends have widespread implications for the re-engineering of business processes, organisations and distribution channels. BNP Paribas is seizing opportunities and allocating investment to ensure its leadership in these areas. It has also found that these recent developments have tended to improve eco-efficiency while fostering client relationship interaction and reducing energy and raw material consumption thanks to factors such as:

- Digitisation of documents (smartcards, electronic document management);
- Widespread automation of transaction systems (self-service banking);
- Multichannel banking (telephone, Minitel and Internet-banking platforms supporting the retail banking network);
- Client relationship management (CRM) techniques;
- Implementation of electronic transaction processing.

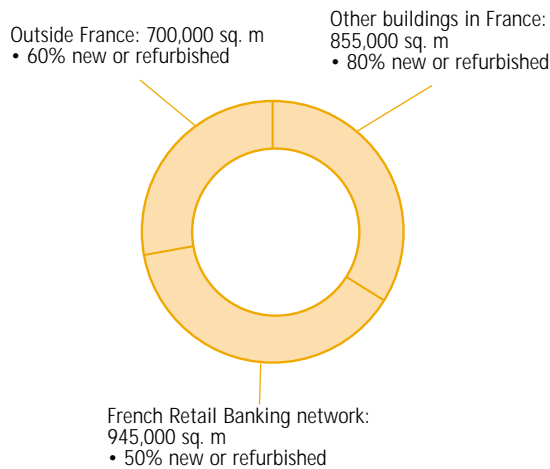
## A small "ecological footprint"

As a provider of financial services, personal relations are of vital importance in BNP Paribas' industry. Since many of its processes are automated and accessible through virtual channels, BNP Paribas' resource consumption is limited. As a result, the Bank's building infrastructure is the biggest contributor to material intensity. Some 63% of the Group's total building area of 2.5 million sq.m is made up of new and recently refurbished floor space.

## Each year, 90 million pages saved by French Retail Banking

Digitisation of accounting statements used by French retail banking support centres has enabled a 90% reduction in paper consumption by these units, representing an average annual saving of 90 million pages per year since 1998.

### Building infrastructure: 2.5 million sq. m



In urban areas, particular attention is paid to ensure that Group sites integrate harmoniously with local city landscapes and that they provide attractive, welcoming and efficient facilities.

The Group's building infrastructure consumes fluids including water, electricity, gas and diesel fuel for heating, lighting and air conditioning. Three-quarters of the Group's worldwide electricity consumption is directly proportional to the number of employees (60% in France). In view of these estimates and of its analysis

## A building by Meunier Group voted 2003 Office Building of the Year

Issy Bords de Seine 2, a Paris-based building developed by Meunier Group was elected winner of the Building of the Year by a jury of ten corporate real estate executives.

The BNP Paribas subsidiary, Meunier, supervised the technical specifications and project development for this office building as it does for the 150,000 sq.m of new and refurbished office and warehouse space developed by the Meunier Group each year.

of paper consumption and transport needs for employees, the Group has launched a study at several sites which have been chosen as representative. The aims for this study are to precisely evaluate consumption levels, to prioritise needs and to identify solutions for reducing consumption measured on a constant Group structure. Despite this, it would appear that the Group's long-standing energy-saving programmes have already realised many of the efficiency gains possible and that the expenditure related to this consumption is marginal in relation to the Group's external spending.

## A forward looking and responsible approach to financing

In France, the Group is a leading player in the fields of renewable energy and environmental protection, through its two specialised companies for the financing of energy-saving investment, Natio Énergie and Parifergie.

BNP Paribas has developed sustainable lending criteria and environmental risk management approaches for worldwide project finance lending. In accordance with the Group credit policy for project finance, environmental assessments are systematically performed for each loan application examined by the Credit Committee.

The nominations and rankings published by International Project Finance in 2003 testify to BNP Paribas' leadership position in project finance markets. BNP Paribas acted as lead manager in six of the top ten project financing deals completed in 2003 in Europe and the Middle East.

BNP Paribas lead managed an 18-year, GBP 300 million facility for Beaufort Wind, which was named "Deal of the Year" for the energy sector in the Europe/Middle East/Africa region. This was the first deal to benefit from the Renewable Obligations Certificate (ROC) mechanism and the first project financing for an offshore wind farm.





# Patronage

## A partner in society

As a facilitator of economic exchange, BNP Paribas makes an essential contribution to society and the community, locally and globally, whether through the trade flows it handles or through its relationships with clients, employees and suppliers. By providing services and financing to help clients achieve their goals it makes a direct contribution to local development in the territories in which it operates.

Over many years, BNP Paribas has built up a structured and varied programme of corporate patronage activities in addition to its corporate social responsibility (CSR) policies.

## Fondation BNP Paribas

Operating under the aegis of the Fondation de France, Fondation BNP Paribas is dedicated to fostering dialogue between the banking community and society. As a forum for the exchange of ideas and discoveries, the Foundation adds a new dimension to the Group's core values of ambition, commitment, creativity and responsiveness. Through the programmes it supports, Fondation BNP Paribas strives to preserve and promote cultural heritage and to support artistic expression. It also provides funding for state-of-the-art medical research as well as for innovative projects in the areas of education, social insertion and disability.

## Museum

Following a renovation project which mobilised eleven art restorers over one year, the "Mercury" ceiling in the palace of Versailles was restored to its original splendour at the end of 2003 thanks to a grant by Fondation BNP Paribas.

One of the masterpieces of the Royal apartments, the ceiling decorates the official reception room of the queen. It was painted by Michel Corneille the Younger from 1672 onwards and comprises a central medallion, four arch panels and four corner panels.

This grant, which was sponsored under the BNP Paribas pour l'Art programme, is another milestone in the partnership between Fondation BNP Paribas and the palace of Versailles.

It comes after the restoration of the painting by Veronese, *The Feast in the House of Simon*, and of the ceiling painted by François Lemoyne, *The Apotheosis of Hercules*.

In addition to grants, the Foundation provides support for its partners and seeks to cater to their individual objectives in the same way as it does for its clients, namely by developing programmes as well as providing advice and on-the-spot assistance, together with access to the BNP Paribas worldwide network of contacts. Fondation BNP Paribas is a member of Admical, a French non-profit organisation for the promotion of corporate patronage, and of the *Centre Français des Fondations*.



## Circus

Plan B, the show created by the Cie 111 company, combines boundless creativity with breathtaking precision. Performers overturn conventional spatial limitations and defy gravity in this retelling of the legend of Icarus. As original as it is entertaining, the show blends elements from the circus, theatre and video genres. Fondation BNP Paribas – one of only a handful of corporate sponsors supporting modern circus artists – decided in 2003 to sponsor Cie 111, which was founded in 1999 by Aurélien Bory.

## Heritage and arts

As a recognised benefactor to museums, Fondation BNP Paribas provides funding for the publication of art books that familiarise the public with museum collections and awards grants for the restoration of masterpieces. Its initiatives have benefited a wide variety of institutions. Thus, the Fondation has helped to publish some fifty art books on museums in France and abroad and enabled around sixty works of art to be restored and placed on display to the public.

Fondation BNP also supports the performing arts by establishing close partnerships with modern dance companies, circus troupes, jazz musicians and other performers working in disciplines that are often overlooked by other sponsors. At the same time, it helps to make rare or unperformed works more widely known and to provide a boost to young performers' careers. The Foundation also makes use of its extensive links with festivals and production companies to bring new talents to a wider audience.

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## Medical research and community outreach

As part of its support for health care and research, Fondation BNP Paribas assists researchers and physicians working in both medical research and applied clinical research. In this area, the Foundation works with pre-eminent scientific institutions to select beneficiaries. Funding generally takes the form of multi-year grants which are awarded to new research projects.

The Foundation also supports communities through its involvement in pilot projects promoting economic self-sufficiency for disadvantaged individuals. In addition to its longstanding association with Adie\*, since 2002, Fondation BNP Paribas has developed a volunteer grants programme which provides funding for non-profit community organisations in which employees are involved on a personal basis.

*\* A non-profit organisation set up by Maria Nowak in 1989 to promote micro-lending for business projects in France.*





*The "Mercury" ceiling,  
Palace of Versailles*

In 2003, BNP Paribas celebrated its 30<sup>th</sup> year of service to tennis. To mark this milestone, the Group, which is a partner to the French Tennis Federation and the French Muscular Dystrophy Association, helped 170 local tennis clubs to organise a weekend-long tennis tournament in support of France's annual charity telethon. Proceeds from the tournament fees, representing over EUR 100,000 in funds, were donated to medical research projects into genetic diseases.



*Tennis clubs commit to Téléthon*

During the year, the Group also stepped up its assistance to the French University Sports Federation and sponsored the creation of the first BNP Paribas European Universities Cup. The extension of the agreement with Handisport, the French Disabled Sports Federation, also enabled the Group to continue its sponsorship of wheelchair tennis and its partnership in the BNP Paribas Open de France Tournament which is held each year near Paris.

For the past three years, BNP Paribas has been an active partner to "Fête le Mur", an association founded by Yannick Noah which brings tennis to young people living in disadvantaged areas in some 20 French towns and cities, and is involved in a project to create a sports coaching centre for the most promising players. Similar initiatives are also organised by the Group in Switzerland, Argentina and Morocco.





Laurence Devilliers from the P'tits Loups Association with her daughter Ascelyne

## Volunteer activity

The objective of Fondation BNP Paribas' volunteer grants programme is to support employees of BNP Paribas in France who are involved in

community projects for young people. Through this programme, the Foundation seeks to encourage employees who offer their time and expertise to organisations working with children and teenagers. In recognition of the quality of the funding proposals received and the commitment shown by staff, the Foundation awarded grants for 35 of the 49 proposals examined in 2003. These concerned projects in the areas of disability, social inclusion, and health care.

## Solidly rooted in France and spreading overseas

Through its support for cultural cooperation and exchanges organised between France and other countries, assistance for concert tours, the development of international sponsorship programmes and the coordination of programmes implemented outside France by the various territories, Fondation BNP Paribas reflects the Group's identity as a structure that is both solidly rooted in France and present throughout the world.

In addition, the Foundation organises regular encounters between its sponsorship beneficiaries and the Group's staff, clients and shareholders. These exchanges enhance the Foundation's role as an instrument for mutual enrichment and human progress.

## Fondation BNP Paribas receives a special jury award in 2003 Admical Oscar Awards for Corporate Sponsorship

Fondation BNP Paribas won a special jury award in the 2003 Admical Corporate Sponsorship Oscars. In its citation for the award, the jury, which included representatives from companies, cultural institutions and associations, and was chaired by the French journalist Anne Sinclair, honoured Fondation BNP Paribas for the scope and continuity of its corporate sponsorship activities over the last two decades.

## Local initiatives

Around the world, BNP Paribas employees volunteer their personal time to a wide variety of programmes in the fields of the arts, health care and community service. Two programmes, which have been underway for a number of years, deserve special mention:

### BNP Paribas New York

BNP Paribas New York was one of the Group's first territories to support employees and their spouses who donate part of their time off work to good causes. Its volunteer grants programme still stands apart for its originality.

This programme, launched in 1997, provides funding to non-profit organisations in which employees or their families are involved as volunteers. Causes supported include centres for victims of domestic violence, after-school programmes for children living in underprivileged areas, support for Broadway dancers suffering from HIV/AIDS, or counselling for former prison inmates.

### BNP Paribas London

As part of BNP Paribas London's community service programme, staff provide after-school coaching in reading and maths to children from Marylebone.

Under this programme, which was launched in the autumn of 2001, staff volunteers offer a half-hour of their time each week to the pupils of the Christ Church Bentinck and St Mary's Bryanston Square primary schools. Employees taking part receive training and undertake to devote a little time each week to the schools to which they are assigned. Although volunteers initially commit themselves as tutors for at least a single school term, many choose to give their time over much longer periods.



# Corporate Governance

At 31 December 2003 \*



**Michel Pébereau**

**Principal function:** Chairman of the Board of Directors of BNP Paribas  
*Born on 23 January 1942*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 110,006*

**Director of:**  
Lafarge  
Saint-Gobain  
Total  
*BNP Paribas UK Holdings Ltd, United Kingdom*

**Member of the Supervisory Board of:**  
Axa

**Non-voting director of:**  
*Société Anonyme des Galeries Lafayette*

**Chairman of:**  
*Association Française des Banques*  
*Commission Banque d'Investissement et de Marchés de la Fédération Bancaire Française*  
*Conseil de Direction de l'Institut d'Études Politiques de Paris*

**Member of:**  
*International Advisory Panel of the Monetary Authority of Singapore*  
*International Capital Markets Advisory Committee of the Federal Reserve Bank of New York*  
*International Monetary Conference*



**Patrick Auguste**

Director elected by BNP Paribas employees  
**Principal function:** Head of real estate projects  
*Born on 18 June 1951*  
*Elected for 6 years on 6 March 2000*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 130*



**Claude Bébéar**

**Principal function:** Chairman of the Supervisory Board of Axa  
*Born on 29 July 1935*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 23 May 2000*  
*Number of BNP Paribas shares held: 3,074*

**Chairman and Chief Executive Officer of** Finaxa

**Director of:**  
Schneider Electric  
Vivendi Universal  
*Axa Assurances Iard Mutuelle*  
*Axa Assurances Vie Mutuelle*  
*Axa Courtage Assurance Mutuelle*  
*Axa Financial Inc., États-Unis*  
*Lor Patrimoine*

**Chairman of:**  
*Institut du Mécénat de Solidarité*  
*Institut Montaigne*

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



**Jean-Louis Beffa**

**Principal function:** Chairman and Chief Executive Officer of Compagnie de Saint-Gobain  
*Born on 11 August 1941*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 22 October 1986*  
*Number of BNP Paribas shares held: 18,786*

**Vice-Chairman of the Board of Directors of** BNP Paribas  
**Chairman of** Claude Bernard Participations

**Director of:**  
*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*

**Member of the Supervisory Board of:**  
Le Monde SA  
*Le Monde Partenaire AS (SAS)*  
*Société Éditrice du Monde (SAS)*



**Gerhard Cromme**

**Principal function:** *Chairman of the Supervisory Board of ThyssenKrup AG*  
*Born on 25 February 1943*  
*Elected on 14 May 2003. Term expires at the 2005 AGM*  
*First elected to the Board on 21 March 2003*  
*Number of BNP Paribas shares held: 400 (in February 2004)*

**Member of the Supervisory Board of:**

*Allianz AG, Allemagne*  
*Axel Springer Verlag AG, Germany*  
*Deutsche Luftansa AG, Germany*  
*E. ON AG, Germany*  
*Ruhrgas AG, Germany*  
*Siemens AG, Germany*  
Suez  
*Volkswagen AG, Allemagne*

*Chairman of the German Governmental Commission on Corporate Governance*  
*Chairman of the European Round Table of Industrialists*



**Jack Delage**

Director elected by BNP Paribas employees  
**Principal function:** Client Account Manager  
*Born on 26 January 1946*  
*Elected for 3 years on 31 January 2001*  
*First elected to the Board on 28 February 2000*  
*Number of BNP Paribas shares held: 100*



**Michel François-Poncet**

**Principal function:** Vice-Chairman of the Board of Directors of BNP Paribas  
*Born on 1 January 1935*  
*Elected on 14 May 2003. Term expires at the 2006 AGM*  
*First elected to the Board on 23 May 2000*  
*Number of BNP Paribas shares held: 22,300*

**Chairman of** *BNP Paribas Suisse SA, Switzerland*  
**Vice-Chairman of** *Pargesa Holding SA, Switzerland*

**Director of:**  
Finaxa  
LVMH  
Schneider Electric  
*BNP Paribas UK Holdings Limited, United Kingdom*  
*Compagnie Monégasque de Banque*  
*Erbé, Belgium*  
*Power Corporation, Canada*  
*Vittoria Assicurazioni, Italy*



#### Jacques Friedmann

Principal function: Company Director  
 Born on 15 October 1932  
 Elected on 4 May 1999. Term expires at the 2005 AGM  
 First elected to the Board on 14 December 1993  
 Number of BNP Paribas shares held: 4,942

Director of:  
 LVMH  
 Total  
 Chairman of the Conseil d'Orientation of the Musée du Quai Branly



#### François Grappotte

Principal function: Chairman of Legrand  
 Born on 21 April 1936  
 Elected on 4 May 1999. Term expires at the 2005 AGM  
 First elected to the Board on 4 May 1999  
 Number of BNP Paribas shares held: 2,300

Director of:  
 Valeo  
 Bufer Elektrik, Turkey  
 Eltas Elektrik, Turkey  
 Legrand Española, Spain  
 Lumina Parent, Luxembourg  
 Pass & Seymour, United States  
 The Wiremold Company, United States

Director and Chief Executive Officer of Legrand Holding SA

Chairman of:  
 B. Ticino, Italie  
 Legrand SAS  
 Lumina Management

Member of the Supervisory Board of Michelin

Member of:  
 Conseil Consultatif de la Banque de France  
 Bureau de la FIEEC (Fédération des Industries Électriques,  
 Électroniques et de Communication)



#### Alain Joly

Principal function: Chairman of the Supervisory Board of Air Liquide  
 Born on 18 April 1938  
 Elected on 14 May 2003. Term expires at the 2006 AGM  
 First elected to the Board on 28 June 1995  
 Number of BNP Paribas shares held: 4,152

Director of:  
 Lafarge  
 Société d'Oxygène et d'Acétylène d'Extrême-Orient  
 Air Liquide International Corporation, United States  
 American Air Liquide, United States



#### Denis Kessler

Principal function: Chairman and Chief Executive Officer of Scor  
 Born on 25 March 1952  
 Elected on 14 May 2003. Term expires at the 2006 AGM  
 First elected to the Board on 23 May 2000  
 Number of BNP Paribas shares held: 812

Chairman of:  
 Commercial Risk Re-Insurance Company, United States  
 Commercial Risk Reinsurance Company Ltd, Bermuda  
 Commercial Risk Partners Ltd, Bermuda  
 General Security Indemnity Company, United States  
 General Security National Insurance Company, United States  
 General Security Indemnity of Arizona, United States  
 Investors Insurance Corporation, United States  
 Investor Marketing Group Inc., United States  
 Scor Italia Riassicurazioni SPA, Italy  
 Scor Life Insurance Company, United States  
 Scor Life US Reinsurance, United States  
 Scor Reinsurance Company, United States  
 Scor US Corporation, United States

Director of:  
 Bolloré Investissement SA  
 Dassault Aviation  
 Amvescap Plc, United Kingdom  
 Cogedim  
 Dexia, Belgium  
 Scor Canada Reinsurance Company, Canada

Member of the Supervisory Board of:  
 Scor Deutschland, Germany

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



#### Jean-Marie Messier

Principal function: Chairman of Messier Partners LLC and Ahead LLC, United States  
 Born on 13 December 1956  
 Elected on 4 May 1999. Term due to expire at the 2005 AGM. –  
 Mr. Messier presented his resignation in writing on 29 December 2003 and the Board took note of this in its meeting of 4 February 2004.  
 First elected to the Board on 4 May 1999  
 Number of BNP Paribas shares held: 400



#### Jean Morio

Director elected by BNP Paribas employees  
 Principal function: Statistician (Economic research)  
 Born on 2 April 1948  
 Elected for 3 years on 31 January 2001  
 Number of BNP Paribas shares held: 10



#### Lindsay Owen-Jones

Fonction principale : Chairman and Chief Executive Officer of L'Oréal  
 Born on 17 March 1946  
 Elected on 13 May 1998. Term expires at the 2004 AGM  
 First elected to the Board on 13 June 1989  
 Number of BNP Paribas shares held: 2,088

Chairman of:  
 L'Oréal USA Inc., United States  
 L'Oréal UK Ltd, United Kingdom  
 Galderma Pharma SA, Switzerland

Vice-Chairman and Member of the Supervisory Board of:  
 Air Liquide

Director of:  
 Gesparal  
 Sanofi-Synthélabo





#### David Peake

**Principal function:** *Chairman of BNP Paribas UK Holdings Ltd, United Kingdom*  
*Born on 27 September 1934*  
*Elected on 13 May 1998. Term expires at the 2004 AGM*  
*First elected to the Board on 13 May 1998*  
*Number of BNP Paribas shares held: 750*

**Chairman of:**  
*BNP Paribas Finance Plc, United Kingdom*  
*Chipping Norton Theatre Ltd, United Kingdom*  
*Chipping Norton Theatre Trust Ltd, United Kingdom*  
*21<sup>st</sup> Century Learning Initiative (UK) Ltd, United Kingdom*  
*The Goldsmiths' Company, United Kingdom*

**Director of:**  
*Life Education Mobiles Ltd, United Kingdom*  
*Life Education Centres (UK) Ltd, United Kingdom*  
*Sezincote Trustees Ltd, United Kingdom*



#### Hélène Ploix

**Principal function:** *Chairman of Pechel Industries SAS*  
*Born on 25 September 1944*  
*Elected on 14 May 2003. Term expires at the 2005 AGM.*  
*First elected to the Board on 21 March 2003*  
*Number of BNP Paribas shares held: 700*

**Director of:**  
*Lafarge*  
*Boots Group Plc, United States*  
*Ferring SA, Switzerland*

**Member of the Supervisory Board of:**  
*Publicis*

**Representative of Pechel Industries for:**  
*Quinette Gallay*  
*Aquarelle.com Group*  
*Xiring*  
*CVBG-Dourthe Kressman*  
*IDM*  
*Panoranet*  
*Homerider Systems*  
*Holding Nelson/Creations Nelson*  
*Pechel Service SAS*

**Legal Manager of Hélène Ploix SARL**  
**Ad hoc** member of the Investment Committee for the United Nations Personnel Pension Fund



#### Baudouin Prot

**Principal function:** *Chief Executive Officer of BNP Paribas*  
*Born on 24 May 1951*  
*Elected on 7 March 2000. Term expires at the 2005 AGM*  
*First elected to the Board on 7 March 2000*  
*Number of BNP Paribas shares held: 29,670*

**Chairman of the Board of Directors of:**  
*BNP Paribas E<sup>3</sup>*

**Director of:**  
*Péchiney*  
*Veolia Environnement*

**Member of the Supervisory Board of:**  
*Pinault-Printemps-Redoute*  
*Cetelem*

**Permanent representative of BNP Paribas on the Supervisory Board of:**  
*Accor*



#### Louis Schweitzer

**Principal function:** *Chairman and Chief Executive Officer of Renault*  
*Born on 8 July 1942*  
*Elected on 13 May 1998. Term expires at the 2004 AGM*  
*First elected to the Board on 14 December 1993*  
*Number of BNP Paribas shares held: 4,830*

**President of the Management Board of:**  
*Renault-Nissan BV, Netherlands*

**Director of:**  
*AB Volvo, Sweden*  
*Électricité de France*  
*Renault Crédit International*  
*Veolia Environnement*

**Member of the Supervisory Board of:**  
*Philips, Netherlands*

**Member of the Board of:**  
*Fondation Nationale des Sciences Politiques*  
*Institut Français des Relations Internationales*  
*Musée du Louvre*

**Member of the Consultative Committee of:**  
*Banque de France*  
*Allianz, Germany*

### Other corporate officers

Since 11 June 2003

#### Georges Chodron de Courcel

**Principal function:** *Chief Operating Officer of BNP Paribas*  
*Born on 20 May 1950*  
*Number of BNP Paribas shares held: 15,000*

**Director of:**  
*Alstom*  
*BNP Paribas Canada, Canada*  
*BNP Paribas UK Holdings Ltd, United Kingdom*  
*Bouygues*  
*Nexans*

**Member of the Supervisory Board of:**  
*Lagardère SCA*

**Non-voting director of:**  
*Scor SA*

#### Jean Clamon

**Principal function:** *Chief Operating Officer of BNP Paribas*  
*Born on 10 September 1952*  
*Number of BNP Paribas shares held: 51,122*

**Director of:**  
*Arval Service Lease*  
*BPLG*  
*Cetelem*  
*Euro Securities Partners*  
*Cassa di Risparmio di Firenze, Italy*  
*Compagnie Nationale à Portefeuille, Belgium*  
*Erbé, Belgium*

**Representative of BNP Paribas for:**  
*UCB*

Until 11 June 2003

#### Dominique Hoenn

**Principal function:** *Senior Adviser of BNP Paribas*  
*Born on 12 April 1940*  
*Number of BNP Paribas shares held: 68,528*

**Chairman of the Board of Directors of Paribas International**  
**Chairman of the Supervisory Board of:**  
*BNP Private Equity*

**Director of:**  
*BNP Paribas Securities Services*  
*BNP Paribas Luxembourg, Luxembourg*  
*BNP Paribas Suisse, Switzerland*  
*Clearstream International, Luxembourg*  
*Cobepa, Belgium*  
*Euronext NV, Netherlands*

## Extracts From the board of directors' internal rules

### Section 5 : Conduct of voting and non-voting directors

Directors shall interact effectively with others in the workplace and respect their opinions, and shall express themselves freely on subjects debated in Board meetings, even in the face of opposition. They shall have a strong sense of responsibility towards shareholders and other stakeholders, show a high level of personal integrity during the term of their office, and respect the basic rules related to their responsibilities.

### Complying with laws and regulations

All directors are required to comply with legal obligations and the stock market recommendations and regulations related to information that concerns directors personally.

### Ethics and Compliance

The legislation banning insider trading applies to directors both in a personal capacity and in their capacity as members of the Board of BNP Paribas, a listed company.

Directors are also advised to refrain from purchasing or selling BNP Paribas shares at any time outside the six-week period following the publication of the quarterly and annual accounts, or of any press release concerning business performance.

Directors must not disclose any information that is not publicly available to any third party including the manager of BNP Paribas shares. If a director has any questions related to ethics and compliance, he or she can consult the head of Ethics and Compliance of the BNP Paribas Group.

### Conflict of interest

Directors should inform the Board of any conflict of interest – even if it is merely potential – and should refrain from participating in the corresponding deliberating vote.

Directors who deem that they are no longer able to effectively carry out their responsibilities on the Board or Committees of which they are a member, should step down.

### Confidentiality

Any director or any other person who is called upon to attend meetings of the Board and the Committees of the Board is required to treat all matters discussed during the meeting as strictly confidential.

In particular, such directors or other persons shall treat as strictly confidential all insider information as well as information that may interest competitors or external parties in connection with "economic intelligence" and confidential information described as such by the Chairman. In case of failure to comply with this obligation, the director or other person may be exposed to a claim for damages."

In application of *Commission des Opérations de Bourse* regulation 2002-01, corporate officers are required to have their BNP Paribas shares registered in their name and to report their transactions in these shares at half-yearly intervals.

# Combined Annual and Extraordinary General Meeting of 28 May 2004

Curriculum vitae of directors whose terms of office are up for renewal by the shareholders

## Louis Schweitzer

Principal function: Chairman and Chief Executive Officer of Renault

Born on 8 July 1942

### • Education

Degree in law

Institut d'Études Politiques de Paris

École Nationale d'Administration (1967-1970)

### • Professional experience

Since 1970	Inspecteur des Finances
1970 - 1971	Policy Officer, General Directorate of the Assistance Publique
1971 - 1974	Policy Officer, General Directorate of the Ministry of Finance
1974 - 1979	Policy Officer, Budget Department (Ministry of Finance)
1979-1981	Assistant Director of Budget Department
1981-1986	Director of the office of Laurent Fabius (successively Minister Delegate with responsibility for the Budget, then Minister of Industry and Research, then Prime Minister)
1986-1989	Joined Renault as Vice-President, then Vice-President, Strategic Planning and Management Control, then Chief Financial Officer and Head of Strategic Planning
1989-1990	Executive Vice-President, Chief Financial Officer and Head of Strategic Planning
Dec. 1990- May 1992	President and Chief Operating Officer
Since May 1992	Chairman and Chief Executive Officer
Since March 2002	Chairman of the Management Board of Renault-Nissan BV

## Lindsay Owen-Jones

Principal function: Chairman and Chief Executive Officer of L'Oréal

Born on 17 March 1946 in the United Kingdom

### • Education

Bachelor of Arts of Oxford University

Graduate of INSEAD (European Institute of Business Administration)

### • Professional experience

1969 - 1974	Product Manager for L'Oréal in Belgium and then in France
1976 - 1978	Marketing Director for the Public Products Division
1978 - 1981	Chief Executive of L'Oréal Italy
1981 - 1984	President and Chief Executive Officer of Cosmair Inc., exclusive agent of L'Oréal in the United States
1984 - 1988	Executive Vice-President, Deputy Chairman of the Management Committee and Board Member of L'Oréal
1988	Chairman and Chief Executive Officer of L'Oréal



# Report of the Chairman

## of the board of directors on the conditions for the preparation and organisation of the work of the board and on internal control procedures applied by the bank

### I - Corporate governance

The shareholders attending the Annual General Meeting on 14 May 2003 were the first to learn of the separation of the functions of Chairman and Chief Executive Officer, which had just been approved in principle by the BNP Paribas Board of Directors on the recommendation of the Chairman and Chief Executive Officer.

This decision brought the Group into line with corporate governance best practice, while at the same time ensuring a smooth and transparent handover of the Chief Executive role. The implications of this decision for the Group's management structure and internal control environment will be discussed later in this report.

#### **Conditions for the preparation and organisation of the work of the Board**

The conditions for the preparation and organisation of the work of the Board and the Committees of the Board are established by custom and by the internal rules of the Board of Directors of BNP Paribas SA. On the recommendation of the Compensation and Nominations Committee, the current version of these rules was adopted by the Board at its meeting of 4 February 2004.

Three Committees of the Board – the Financial Statements Committee, the Internal Control and Risk Management Committee, and the Compensation and Nominations Committee – assist the Board in its work on the financial statements, relations with the auditors, internal control and risk, the organisation of executive management, compensation and nominations.

#### **Separation of the functions of Chairman and Chief Executive Officer**

Under the internal rules, the Chairman organises and directs the work of the Board, and ensures that the corporate decision-making bodies of BNP Paribas operate effectively. Working closely with executive management, he is competent to represent the Group in high-level dealings with, for example, major clients and the authorities both nationally and internationally. He has no executive responsibilities. The Chief Executive Officer has the broadest powers to act in the Bank's name under all circumstances (see section III below). He has authority over the entire Group, including heads of core businesses, business lines, territories and Group functions. He is also responsible for internal control systems and procedures, and for all the statutory information in the report on internal control.

#### **Roles and responsibilities of the Board of Directors**

The main roles and responsibilities of the Board, in accordance with the internal rules, are to appoint corporate officers, draw up the BNP Paribas business strategy and monitor its implementation, examine any and all issues related to the efficient running of the business, and make any and all business decisions, perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the accuracy of its accounts, approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of a high quality.

### **Assessment of the performance of the BNP Paribas Board of Directors**

The triennial assessment of the performance of the Board of Directors, recommended as best practice by French corporate governance guidelines, took place in late 2002 and early 2003. An account of the methods and findings was included in the 2002 Annual Report. Although not formally required, an update of this assessment was conducted in late 2003 and early 2004. A questionnaire was completed by 14 directors, excluding corporate officers. Broadly similar to the previous year's, it covered key aspects of the Board's activities, including the definition of the Board's terms of reference in the internal rules, the composition of the Board, the remit of the Board, the conduct of Board meetings and the activities of the three Committees of the Board. The findings of this assessment were presented by the Compensation and Nominations Committee at the Board meeting of 4 February 2004. They showed that the BNP Paribas Board of Directors operates satisfactorily, and that major issues are properly prepared and debated. The suggestions arising from the previous assessment have been implemented, and have led to improvements, especially in the assessment of the work of the three Committees of the Board.

### **Independence of directors**

An assessment of the independence of directors, recommended as best practice by French corporate governance guidelines, was conducted in November 2002 and February 2003. An account of the findings was included in the 2002 Annual Report.

Following the Annual General Meeting of 14 May 2003, the Board of Directors has fifteen members elected by the shareholders and three members elected by BNP Paribas employees.

The following directors do not qualify as independent under the guidelines: Claude Bébéar, Jean-Louis Beffa, Michel François-Poncet, David Peake, Michel Pébereau and Baudouin Prot.

The three employee representatives on the Board (Patrick Auguste, Jack Delage and Jean Morio) do not qualify as independent under the guidelines, despite their method of election and their status, which safeguards their independence from executive management.

The following qualify as independent: Gerhard Cromme, Jacques Friedmann, François Grappotte, Alain Joly, Denis Kessler, Jean-Marie Messier, Lindsay Owen-Jones, Hélène Ploix and Louis Schweitzer.

This means that at least half of the Board members are independent, consistent with the Board's aim of complying with French guidelines for "companies with widely spread share ownership and no controlling shareholder".

### **Assessment of the performance of the Chairman and the Chief Executive Officer**

The Board meeting of 14 May 2003, as part of its discussion of the proposed separation of the functions of Chairman and Chief Executive Officer, unanimously approved the recommendations put forward by Michel Pébereau regarding the selection criteria for Chief Executive Officer of BNP Paribas and proposing Baudouin Prot as the future Chief Executive Officer. Michel Pébereau then presented the same proposals to the Annual General Meeting held on the same day.

On 11 June 2003, the Compensation and Nominations Committee, as part of its review of the proposed reorganisation of corporate decision-making powers carried out in association with the separation of the functions of Chairman and Chief Executive Officer, submitted a report to the Board on the performance of Michel Pébereau during his ten years as Chairman and Chief Executive Officer.

The Board is of the opinion that the preparation and implementation of these decisions during the year ended 31 December 2003 complied with French guidelines on the assessment of corporate officers.

### **Activities of the Board in 2003**

The Board of Directors held eight meetings in 2003, including one unscheduled meeting. It also held a special session devoted to Group strategy. The attendance rate was 82%. As well as discussions and decisions required for compliance with French laws and regulations, the Board addressed the following issues:

- the draft Directors' Report to shareholders and Report on Internal Control and Risk Management, the proposed resolutions to be put to the shareholders at the Annual General Meeting, and draft replies to written questions submitted by shareholders in advance of the Annual General Meeting;
- proposed amendments to the Board's internal rules, the composition of Committees of the Board, the wording of the questionnaire assessing the Board's performance and the conclusions arising from the completed questionnaires, and the proposed allocation of directors' fees for 2003;
- the reorganisation of powers resulting from the separation of the functions of Chairman and Chief Executive Officer, the selection of the Chairman and of the Chief Executive Officer, the composition of the Executive Committee, the structure of core businesses and business lines, the determination of compensation for corporate officers and Executive Committee members;
- the Group's development policy and strategy, investment and acquisition projects requiring prior approval, reports on significant completed or ongoing transactions, and developments regarding the Group's equity interest in Crédit Lyonnais;
- financial statements and budgets: the Board reviewed and approved the financial statements and results of the Group and of BNP Paribas SA for 2002, and the quarterly and half-yearly consolidated results of the Group and its core businesses for 2003. The Board also heard the reports of the Financial Statements Committee and the auditors. It reviewed and adopted the 2004 budget;



- proposals related to the issuance of preference shares, share issues restricted to employees who are members of an employee share ownership scheme, and the BNP Paribas stock option plan;
- ethical issues related to engagements conducted by the auditors, authorisation procedures for such engagements, the amount of auditors' fees for the years 2003 to 2005, and the master agreement between BNP Paribas and the joint auditors in respect of statutory audit work;
- the activities of the three Committees of the Board, as described below, including a discussion of the reports presented to the Board by the respective Committee chairmen.

#### Financial Statements Committee

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler, Jean-Marie Messier, David Peake and Hélène Ploix. Four of the six members (including the Chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** The Committee's terms of reference are set out in the internal rules of the Board of Directors, and involve assisting the Board in various areas, including: analysing, in the presence of the auditors, the quarterly, half-yearly and annual financial statements published by the Bank and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of Directors; 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; managing relations with the auditors. At least once a year and more often if it sees fit, the Committee devotes part of a meeting to discussions with the auditors without any member of BNP Paribas executive management being present.

The Committee may also discuss matters falling within its terms of reference with Group finance and accounting managers and the head of asset-liability management, without any other members of executive management being present.

Where questions of interpretation of accounting standards arise in connection with the presentation of the quarterly, half-yearly and annual results, involving choices with a material impact, the auditors and the head of the Group Finance-Development Department submit to the Committee a quarterly memorandum analysing the nature and importance of the issue, setting out the pros and cons of various possible solutions, and explaining the reasons for recommending the option chosen. The Committee Chairman may make enquires of any manager within the Group concerning matters falling within the Committee's terms of reference as defined in the internal rules of the Board of Directors, and may also seek advice from outside experts.

#### Activities of the Committee in 2003

The Committee met five times. The attendance rate, taking into account the impact of the decision of one director not to attend meetings, was 80%; without taking account of this decision, the attendance rate was 65%.

As part of its routine work, the Committee analysed, in advance of its presentation to the Board of Directors, the results of the Group and of BNP Paribas SA for 2002 and the first half of 2003, quarterly and half-yearly consolidated results, and the annual and half-yearly financial statements of the Group and of BNP Paribas SA, comprising the profit and loss account, balance sheet, statement of off balance sheet items and notes. In carrying out these periodic reviews, the Committee assessed the impact on results of changes in Group structure and reviewed results by core business and business line. It also reviewed draft results announcements before they were presented to the Board.

Specific issues dealt with by the Committee included significant questions of accounting methodology, such as accounting for pension obligations, structured derivatives, and the amortisation and impairment of goodwill. It assessed progress on the statutory audit of BNP Paribas Métropole, and on accounting internal control.

Concerning relations with auditors, the Committee dealt with the scope of audit engagements, approval procedures for non-audit engagements, disclosure of fees, the setting of the fee budget for the years 2003 to 2005, and the declaration of auditor independence. The Committee held discussions with Group heads of Asset-Liability Management/Treasury, Finance-Development and Accounts, without any member of executive management being present. Discussions were also held with the auditors during the review of the 2003 financial statements, without any member of executive management being present.

### **Internal Control and Risk Management Committee**

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Jacques Friedmann (Chairman), Jack Delage and François Grappotte. Two of the three members (including the chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** The Committee's terms of reference are set out in the internal rules of the Board of Directors, and involve assisting the Board in various areas, including: reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection unit and their main findings, and correspondence with the French banking regulator (the Commission Bancaire); 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; holding discussions, if it sees fit without other members of executive management being present, with the heads of the General Inspection and Internal Audit functions, Ethics and Compliance, and Group Risk Management; presenting to the Board of Directors the Committee's assessment of the Group methods and procedures.

### **Activities of the Committee in 2003**

The Committee met three times, with an attendance rate of 81%. Issues dealt with by the Committee included the draft annual report on internal control submitted to the banking regulator (Commission Bancaire) in compliance with French banking regulations, and the Internal Audit report.

The Committee reviewed structures and procedures put in place to comply with international regulatory requirements in the field of operational risks and economic capital (Basel II), and the implications of the European directive

on financial conglomerates. Based on a report from the Group Risk Management function, the Committee reviewed the conclusions of the Risk Policy Committees and the Group Credit Committees, changes in the Group's loan book and provisions, and the proposed restructuring of the specialist risk committees. It decided to increase the frequency of its meetings to four per year. The Committee reviewed correspondence with the Commission Bancaire, and held discussions with the heads of the General Inspection unit, Group Ethics and Compliance, and Group Risk Management.

#### **Compensation and Nominations Committee**

**Members:** Following the Annual General Meeting of 14 May 2003, the Committee comprises Alain Joly (Chairman), Claude Bébéar, Jean-Louis Beffa and Jacques Friedmann. Half of the members (including the Chairman) qualify as independent directors under French corporate governance guidelines. No executive management members have sat on the Committee since 1997.

**Terms of reference:** In accordance with the internal rules of the Board of Directors, the Committee puts forward recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee puts forward recommendations for the post of Chief Executive Officer for consideration by the Board, and acting on the recommendation of the Chief Executive Officer, it puts forward candidates for Chief Operating Officer posts. It assists the Board of Directors in assessing the performance of the Board and of its Chairman (with the Chairman not present); acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present.

The Committee is also charged with addressing all issues related to the personal status of corporate officers, including remuneration, pension benefits, and stock options; 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 competent to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. It is also responsible, on the same basis, for developing plans for the succession of corporate officers. 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 chairmen when their terms of office are due for renewal.

#### **Activities of the Committee in 2003:**

The Committee met three times in 2003, with an average attendance rate of 83%. Issues dealt with included the appointment of directors and a non-voting director; the separation of the functions of Chairman and Chief Executive Officer, and the structure of the corporate decision-making bodies; selection of the Chairman of the Board, the Chief Executive Officer and the Chief Operating Officers; the composition of the Committees of the Board; remuneration of corporate officers and Executive Committee members; the 2003 stock option plan; the amount and allocation of directors' fees and the non-voting director's fee for 2003; and the assessment of the performance of the Board of Directors.



## II - Internal control

### Internal control environment

Controls within the French banking sector are governed by a wide range of laws and regulations, which have created a long-established internal control culture within the Bank's core businesses. The current internal control environment is largely based on the Banking Activities and Control Act of 24 January 1984 and the Financial Activities Modernisation Act of 2 July 1996. France's banking regulator, the Commission Bancaire, is responsible for oversight of the rules applicable to internal control in banks and investment firms. Under its charter, the Commission Bancaire has the power to inspect and evaluate the internal control procedures used by banks. This highly-developed environment reflects the importance of banking activities to the economy and finance, and the potential for banking activities to affect the stability of the world financial system. National banking rules are framed at an international level within the context of the recommendations of the Basel Committee, an international regulatory body without parallel in any other business sector.

The conditions for the implementation and monitoring of internal control within banks and investment firms are set out in Regulation 97-02 issued by the French Banking and Financial Regulation Committee (Comité de réglementation bancaire et financier) on 21 February 1997, as amended by Regulation 2001-01. These rules lay down principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal

control documentation and reporting systems. Under article 42 of this Regulation, banks are required to prepare an annual report on internal control, which is submitted first to the Board of Directors (along with the report of the Internal Control and Risk Management Committee), and is then sent to the Commission Bancaire and the auditors.

The BNP Paribas Group operates an internal control system covering all its businesses and sites. This internal control system is defined in the Group's Internal Audit Charter, which is widely distributed within the Group. The Charter lays down rules relating to the organisation, lines of responsibility and scope of internal audit, and establishes the principle of the independence of the Internal Audit function. It also stipulates rules of ethical and professional conduct for internal auditors. The Charter enables the Group to comply with the professional standards set internationally by the Institute of Internal Auditors and in France by the Institut Français de l'Audit et du Contrôle Interne.

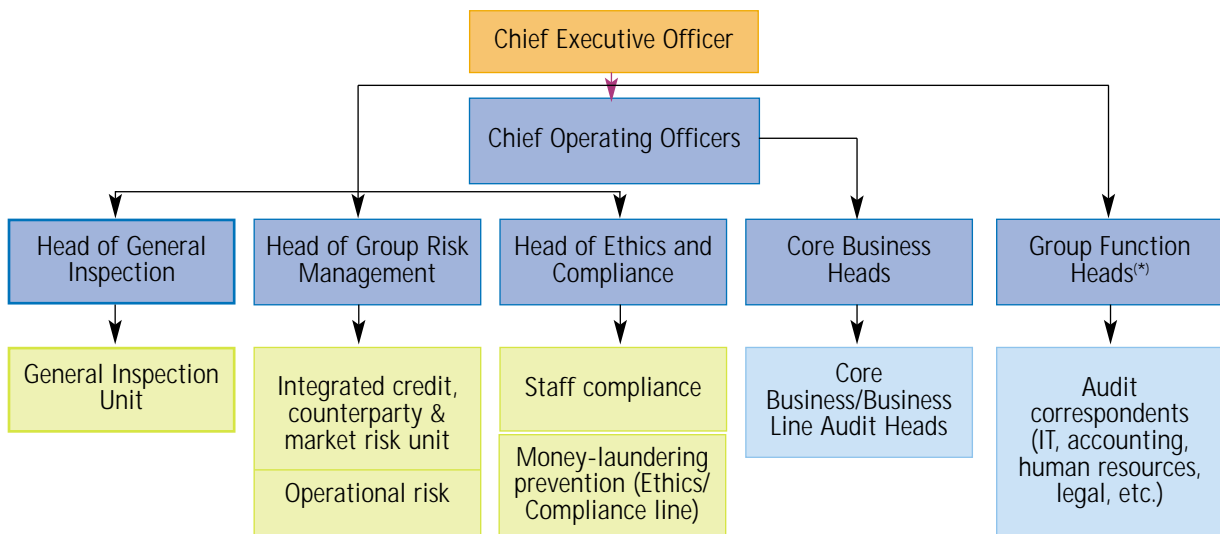
The Chief Executive Officer is responsible for internal control organisation and procedures, and for all the statutory information included in the report on internal control.

The Group internal rules, last amended on 10 August 2001, set out general ethical and compliance rules to be applied by staff, especially those with access to sensitive information about BNP Paribas activities and results. The internal control system also draws on Group-wide procedures issued by executive management, core businesses or Group functions. These procedures, which are regularly updated, are combined in the "Group Guidelines" database and can be accessed by all staff. All internal control and risk issues are covered by periodic presentations to the Internal Control and Risk Management Committee, and via this Committee to the BNP Paribas Board of Directors (see the "Corporate Governance" section of this report).

### Organisation of internal control

Further to the announcement made to shareholders at the Annual General Meeting of 14 May 2003, the BNP Paribas Board of Directors finalised arrangements for separating the functions of Chairman and Chief Executive Officer. The Chairman has no executive responsibilities. The Chief Executive Officer, assisted by two Chief Operating Officers, has responsibility for the entire operational management of the Group, comprising 5 core businesses (including BNP Paribas Capital) and 13 Group functions. The Head of General Inspection now reports to the Group Chief Executive Officer.

The chart below shows the organisational structure of internal control within BNP Paribas at end 2003:



\* except for the Global Procurement Group and Facilities Management functions, which report to one of the Chief Operating Officers.

### **Internal control principles**

The directive defines the three key internal control principles in the following terms:

- Responsibility for internal control is an integral part of management responsibility. Internal controls are embedded in each activity as a means of controlling that activity. Heads of core businesses, and heads of Group functions with responsibility for a “family” of risks, each define their own internal control system and ensure it operates effectively. Every manager, at whatever level, has a duty to exercise effective control over the activities for which he or she is responsible.
- Delegation of responsibilities ensures that Group policies are implemented consistently at all levels.
- Segregation of duties, mainly focused on separation between teams who originate transactions and teams who execute those transactions. The structure of the Group should at all times ensure clear separation between execution and control, and between proprietary and third-party management.

### **Internal control procedures**

The written guidelines are distributed throughout the Group, and describe the organisational structures, procedures and controls to be applied; they provide the basic framework of internal control.

A four-level system of controls is used. First-level controls are performed by individual employees on the transactions they process, based on Group procedures. Second-level controls are performed by their managers. Third-level controls are performed by internal auditors working within Group entities. Fourth-level controls are performed by the General Inspection unit.

The first three levels of control are exercised within the core businesses and Group functions, which have primary responsibility for their own internal control systems. Fourth-level controls, exercised by the General Inspection unit, are designed to ensure that the internal control system is operating properly within all Group entities, both in the parent company and its subsidiaries.

### **Risk families**

The BNP Paribas Group has classified risks into eight different “families”:

- Credit and counterparty risk, representing the risk of total or partial default of a counterparty with whom the Bank has contracted balance sheet or off balance sheet commitments.
- Market risk, associated with movements in the market price of all types of instruments (such as equity, interest rate and liquidity risk).
- Accounting risk, arising from all factors liable to prevent fulfilment of the objective that accounting information should present a true and fair view.
- Administrative risk, arising from all factors liable to impair the efficiency of the Group's operations in terms of transaction processing.
- Information systems risk, arising from all factors liable to impair the security of information systems and the performance of the IT function.
- Business and reputational risk, relating to the risk of business underperformance and damage to the brand image.
- Legal and tax risk, arising from all factors liable to impair the Group's objectives in terms of legal and tax compliance.
- Human resources risk, arising from all factors liable to cause individual or collective dissatisfaction among staff, or to result in quantitative or qualitative shortcomings in human resources.



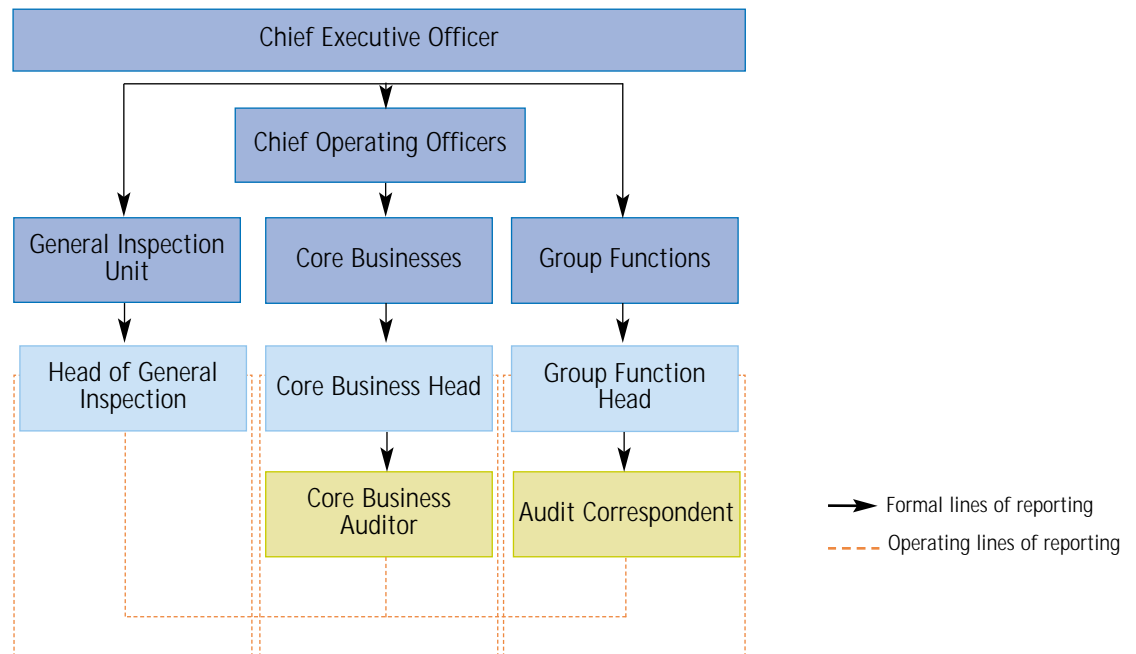
All these risks, with the exception of credit/counterparty and market risk, fall within the overall concept of operational risks: direct or indirect financial risk resulting from any kind of internal or external failings (such as the failings of individuals, procedures or systems).

**The Internal Audit Charter**

The BNP Paribas Group has set out its internal audit principles in an “Internal Audit Charter”, which was amended in 2003 to reflect the separation of the functions of Chairman and Chief Executive Officer, under which the Chief Executive Officer assumed full responsibility for audit and internal control.

In accordance with article 8 of Regulation 97-02 issued by the French Banking and Financial Regulation Committee (Comité de réglementation bancaire et financier), as amended by Regulation 2001-01, the Head of General Inspection is responsible for ensuring the consistency and effectiveness of internal control in the BNP Paribas Group. This role includes responsibility for all Group entities, supervising Internal Audit units within core businesses and Group functions via operational lines of reporting.

The chart below shows the operational authority exercised by the Head of General Inspection over the Internal Audit units within BNP Paribas:



Each core business auditor and Group function auditor works in close collaboration with the General Inspection unit to develop the audit structure that best addresses the specific issues facing the core business or function, within the overall framework of Group organisational rules. In accordance with the principles laid down in the Internal Audit Charter, core business auditors record and monitor recommendations made as a result of their work. They also monitor implementation of recommendations issued by the General Inspection unit.

#### **Human resources**

As of 31 December 2003, the BNP Paribas Group had a total of 846 full time equivalent employees in the Internal Audit and General Inspection functions, 296 in the Ethics and Compliance function, and 773 in the Group Risk Management function as a whole, including 57 in the Operational Risk function.

### **III - Limitation on the powers of the executive officer**

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of BNP Paribas and to represent the Bank in its dealings with third parties. He exercises these powers within the limits of the corporate purpose, and subject to those powers expressly reserved by law for shareholder meetings and for the Board of Directors.

Within the Group, the internal rules of the Board of Directors require the Chief Executive Officer to submit to the Board for prior approval any investment decision of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million.

### **IV - Accounting and financial information**

#### **Internal control procedures relating to the preparation and processing of accounting and financial information**

The preparation and processing of accounting and financial information are the responsibility of the Group Finance-Development function, whose roles include:

- production and quality control of financial statements;
- production and quality control of management reports, and provision of forecast figures for strategic management purposes;
- control over the Group's financial information systems.

These roles are performed at a number of levels: at Group level by the Group Finance-Development function, at core business level by the core business Finance function, and within each entity. The heads of finance of the core businesses and of the main entities have operational lines of reporting to the Group Head of Finance.

The accounting policies and rules applied by Group entities in preparing accounting information are drafted and updated by the central Group General Accounting Department. The central Management Control Department draws up management control rules that apply to all the Group's business lines. These rules can be accessed in real time via the Group Intranet.

The information used to prepare the BNP Paribas Group consolidated financial statements is derived from the Bank's transaction processing systems and two separate reporting channels, one dedicated to accounting data and the other to management data. The reporting process is as follows:

- Accounting data: Accounting information is reported directly from each entity to the accounting department within the Group Finance-Development function. This department prepares the accounts of the BNP Paribas Métropole SA entity itself, and produces consolidated financial statements based on these accounts and on information reported to it by the other entities.
- Management data: Management information is reported by each entity and business line to the Finance function of the relevant core business, which then reports consolidated data for the core business to the Management Control unit within the Group Finance-Development function.

For each business line and core business, a reconciliation between accounting data and management data is performed for the main income statement lines. This is supplemented by an overall reconciliation performed by the Group Finance-Development function to ensure consistency between consolidated accounting profits and management reporting profits. These two reconciliations form part of the internal controls over both accounting and management information.

The Group has introduced a process of internal certification of data produced by subsidiaries and branches falling within the scope of consolidation. A project initiated in 2003 will enable the BNP Paribas Métropole SA entity to be subject to this procedure by end 2004. The head of finance of the entities concerned certifies each quarter:

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

Accounting risks identified by accounting internal controls during the internal certification process are adequately provided for, and specifically monitored.



# Remunerations

## Remuneration of corporate officers

### Remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, and the Chief Operating Officers

The remuneration paid in 2003 to corporate officers was determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

The remuneration of corporate officers comprises both a fixed and a variable component, the base levels of which were determined following a benchmarking exercise conducted by specialised consultants. The fixed portion is calculated based on market rates of pay for positions carrying equivalent responsibilities. The variable portion, which is capped, is based in part on financial performance criteria and achieving Group budget objectives (net profit and gross operating income), and in part on each individual's personal contribution to preparing the Group's future. A portion of the variable amount is paid in the form of BNP Paribas shares vesting at the rate of one-third per year over three years.

- The fixed salary paid to Michel Pébureau, Chairman of the Board of Directors, amounted to EUR 727,838 in 2003. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to reduce Michel Pébureau's fixed annual salary to EUR 700,000 from EUR 762,245 as from 13 June 2003.

The variable remuneration payable to Michel Pébureau in 2004 in respect of 2003 will amount to EUR 839,119. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 199,565.

The Chairman of the Board of Directors is not paid a salary by any other Group companies and does not receive any directors' fees from Group companies, other than as a director of BNP Paribas SA.

- The fixed salary paid to Baudouin Prot, Chief Executive Officer, amounted to EUR 642,153 in 2003. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Baudouin Prot's fixed annual salary to EUR 730,000 from EUR 533,572 as from 13 June 2003.

The variable remuneration payable to Baudouin Prot in 2004 in respect of 2003 will amount to EUR 835,986 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 198,042.

The Chief Executive Officer is not paid a salary by any other Group companies and does not receive any directors' fees from Group companies, other than as a director of BNP Paribas SA and as Vice-Chairman of the Supervisory Board of Cetelem. Director's fees received from Cetelem in 2003 will be deducted from the variable remuneration paid to Baudouin Prot in 2004.

- The fixed salary paid from January to June 2003 to Dominique Hoenn, Chief Operating Officer, amounted to EUR 266,786. The variable remuneration payable to Dominique Hoenn in 2004 in respect of 2003 will amount to EUR 527,372 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 105,876.
- The fixed salary paid from July to December 2003 to Georges Chodron de Courcel, Chief Operating Officer, amounted to EUR 226,219. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Georges Chodron de Courcel's fixed annual salary to EUR 450,000 from EUR 426,847 as from 13 June 2003.

The variable remuneration payable to Georges Chodron de Courcel in 2004 in respect of 2003 will amount to EUR 811,010 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one-third per year in 2005, 2006 and 2007 will amount to EUR 190,425.

- The fixed salary paid from July to December 2003 to Jean Clamon, Chief Operating Officer, amounted to EUR 216,775. At its meeting of 29 July 2003, the Compensation and Nominations Committee decided to raise Jean Clamon's fixed annual salary to EUR 430,000 from EUR 396,367 as from 13 June 2003.

The variable remuneration payable to Jean Clamon in 2004 in respect of 2003 will amount to EUR 401,195 before deducting directors' fees received in 2003. His entitlement to BNP Paribas shares vesting at the rate of one third per year in 2005, 2006 and 2007 will amount to EUR 67,791.

The Chairman, the Chief Executive Officer and the Chief Operating Officers have company cars and a mobile telephone.

## Pension Benefits

The defined benefit plans which were previously accorded to executive managers of the Group formed by BNP, Paribas and Compagnie Bancaire, have all been changed to top-up type schemes. The amounts allocated to the beneficiaries, subject to their being in the Group at the time they retire, were fixed when the previous schemes were closed to new entrants. This procedure has been applied to corporate officers, with the defined amounts calculated on the basis of fixed and variable remuneration received in 1999 and 2000, without the possibility of subsequently acquiring supplementary pension rights.

## Remuneration and benefits paid to corporate officers in 2003 and 2002 (Total amount received during the term of office)

Corporate officer in euros	2003 remunerations (2002 remuneration in italics) <sup>(0)</sup>			Directors' Fees <sup>(0)(4)</sup>	Benefits in kind <sup>(0)(5)</sup>	Total remunerations
	Fixed <sup>(1)</sup>	Variable <sup>(2)</sup>	Deffered <sup>(3)</sup>			
<b>Michel Pébereau</b> <sup>(6)</sup> Chairman of the Board of Directors	727,838 <i>(762,245)</i>	811,938 <i>(1,070,479)</i>	154,160 <i>(120,336)</i>	22,868 <i>(22,867)</i>	4,659 <i>(3,979)</i>	1 721 463 <i>(1 979 906)</i>
<b>Baudouin Prot</b> <sup>(7)</sup> Chief Executive Officer	642,153 <i>(533,572)</i>	534,380 <i>(721,737)</i>	94,752 <i>(73,968)</i>	34,034 <i>(40,117)</i>	4,895 <i>(4,354)</i>	1 310 414 <i>(1 373 748)</i>
<b>Georges Chodron de Courcel</b> <sup>(8)</sup> Chief Operating Officer	226,219	- <sup>(0)</sup>	- <sup>(0)</sup>	0	2,332	228 551
<b>Jean Clamon</b> <sup>(9)</sup> Chief Operating Officer	216,775	- <sup>(0)</sup>	- <sup>(0)</sup>	55,285	2,723	274 783
<b>Dominique Hoenn</b> <sup>(10)</sup> Chief Operating Officer	266,786 <i>(266,790)</i>	415,144 <i>(539,939)</i>	225,506 <i>(73,968)</i>	87,152 <i>(68,243)</i>	1,989 <i>(1,989)</i>	996 577 <i>(950 929)</i>

(0) The 2003 remunerations of Michel Pébereau and Baudouin Prot concern the full year. The remuneration of Dominique Hoenn concerns the period from January to June 2003. The remunerations of Georges Chodron de Courcel and Jean Clamon concern the period from July to December 2003.

(1) Salary paid in 2003.

(2) Corresponding to the amounts paid in 2003. In accordance with the terms of the BNP Paribas deferred bonus plan, a portion of each corporate officer's variable remuneration consisted of stock awards vesting at the rate of one third per year in 2004, 2005 and 2006. Michel Pébereau's deferred remuneration amounted to EUR 217,062 and that of Baudouin Prot and Dominique Hoenn came to EUR 128,370.

(3) Corresponding to the transfer of two thirds of the deferred bonus awarded in 2000 in the form of BNP Paribas shares, and to one third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares. For Dominique Hoenn, the amounts also include the deferred bonus awarded in 1999 in the form of BNP Paribas shares.

(4) The Chairman of the Board of Directors does not receive any directors' fees from any Group companies other than BNP Paribas SA. In addition to directors' fees from BNP Paribas SA, Baudouin Prot receives fees in his capacity as Vice-Chairman of the Supervisory Board of Cetelem.

(5) The Chairman, the Chief Executive Officer and the Chief Operating Officers have company cars and a mobile telephone. <sup>(8)</sup> Le salaire fixe annuel de Michel Pébereau a été ramené de 762 245 euros à 700 000 euros à compter du 12 juin 2003.

(6) Michel Pébereau's fixed annual salary was reduced to EUR 700,000 from EUR 762,245 as from 13 June 2003.

(7) Baudouin Prot's fixed annual salary was raised to EUR 730,000 from EUR 533,572 as from 13 June 2003. His variable remuneration was reduced by EUR 17,250, corresponding to fees received by Baudouin Prot in 2002 in his capacity as director of certain Group companies.

(8) Georges Chodron de Courcel's fixed annual salary was raised to EUR 450,000 from EUR 426,847 as from 13 June 2003.

(9) Jean Clamon's fixed annual salary was raised to EUR 430,000 from EUR 396,367 as from 13 June 2003. The directors' fees received by Jean Clamon in his capacity as director of certain Group companies relate to the full year of 2003.

(10) Dominique Hoenn's variable remuneration was reduced by EUR 136,791, corresponding to directors' fees received by Dominique Hoenn in 2002 in his capacity as director of certain Group and non-Group companies (EUR 135,267 and EUR 1,524 respectively). The directors' fees received by Dominique Hoenn in his capacity as director of certain Group companies concern the full year of 2003.

## Remuneration of other Corporate Officers

In addition to the directors' fees received as Vice-Chairman of the Board of Directors of BNP Paribas SA, in 2003 Michel François-Poncet received fees in his capacity as Chairman of BNP Paribas Suisse SA and directors' fees in his capacity as Director of BNP Paribas UK Holdings Ltd, representing a total of EUR 163,548. He also has a company car.

In addition to the directors' fees received from BNP Paribas SA, in 2003 David Peake received directors' fees of EUR 108,680 in his capacity as Chairman of BNP Paribas Finance Plc and BNP Paribas UK Holdings Ltd. He also has a company car, provided by BNP Paribas Finance Plc.

In addition to the directors' fees received from BNP Paribas SA, before his death in 2003 René Thomas received directors' fees of EUR 72,703 in his capacity as Honorary Chairman and Director of Banque Nationale de Paris Intercontinentale, Director of Banque Marocaine pour le Commerce et l'Industrie and Director of Union Bancaire pour le Commerce et l'Industrie.

### Remuneration paid to other corporate officers (directors' fees <sup>(1)</sup>, other fees, benefits in kind) in 2003 (in euros <sup>(2)</sup>)

Michel François-Poncet Vice-Chairman of the Board of Directors	163,548
David Peake Director	108,680
René Thomas Director	72,703

(1) Including directors' fees from BNP Paribas SA

(2) Amounts in foreign currencies have been converted at the following exchange rates: EUR 1 = GBP 0.693561562 and EUR 1 = CHF 1.523206112

## Remuneration of directors representing employees

The total remuneration paid in 2003 to the three directors elected by employees came to EUR 122,921, not including directors' fees. The directors' fees for Patrick Auguste and Jack Delage are paid directly to their trade union bodies.

### Directors' fees

The total fees paid to the directors are determined by the General Meeting of Shareholders. The fees awarded to each director for 2003 were unchanged compared with the previous year at EUR 22,868. In addition, the chairmen of the Committees of the Board each receive EUR 7,622 and the other members of these Committees each receive EUR 4,574. One half of the fee paid to each director is based on the director's attendance rate at Board meetings and meetings of any Committees of which he or she is a member. Total directors' fees paid in 2003 amounted to EUR 476,662.

BNP Paribas	2003
Michel Pébereau	22,868
Patrick Auguste	27,442
Claude Bébéar	23,822
Jean-Louis Beffa	20,963
Gehard Cromme	11,434
Jack Delage	26,680
Bernd Fahrholz	2,859
Michel François-Poncet	22,868
Jacques Friedmann	29,697
François Grappotte	25,251
Paul Louis Halley	15,912
Philippe Jaffré	19,215
Alain Joly	29,220
Denis Kessler	23,822
Jean-Marie Messier	20,868
Jean Morio	22,868
Lindsay Owen-Jones	15,722
David Peake	24,203
Hélène Ploix	14,388
Baudouin Prot	22,868
Louis Schweitzer	26,711
René Thomas	26,981
Total	476,662



## **General principles governing the determination of fixed and variable components of employee remuneration**

Pay reviews are conducted by all Group companies throughout the world according to a standard timetable, based on a Groupwide performance assessment system. Performance assessments are based on individual objectives and the skills required by the position concerned.

Fixed salaries are set on a country-by-country basis, taking into account the responsibilities involved and market rates. In the corporate and investment banking and private banking businesses, bonuses are determined based on individual performance and the business's profitability. The objective is to set bonuses at a competitive level, to ensure that the Group retains the best talent, while at the same time maintaining an appropriate ratio between payroll expenses and profits. In the other business lines and Group functions, management bonuses are determined annually based on profits and each individual's personal performance. The variable bonuses of Retail Banking sales staff in France are determined according to criteria that are adjusted each year based on national and local development plans.

## **Stock Option Plans**

BNP Paribas generally launches a new shareholder-approved stock option plan each year. No options are granted at a discount to the BNP Paribas share price on the date of grant. Options are not granted to the same categories of personnel each year. They are granted on a rotating basis to corporate officers, executive managers and key employees, and to high potential staff whom the Group wishes to retain.

Options plans may include certain performance-related vesting conditions applicable to all or some of the options granted to each individual. Details of the vesting conditions are provided in note 36 to the consolidated financial statements.

On 21 March 2003, the Board of Directors approved a stock option plan mainly concerning the members of the Executive Committee and managers holding a key position within the Group. This plan counted 1,300 beneficiaries who were granted 6,693,000 options. The option exercise price is EUR 37.10, corresponding to the average of the opening prices quoted for BNP Paribas shares over the 20 trading days preceding 21 March 2003.

Specific conditions apply to a portion of the options granted to certain individuals, whereby the right to exercise the options and the exercise price depend on the relative performance of BNP Paribas shares compared with a benchmark index during a specified period.

## Informations on stock options

Options granted to and exercised by corporate officers	Number of options granted/exercise	Exercise price (in euros)	Date grant	Plan expiry date
<b>Options granted in 2003</b>				
Michel Pébereau	225,000	37.10	21/03/03	20/03/13
Baudouin Prot	195,000	37.10	21/03/03	20/03/13
Dominique Hoenn	60,000	37.10	21/03/03	20/03/13
<b>Options exercised in 2003</b>				
Michel Pébereau	125,000	14.87	21/05/96	21/05/03

	Number of options granted/exercise	Weighted average exercise price (in euros)	Date of grant	Date of grant	Date of grant	
Options granted in 2003 (19 employees)	880,000	37.10	21/03/03			
Options exercised in 2003 (10 employees)	481,962	16.27	30/10/95	16/11/95	16/11/95	
				48,786	65,970	43,190
			28/12/95	05/11/96	20/01/97	
				129,570	14,250	33,616
			26/12/97			
			146,580			

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## Fees paid to the auditors

In thousands of euros	Ernst & Young				PricewaterhouseCoopers Audit				Mazars & Guérard				Total			
	2003	%	2002	%	2003	%	2002	%	2003	%	2002	%	2003	%	2002	%
<b>Audit</b>																
Basic audit work	5,565	56%	4,851	36%	6,429	39%	5,574	26%	3,414	42%	3,062	48%	15,408	45%	13,487	32%
Additional work	1,620	16%	3,321	24%	5,101	30%	9,276	42%	1,586	20%	1,104	17%	8,307	24%	13,701	33%
Special engagements	154	2%	834	6%	117	1%	355	2%	135	2%	482	8%	406	1%	1,671	4%
<b>Sub-total</b>	<b>7,339</b>	<b>74%</b>	<b>9,006</b>	<b>66%</b>	<b>11,647</b>	<b>70%</b>	<b>15,205</b>	<b>70%</b>	<b>5,135</b>	<b>64%</b>	<b>4,648</b>	<b>73%</b>	<b>24,121</b>	<b>70%</b>	<b>28,859</b>	<b>69%</b>
Legal and tax advice	1,410	14%	2,781	20%	3,917	24%	4,334	20%	2,847	35%	1,682	26%	8,174	23%	8,797	21%
IT consulting services	0	0%	665	5%	0	0%	-	0%	0	0%	-	0%	0	0%	665	1%
Management consulting services	883	9%	874	6%	352	2%	2,009	9%	13	0%	-	0%	1,248	4%	2,883	7%
Other	291	3%	368	3%	687	4%	230	1%	97	1%	84	1%	1,075	3%	682	2%
<b>Sub-total</b>	<b>2,584</b>	<b>26%</b>	<b>4,688</b>	<b>34%</b>	<b>4,956</b>	<b>30%</b>	<b>6,573</b>	<b>30%</b>	<b>2,957</b>	<b>36%</b>	<b>1,766</b>	<b>27%</b>	<b>10,497</b>	<b>30%</b>	<b>13,027</b>	<b>31%</b>
<b>Total</b>	<b>9,923</b>		<b>13,694</b>		<b>16,603</b>		<b>21,778</b>		<b>8,092</b>		<b>6,414</b>		<b>34,618</b>		<b>41,886</b>	

# A partner For a world of tennis

Since the Bank first sponsored tennis back in 1973, it has steadily increased its commitment to the game at every level: global, local, family, educational and social.

Last year saw the 30<sup>th</sup> anniversary of the BNP Paribas tennis partnership – a rewarding alliance and one of the most enduring success stories in the history of the sport.

To celebrate its pearl jubilee with tennis, BNP Paribas launched the label “30 years of service” with a star-racket motif featured on the cheques and bank cards of its 6 million customers in France.

A full programme of anniversary events was organised throughout the year to coincide with the many tennis gatherings linked to the Bank's name. The year's highlight was the Roland-Garros French Open Tournament in May. A country-wide poster campaign drew the public's attention to the tennis theme in the 22 kilometres of window frontage at France's 2,200 BNP Paribas branches.

To mark the close of celebrations, BNP Paribas, long-time partner of the French Tennis Federation and the Association Française contre les Myopathies, helped amateur tennis clubs organise a special tournament during the Telethon fund-raising weekend on French television. A total of more than EUR 100,000 in registration fees from some 170 French tennis clubs was donated to research into genetic disorders.



Over the years, BNP Paribas has continued to develop its patronage of tennis, playing a key role in the promotion of the sport.

In 2003, the Group forged closer ties with the Fédération du Sport Universtaire to create the first BNP Paribas European Universities Trophy. The Bank also signed an agreement with the Fédération Française Handisport, enabling

the Group to continue sponsoring wheelchair tennis and its flagship tournament, the BNP Paribas French Open held each year in the Hauts-de-Seine area, near Paris.

BNP Paribas has increased its backing of several major tournaments including the Marseilles Open (ATP), the BNP Paribas Strasbourg Open (WTA) and the Moselle Open in Metz (ATP).

The Bank continued to support neighbourhood tennis in France, la Réunion Island and New Caledonia, with 360 club tournaments, 18 FFT regional leagues, and a full range of pedagogical projects, from mini-tennis to junior clubs and adult tennis.

Today, BNP Paribas is exclusive partner in the Roland-Garros official selection

of ball-boys and ball-girls, which recruits 500 young people aged 12 to 16 from November to April in 20 French towns and cities each year.

During 2003, the Group also pursued its sponsorship of tennis federations around the world, for example by supporting junior ITF Futures tournaments in Morocco and Argentina.

A model of loyal service and mutual trust, the ties between BNP Paribas and the world of tennis echo the Bank's relations with its clients.





Yin ball



Faded ball



Red ball



Floral ball



Autographed ball



Leopard skin ball



Ice cream ball



Leather ball



Comic ball



Grass ball



Hippie ball



**BNP Paribas. Sponsoring tennis. Every kind of tennis.**

For 31 years, BNP Paribas has been sponsoring the French Open at Roland Garros. Our commitment to tennis now includes the Davis Cup, the BNP Paribas Masters at Paris-Bercy and other major tournaments. BNP Paribas is also an active sponsor of numerous local tournaments around the world and supports tennis at every level, from children to adult, from amateur to professional. In addition, BNP Paribas is actively involved in various projects to foster social cohesion through tennis.

[www.tennis.bnpparibas.com](http://www.tennis.bnpparibas.com)

The bank for a changing world





# Financial

and

# Legal Information



# ACTIVITY

## 2003 REVIEW OF OPERATIONS

### CONSOLIDATED RESULTS OF THE BNP PARIBAS GROUP

For the year ended 31 December 2003, in an environment that was improving but still difficult in Europe, the Group posted significantly higher operating performances despite the adverse effects of the weaker dollar:

- Gross operating income: EUR 6,650 million (up 13.9%);
- Operating income (after net additions to provisions): EUR 5,289 million (up 21.1%);
- Net income group share: EUR 3,761 million (up 14.1%) despite a substantial decline in the contribution of non-operating items (EUR 297 million compared to EUR 445 million in 2002);
- Return on equity after tax: 14.3%.

Each of the Group's leading core businesses contributed to this performance:

- Thanks to the very good results of its two business lines, Retail Banking again enjoyed sustained growth in volume and income;
- Capitalising on the recovery of equity markets, Asset Management and Services saw a significant rebound starting in the second quarter of the year;
- Corporate and Investment Banking posted very good results and matched its highest level of profitability to date, achieved in 2000.

### ALLOCATION OF CAPITAL

Revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division corresponds to the amount required to comply with international capital adequacy ratios and is based on 6% of risk-weighted assets. The capital allocated to the Asset Management and Services division is equal to 0.25% of assets under management. 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 (75% in 2001 and 100% in 2002 and 2003).





## OPERATING PERFORMANCES UP SHARPLY

The business and financial environment remained difficult in 2003, despite some signs of improvement. The stock market crisis peaked at the end of the first quarter of the year. Economic growth, still very weak in Europe, rebounded sharply in the United States and in Asia, but the continued decline in the dollar significantly cut the profits that European companies made in these regions.

In this mixed environment, BNP Paribas Group's net banking income rose 6.8% (up 9.7% at constant scope and exchange rates) <sup>(1)</sup> totalling EUR 17,935 million and gross operating income rose 13.9% to EUR 6,650 million (up 18.7% at constant scope and exchange rates). The cost/income ratio improved by 2.3 points, falling from 65.2% to 62.9%.

Despite setting aside a total of over EUR 200 million in new general provisions, total provisions fell 7.4% to EUR 1,361 million. Operating income soared 21.1% to EUR 5,289 million.

*(1) The main changes in scope involved the consolidation of Facet and United California Bank (IRFS core business), Consors and Cogent (AMS core business).*

Non-operating items contributed EUR 297 million, down 33.3% compared to 2002. Capital gains generated on the Group's equity portfolio were stable at EUR 912 million (up 1.0%); amortisation of goodwill rose 9.0% to EUR 399 million; however, non-recurring expenses expanded EUR 175 million to EUR 347 million as the requirements of the new French pensions law led to the booking of a one-time EUR 229 million provision for employee-related commitments (or EUR 148 million after tax), while there was a (non-taxable) EUR 148 million write-back from the Reserve for General Banking Risks. The Group also set aside EUR 70 million in provisions to put in place measures to facilitate employees' professional reorientation covering 2004 and 2005, in accordance with its policy of forward-looking workforce management.

The tax charge rose 26.0% to EUR 1,481 million, due in particular to an exceptional EUR 125 million tax charge in connection with Klépierre's new tax status as a listed real estate investment company. The corresponding EUR 59 million reduction in minority interests left their share stable at EUR 344 million (+0.3%).

In millions of euros	Retail Banking	Asset Mgt & Services	Corp. & Inv. Bkg	BNP Paribas Capital	Other activities	Group 2003	Group 2002	Change 2003/2002	At constant scope and exchange rates
<b>Net Banking Income</b>	<b>9,636</b>	<b>2,476</b>	<b>5,818</b>	<b>-34</b>	<b>39</b>	<b>17,935</b>	<b>16,793</b>	<b>+6.8%</b>	<b>+9.7%</b>
Operating Expenses and Dep.	-6,011	-1,673	-3,384	-39	-178	-11,285	-10,955	+3.0%	+4.9%
<b>Gross Operating Income</b>	<b>3,625</b>	<b>803</b>	<b>2,434</b>	<b>-73</b>	<b>-139</b>	<b>6,650</b>	<b>5,838</b>	<b>+13.9%</b>	<b>+18.7%</b>
Provisions*	-754	-16	-633	-3	45	-1,361	-1,470	-7.4%	
<b>Operating Income</b>	<b>2,871</b>	<b>787</b>	<b>1,801</b>	<b>-76</b>	<b>-94</b>	<b>5,289</b>	<b>4,368</b>	<b>+21.1%</b>	
Associated Companies	79	29	3	0	20	131	80	+63.8%	
Capital Gains	13	8	105	584	202	912	903	+1.0%	
Goodwill	-289	-74	-17	-12	-7	-399	-366	+9.0%	
Other Items	-26	-27	-13	0	-281	-347	-172	+101.7%	
<b>Pre-tax Income</b>	<b>2,648</b>	<b>723</b>	<b>1,879</b>	<b>496</b>	<b>-160</b>	<b>5,586</b>	<b>4,813</b>	<b>+16.1%</b>	
Minority Interests	-49	0	-5	-5	-285	-344	-343	+0.3%	
Tax Expenses						-1,481	-1,175	+26.0%	
<b>Net Income, Group Share</b>						<b>3,761</b>	<b>3,295</b>	<b>+14.1%</b>	
Cost/Income Ratio						62.9%	65.2%		
ROE after Tax						14.3%	13.5%		

\* EUR 250 million general provision set aside in Europe during the first nine months of 2003 and use in the 4<sup>th</sup> quarter of 2003 of USD 21 million from the USD 90 million general provision for US risks booked in 1999.



Net income group share, at EUR 3,761 million, was up 14.1%. generating a 14.3% return on equity. after tax.

BNP Paribas was widely recognised in 2003 for its constant commitment to sustainable development. Thus, the Bank's social responsibility rating was upgraded by the leading social rating agencies. For example, SAM, which selects the companies included in the DJ SI World and DJ SI Stoxx indexes. ranked BNP Paribas 5<sup>th</sup> among all banks worldwide (up from 8<sup>th</sup> in 2002). In addition, BNP Paribas has joined the Global Compact programme launched by the United Nations Secretary-General.

## RESULTS OF THE CORE BUSINESSES

Each of the three business lines contributed to Group performance:

### I. - Retail Banking

In millions of euros	2003	2002	Change 2003/2002	At constant scope and exchange rates
<b>Net Banking Income</b>	<b>9,636</b>	<b>9,466</b>	<b>+1.8%</b>	<b>+3.1%</b>
Operating Expenses and Dep.	-6,011	-6,036	-0.4%	+1.6%
<b>Gross Operating Income</b>	<b>3,625</b>	<b>3,430</b>	<b>+5.7%</b>	<b>+5.6%</b>
Provisions	-754	-720	+4.7%	
<b>Operating Income</b>	<b>2,871</b>	<b>2,710</b>	<b>+5.9%</b>	
Amortisation of Goodwill	-289	-270	+7.0%	
Other Non-Operating Items	66	51	+29.4%	
<b>Pre-tax Income</b>	<b>2,648</b>	<b>2,491</b>	<b>+6.3%</b>	
Cost/Income Ratio	62.4%	63.8%	-1.4 pt	
Allocated Equity (EUR bn)	9.4	9.6	-2.4%	
Pre-tax ROE	28%	26%		

In 2003, Retail Banking's operations continued to expand and to enhance their profitability. Gross operating income rose 5.7% to EUR 3,625 million. Pre-tax income was up 6.3%, to EUR 2,648 million. Pre-tax return on equity increased 2 points to 28%.

## FRENCH RETAIL BANKING

In millions of euros	2003	2002	Change 2003/2002
<b>Net Banking Income</b>	<b>4,884</b>	<b>4,740</b>	<b>+3.0%</b>
<i>Incl. Fees and Commissions</i>	<i>2,053</i>	<i>2,000</i>	<i>+2.7%</i>
<i>Incl. Interest Margin</i>	<i>2,831</i>	<i>2,740</i>	<i>+3.3%</i>
Operating Expenses and Dep.	-3,355	-3,272	+2.5%
<b>Gross Operating Income</b>	<b>1,529</b>	<b>1,468</b>	<b>+4.2%</b>
Provisions	-225	-198	+13.6%
<b>Operating Income</b>	<b>1,304</b>	<b>1,270</b>	<b>+2.7%</b>
Non-Operating Items	-2	0	NS
<b>Pre-tax Income</b>	<b>1,302</b>	<b>1,270</b>	<b>+2.5%</b>
Income Attributable to AMS	-62	-63	-1.6%
<b>Pre-tax Income of French Retail Banking</b>	<b>1,240</b>	<b>1,207</b>	<b>+2.7%</b>
Cost / Income Ratio	68.7%	69.0%	-0.3pt
Allocated Equity (EUR bn)	4.5	4.7	-4.4%
<b>Pre-tax ROE</b>	<b>27%</b>	<b>25%</b>	

*Including 100% of the French Private Banking from net banking income to Pre-tax Income lines*

Net banking income of the French Retail Banking branch network<sup>(1)</sup> totalled EUR 4,884 million, up 3.0%. Net interest revenue was up 3.3%, driven by the combined effect of a rise in the gross interest margin (from 3.54% to 3.74% between 2002 and 2003), a slight contraction of outstanding loans (-1.7%) and growth in deposits (+3.5%), fuelled by savings accounts (+15.6%). The amount of fees rose 2.7%, as lower revenues on securities transactions were more than offset by the expansion of other services (payment instruments, banking services, etc.).

The sales drive targeting individual customers gathered pace. In 2003, the number of cheque and current accounts grew by over 120,000. Multichannel Banking logged 32 million contacts initiated on the Internet (+30%), 20 million incoming calls on its interactive voice server (+21%) and 4.8 million incoming calls at the customer relationship centres (+52%). In the branches, the new workstation, which is the same as the one used in customer relationship centres, allowed 41 million consultations of customer files. Outstanding loans rose 9.3%, in particular due to a sharp rise in new mortgages. Life insurance assets under management rose 9.9% during the year and mutual fund assets under management rose 12.4%.

*(1) Including 100% of Private Banking in France.*



For corporate customers, whose demand for business loans was weak in the economic context of 2003 (outstanding loans: -9.6%), the French network significantly increased sales of financial products and services in conjunction with Corporate and Investment Banking: structured financing, bond issues, leveraged acquisition financing, hedging and forex products. BNP Paribas Asset Management expanded the range of mutual funds for corporate customers, enabling placement of such funds through the French network to rise by EUR 1.4 billion. Similarly, the network took steps to improve sales of the products and services of the speciality subsidiaries, in particular Arval PHH, Arius, and Factor.

The moderate rise in operating expenses and depreciation (+2.5% compared to the previous year) resulted in a 4.2% rise in the gross operating income, to EUR 1,529 million. At 68.7%, the cost/income ratio improved by 0.3 point. Provisions, totalling EUR 225 million (+13.6), remained moderate as they amounted to 0.32% of outstanding weighted assets for the year.

After sharing French Private Banking's income with AMS, French Retail Banking posted EUR 1,240 million in annual pre-tax income, up 2.7%.

Pre-tax return on equity edged up two points to 27%.

## INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES (IRFS)

In millions of euros	2003	2002	Change 2003/2002	At constant scope and exchange rates
<b>Net Banking Income</b>	<b>4,903</b>	<b>4,878</b>	<b>+0.5%</b>	<b>+4.0%</b>
Operating Expenses and Dep.	-2,745	-2,853	-3.8%	+1.2%
<b>Gross Operating Income</b>	<b>2,158</b>	<b>2,025</b>	<b>+6.6%</b>	<b>+7.9%</b>
Provisions	-529	-522	+1.3%	
<b>Operating Income</b>	<b>1,629</b>	<b>1,503</b>	<b>+8.4%</b>	
Amortisation of Goodwill	-289	-270	+7.0%	
Other Non Operating Items	68	51	+33.3%	
<b>Pre-tax Income</b>	<b>1,408</b>	<b>1,284</b>	<b>+9.7%</b>	
Cost / Income Ratio	56.0%	58.5%	-2.5 pt	
Allocated Equity (EUR bn)	4.8	4.9	-0.5%	
Pre-tax ROE	29%	26%		

*The IRFS core business combines: BancWest, Emerging and Overseas Markets (formerly IRB core business): Cetelem, BNP Paribas Lease Group, UCB and Arval PHH (formerly RFS core business, except Cortal Consors: historical data have been restated)*

Given the relative weight of BancWest and, to a lesser degree, of other operations conducted outside the Eurozone, this core business was particularly hard hit by the exchange rate effects. Net banking income (EUR 4,903 million) was virtually unchanged (+0.5%) compared to 2002 while it was up 4.0% at constant scope and exchange rates. Similarly, operating expenses and depreciation, at EUR 2,745 million, were down 3.8%, but up 1.2% at constant scope and exchange rates. Gross operating income (EUR 2,158 million) thus rose 6.6% (+7.9% at constant scope and exchange rates) and the cost/income ratio improved by 2.5 points at 56.0%, in line with the target the Bank had announced.

Provisions were virtually unchanged at EUR 529 million (+1.3%). The same applied to non-operating items. Pre-tax income came to EUR 1,408 million, rising by a substantial 9.7% compared to the previous year and pre-tax return on equity rose three points to 29%.

BancWest's lending business performed well in 2003, especially in the consumer lending segment in which outstanding loans grew 21.3%. Gross interest margin fell 41 basis points during the year, to 4.18%, due to lower interest rates. The full effect of synergies achieved following the merger between United California Bank and Bank of the West helped reduce operating expenses and depreciation by 4.3%, at constant scope and exchange rates, compared to 2002. Lastly, provisions were also reduced and the ratio of non-performing assets to total outstandings fell to 0.59% as at 31 December 2003 compared to 1.01% as at 31 December 2002. Operating income rose 11.8% at constant scope and exchange rates.

Retail Banking's business activities in emerging and overseas markets held up well under difficult operating conditions in several countries (in particular the Ivory Coast). Provisions were lower than their 2002 level.

Cetelem continued its resilient growth in France, buoyed by Facet's good momentum, and abroad. Outstanding loans rose a total of 4.3% during the year, and 18.6% abroad, especially in Southern and Eastern Europe. Cetelem is a leading consumer lender in Italy, Spain, Portugal, Hungary and the Czech Republic. Its pre-tax income rose 12.1%.

UCB reported a very sharp rise in new loans both in France (+23%) and abroad (+33%). Outstanding loans to individuals totalled EUR 15.7 billion as at 31 December 2003 (+9.4%). Furthermore, systematically promoting French Retail Banking's services contributed to the opening of 10,000 new accounts. Arval PHH continued to pursue its rapid expansion in Continental Europe and BNP Paribas Lease Group made further inroads into international markets,





based on partnership alliances. As leaders in their European markets, both of these companies made a significant contribution to growing the profitability of the core business.

The specialised financial services companies now generate a very large portion of their new loans outside of France – 51% for Cetelem, 52% for UCB; 32% for BNP Paribas Lease Group and 67% for Arval PHH in 2003.

In millions of euros	Cetelem	BNP Paribas Lease Group	UCB	Location Leasing with services	Other	Total SF
<b>Gross Operating Income</b>	<b>754</b>	<b>195</b>	<b>128</b>	<b>133</b>	<b>-39</b>	<b>1 171</b>
Change 2003/2002	27.8%	-6.3%	20.8%	17.7%	n.m.	21.2%
<b>Pre-tax Income</b>	<b>427</b>	<b>124</b>	<b>153</b>	<b>57</b>	<b>-80</b>	<b>681</b>
Change 2003/2002	12.1%	-5.3%	6.3%	x 7.1	n.m.	16.8%

## INTERNATIONAL RETAIL BANKING

In millions of euros	2003	2002	Change 2003/2002	At constant scope and exchange rates
<b>Net Banking Income</b>	<b>2,174</b>	<b>2,379</b>	<b>-8.6%</b>	<b>=</b>
Operating Expenses and Dep.	-1,187	-1,320	-10.1%	-1.3%
<b>Gross Operating Income</b>	<b>987</b>	<b>1,059</b>	<b>-6.8%</b>	<b>+1.6%</b>
Provisions	-104	-151	-31.1%	
<b>Operating Income</b>	<b>883</b>	<b>908</b>	<b>-2.8%</b>	
Amortisation of Goodwill	-149	-168	-11.3%	
Other Non-Operating Items	-7	-39	-82.1%	
<b>Pre-tax income</b>	<b>727</b>	<b>701</b>	<b>+3.7%</b>	
Cost / Income Ratio	54.6%	55.5%	-0.9 pt	
Allocated Equity (EUR bn)	2.0	2.1	-6.3%	
Pre-tax ROE	37%	34%		



## FINANCIAL SERVICES

In millions of euros	2003 2003/2002	2002	Change	At constant scope and exchange rates
<b>Net Banking Income</b>	<b>2,729</b>	<b>2,499</b>	<b>+9.2%</b>	<b>+7.5%</b>
Operating Expenses and Dep.	-1,558	-1,533	+1.6%	+3.2%
<b>Operating Expenses and Dep.</b>	<b>1,171</b>	<b>966</b>	<b>+21.2%</b>	<b>+14.3%</b>
Provisions	-425	-371	+14.6%	
<b>Operating Income</b>	<b>746</b>	<b>595</b>	<b>+25.4%</b>	
Amortisation of Goodwill	-140	-102	+37.3%	
Other Non-Operating Items	75	90	-16.7%	
<b>Pre-tax Income</b>	<b>681</b>	<b>583</b>	<b>+16.8%</b>	
Cost / Income Ratio	57.1%	61.3%	-4.2 pt	
Allocated Equity, (EUR bn)	2.9	2.8	+3.9%	
Pre-tax ROE	24%	21%		



## 2. - Asset Management and Services (AMS)

In millions of euros	Wealth and Asset Management	Insurance	Securities	Total	Total At constant scope and exchange rates
<b>Net Banking Income</b>	<b>1,143</b>	<b>733</b>	<b>600</b>	<b>2,476</b>	
2002	1,073	674	545	2,292	
Change/2002	+6.5%	+8.8%	+10.1%	+8.0%	-1.0%
<b>Operating Expenses and Dep.</b>	<b>-845</b>	<b>-352</b>	<b>-476</b>	<b>-1,673</b>	
2002	-795	-342	-363	-1,500	
Change/2002	+6.3%	+2.9%	+31.1%	+11.5%	-2.1%
<b>Gross Operating Income</b>	<b>298</b>	<b>381</b>	<b>124</b>	<b>803</b>	
2002	278	332	182	792	
Change/2002	+7.2%	+14.8%	-31.9%	+1.4%	+1.0%
<b>Provisions</b>	<b>-12</b>	<b>-4</b>	<b>0</b>	<b>-16</b>	
2002	-13	5	0	-8	
Change/2002	n.m.	n.m.	n.m.	n.m.	
<b>Operating Income</b>	<b>286</b>	<b>377</b>	<b>124</b>	<b>787</b>	
2002	265	337	182	784	
Change/2002	+7.9%	+11.9%	-31.9%	+0.4%	
<b>Amortisation of Goodwill</b>	<b>-37</b>	<b>-13</b>	<b>-24</b>	<b>-74</b>	
2002	-21	-10	-12	-43	
Change/2002	+76.2%	+30.0%	x2	+72.1%	
<b>Other Non-Operating Items</b>	<b>1</b>	<b>27</b>	<b>-18</b>	<b>10</b>	
2002	-36	25	57	46	
Change/2002	n.m.	+8.0%	n.m.	-78.3%	
<b>Pre-tax Income</b>	<b>250</b>	<b>391</b>	<b>82</b>	<b>723</b>	
2002	208	352	227	787	
Change/2002	+20.2%	+11.1%	-63.9%	-8.1%	
<b>Cost / Income Ratio</b>	<b>73.9%</b>	<b>48.0%</b>	<b>79.3%</b>	<b>67.6%</b>	
2002	74.1%	50.7%	66.6%	65.4%	
<b>Allocated Equity (EUR bn)</b>	<b>0.9</b>	<b>1.8</b>	<b>0.3</b>	<b>3.0</b>	
2002	0.8	1.7	0.4	2.9	
Change/2002	+2.7%	+10.5%	-19.7%	+4.1%	

Henceforth, AMS includes Cortal Consors' results. The historical data have been restated. Consors and Cogent have been fully consolidated since 1 January 2003.





Adversely affected at the beginning of the year by the accelerating fall in stock market prices, which came to a head at the end of March, AMS experienced a sharp rebound, which was confirmed in the fourth quarter with quarterly pre-tax income up 31.0% (+17.9% at constant scope and exchange rates) compared to the fourth quarter of 2002.

Over the whole year, AMS's net banking income rose 8.0% to EUR 2,476 million. This trend was largely the result of external growth, with the full consolidation of Consors and Cogent in 2003. For the same reason, operating expenses and depreciation rose 11.5% to EUR 1,673 million. At constant scope and exchange rates, net banking income of the business slid 1%, while, in line with the target the Group had announced, operating expenses and depreciation declined 2.1%. Gross operating income thus edged up slightly (+1.4%) to EUR 803 million (+1.0% at constant scope and exchange rates).

During the year, total assets under the Group's management rose to EUR 276 billion, thanks to a net total of EUR 11.1 billion in net new money. The alternative management product range was expanded. BNP Paribas Asset Management is the leading French company in terms of socially responsible investments with EUR 1 billion of assets under management (source: *Europerformance*). Private Banking significantly increased its sales of structured products and cut its costs. Cortal Consors capitalised on merger synergies, achieved ahead of schedule,

and the recovery of stock market activities, especially in Germany, reaching breakeven in 2003. Named "Best Online Broker" in Germany (source: *Discountbroker.de*) and in Spain (source: *La gaceta de los negocios*), Cortal Consors is Europe's leading online broker, formed out of an exemplary cross-border merger of equals. Wealth & Asset Management thus increased its gross operating income 7.2% to EUR 298 million.

The Insurance business continued to pursue its global expansion with the signing of new distribution agreements abroad and a partnership with Russian Standard Bank to set up a life insurance company in Russia. Inflows of net new money were very satisfactory in France, where unit-linked policies account for 30% of insurance products, a far higher proportion than the market average of 16% (source: *FFSA*). Gross operating income rose 14.8% to EUR 381 million.

Assets held in custody by Securities Services rose 15% year-on-year, surpassing the record level of EUR 2,000 billion. The publication *Global Custodian* ranked BNP Paribas the third global custodian for service quality. However, pressure on clearing and custody margins was heightened since the stock market crisis in 2002 and direct services to investors, a future source of growth, which the Group strengthened by the acquisition of Cogent, are only gradually producing an impact on the accounts. Gross operating income totalled EUR 124 million, 31.9% lower than in 2002.



### 3. - Corporate and Investment Banking (CIB)

In millions of euros	Advisory and Capital Markets	Financing Businesses	Total	Total At constant scope and exchange rates
<b>Net Banking Income*</b>	<b>3,835</b>	<b>1,983</b>	<b>5,818</b>	
2002	2,965	2,181	5,146	
Change/2002	+29.3%	-9.1%	+13.1%	+23.8%
<b>Operating Expenses and Dep.</b>	<b>-2,407</b>	<b>-977</b>	<b>-3,384</b>	
2002	-2,245	-1,026	-3,271	
Change/2002	+7.2%	-4.8%	+3.5%	+12.6%
<b>Gross Operating Income</b>	<b>1,428</b>	<b>1,006</b>	<b>2,434</b>	
2002	720	1,155	1,875	
Change/2002	+98.3%	-12.9%	+29.8%	+43.7%
<b>Provisions**</b>	<b>0</b>	<b>-633</b>	<b>-633</b>	
2002	10	-725	-715	
Change/2002	n.m.	-12.7%	-11.5%	
<b>Operating Income</b>	<b>1,428</b>	<b>373</b>	<b>1,801</b>	
2002	730	430	1,160	
Change/2002	+95.6%	-13.3%	+55.3%	
<b>Non-Operating Items***</b>	<b>102</b>	<b>-24</b>	<b>78</b>	
2002	4	22	26	
Change/2002	n.m.	n.m.	n.m.	
<b>Pre-tax Income</b>	<b>1,530</b>	<b>349</b>	<b>1,879</b>	
2002	734	452	1,186	
Change/2002	+108.4%	-22.8%	+58.4%	
<b>Cost / Income Ratio</b>	<b>62.8%</b>	<b>49.3%</b>	<b>58.2%</b>	
2002	75.7%	47.0%	63.6%	
Change/2002	-12.9 pt	+2.3 pt	-5.4 pts	
<b>Allocated Equity (EUR bn)</b>	<b>2.7</b>	<b>4.3</b>	<b>6.9</b>	
2002	3.3	4.6	7.9	
Change/2002	-20.0%	-6.6%	-12.2%	
<b>Pre-tax ROE</b>			<b>27%</b>	
2002			15%	

\* Comprising revenues from trading that include trading on behalf of clients and related revenues, for a total of EUR 3,456 million in 2003 versus EUR 2,550 million in 2002 (+35.5%).

\*\* EUR 235 million general provision set aside in Europe during the first nine months of 2003 and use in the 4<sup>th</sup> quarter of 2003 of USD 21 million from the USD 90 million general provision for US risks set aside in 1999.

\*\*\* Non-recurring capital gains in the third quarter of 2003, stemming from the disposal of a corporate bond portfolio.

In 2003, Corporate and Investment Banking matched its highest levels of profitability that it had achieved in 2000. Net banking income grew 13.1% to EUR 5,818 million (+23.8% at constant scope and exchange rates).

Revenues from the Advisory and Capital Markets business jumped sharply (+29.3%). All the business lines contributed to this performance: fixed income, equity, and corporate finance. The business received numerous awards, namely

the "Euro Investment Grade Corporate Bond House of the Year" (IFR), "Equity Derivatives House of the Year" (*Risk Magazine*); and BNP Paribas Peregrine was named "Best Mid-Cap Equity House of the Year (IFR Asia). The rankings of the bookrunners of financial transactions in Europe clearly reflected BNP Paribas' progress in 2003: the bank now ranks among the top five for all eurobond issues (source: IFR) and in the top ten for share and convertible bond issues in Europe (sources: Dealogic, IFR).



The financing businesses posted a 9.1% decline in net banking income due to sluggish demand in Europe. They did however achieve remarkable commercial successes and they too received multiple awards such as "European Loan House of the Year", "European Leveraged Loan of the Year" for Seat PG in Italy and "North America-Oil and Gas Deal of the Year" for the Cameron Highway Oil Pipeline (sources: IFR, Project Finance Magazine).

The business' operating expenses and depreciation edged up by only 3.5%. However, on a constant scope and exchange basis and excluding bonuses, they decreased in line with the targets announced. Thus the cost/income ratio, one of the best in Europe for this business, improved 5.4 points at 58.2%. Gross operating income rose 29.8% to EUR 2,434 million (+43.7% at constant scope and exchange rates).

CIB's provisions fell 11.5% to EUR 633 million, despite the fact that EUR 200 million in general provisions were set aside to cover the consequences of a possible prolonged economic slowdown in Europe. This reduction stemmed from the economic recovery in 2003 in the United States where provisions were extremely high in 2002.

Corporate and Investment Banking's operating income thus rose 55.3% to EUR 1,801 million and pre-tax income 58.4% to EUR 1,879 million. Pre-tax return on equity came to 27% (+12 points).

## BNP Paribas Capital

In millions of euros	2003	2002
<b>Net Capital Gains</b>	<b>584</b>	<b>705</b>
Other Net Revenues	-49	-50
Operating Expenses and Dep.	-39	-44
<b>Pre-tax Income</b>	<b>496</b>	<b>611</b>
<b>Allocated Equity (EUR bn)</b>	<b>1.2</b>	<b>1.6</b>

BNP Paribas Capital's pre-tax income came to EUR 496 million (-18.8%). This gradual reduction in BNP Paribas Capital's contribution is consistent with the Group's strategy to gradually divest holdings.

Given the divestitures carried out in 2003 (in particular, Royal Canin, Mobistar, and Aegon), the portfolio's estimated value declined to EUR 3.9 billion at 31 December 2003 from 4.5 billion at the end of 2002. While EUR 584 million in capital gains were realised during the year, unrealised capital gains fell only EUR 0.2 billion to EUR 1.2 billion as at 31 December 2003.

Activity	% held <sup>(1)</sup>	Country	Market value (in millions of euros)	
<b>Controlling interest / Lead investing positions</b>				
Eiffage	French leader in construction	29.4	France	403
Carbone Lorraine	One of the worldwide leaders in manufacturing carbone-based components	21.0	France	68
Evialis (ex-GNA)	French leader in food for animal food	63.3	France	51
Diana	Natural ingredients for food and pharmaceutical industries	100.0	France	Not listed
Keolis (ex-GTI)	French leader in public transportation	48.7	France	Not listed <sup>(2)</sup>
<b>Main minority stakes</b>				
SR Téléperformance	Telemarketing, marketing services and health communication	9.8	France	58
LDC	3 <sup>rd</sup> -largest French producer of poultry and leader in free-range poultry	4.6	France	17
Bormioli Rocco	Italian leader (3 <sup>rd</sup> in Europe) for glass packaging and tableware	6.8	Italy	Not listed
Bouygues Telecom	Mobile phone network	6.5	France	Not listed
Dicobel	Automotive glass repair and replacement	30.0	Benelux	Not listed
<b>Other equity investments</b>				
Pargesa (Cobepa)	Holding of GBL and Parfinance	14.7	Benelux	520
Aegon (Cobepa)	One of the leading global insurance companies	0.2	Benelux	40

(1) Including minority interests and before dilution

(2) Pre-agreed sale terms



## BALANCE SHEET

### ASSETS

**General.** At 31 December 2003, consolidated assets of the BNP Paribas Group amounted to EUR 783.1 billion, up 10.2% from the previous year. The main components of Group assets 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). Together, these items represented 86.2% of total assets at 31 December 2003 as against 84.5% at end-2002. Almost all asset categories contributed to the 10.2% year-on-year rise, led by the securities portfolio, which gained 49.3%, and interbank and money market items, which expanded 14.4%.

The sharp recovery in capital markets trading volumes was the driving force behind the growth in total assets, although the impact was partly offset by the effects of the fall in the US dollar against the euro.

**Interbank and money market item.** Interbank and money market items (net of provisions) totalled EUR 274.9 billion at 31 December 2003, up 14.4% over the year-earlier figure. The increase was attributable mainly to treasury bills and money market instruments, which expanded 27% to EUR 106.7 billion. In addition, amounts due from credit institutions rose 11.2%, to EUR 162.9 billion, reflecting higher repo activity.

**Customer items.** Total customer items (net of provisions) contracted by 1.5% to EUR 222 billion at 31 December 2003. Other customer loans declined 2.7% to EUR 153.8 billion, reflecting the net impact of a 12.6% fall in short-term advances to EUR 44.1 billion and 9.5% growth in home loans to EUR 46.7 billion. These changes were consistent with the Group's lending policy. The decline in other customer loans was partly offset by a 20% surge in securities and bills purchased under resale agreements to EUR 19.3 billion at 31 December 2003.

**Insurance company investments.** At 31 December 2003, the BNP Paribas Group insurance companies held investments of EUR 62.3 billion, an increase of 9.0% on the year-earlier figure. The portfolio of bonds and other fixed income instruments expanded 9.3% in value and unit-linked portfolios rose 8.7%. Although the stock market recovery fuelled an improvement in financial margins, all of the

Group insurance companies pulled out of equities and reinvested the funds on the bond market, which is less volatile in times of market crises. The year 2003 saw the launch of new products offering greater protection of policyholders' capital, notably in France, and it was also a year of strong international growth.

**Securities portfolio.** At 31 December 2003, 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, for a total value of EUR 115.9 billion, an increase of 49.3% compared with 31 December 2002. This strong growth was attributable to the financial market rebound, which boosted the value of the trading portfolio to EUR 158.6 billion from EUR 100.3 billion at 31 December, 2002. The value of equities and other variable income instruments surged by over 130% to EUR 52.5 billion, while bonds and other fixed income instruments climbed 31.1% to EUR 55.0 billion. Aggregate investments in non-consolidated undertakings and other participating interests, and equity securities held for long-term investment fell by 40.0% to EUR 6.8 billion at 31 December 2003, mainly due to the sale of the Group's EUR 3.1 billion interest in Crédit Lyonnais.

Net unrealised gains on the total portfolio of investments in non-consolidated undertakings and other participating interests, and equity securities held for long-term investment — calculated by reference to year-end stock market prices for listed securities — advanced significantly, to EUR 2.3 billion from EUR 2.1 billion at 31 December 2002, driven by the financial market recovery.

**Accrued income and other assets.** Accrued income and other assets contracted 1.2% to EUR 93.4 billion at 31 December 2003. Decreases of 31.5% in adjustment accounts and 29.4% in other assets, to EUR 13.9 billion and EUR 6.7 billion, respectively, were almost entirely offset by a 16.1% increase in premiums on purchased options to EUR 42.2 billion, also due to the financial market recovery.

### LIABILITIES (excluding shareholders' equity and provisions)

**General.** At 31 December 2003, consolidated liabilities of the BNP Paribas Group — excluding shareholders' equity and provisions — totalled EUR 744.8 billion, an increase of 10.5% compared with the previous year's figure. This amount includes interbank and money market items, customer items,





debt securities, insurance company technical reserves and accrued expenses and other liabilities. Accrued expenses and other liabilities rose 26.7% year-on-year, interbank and money market items 7.5% and customer items 7.7%.

**Interbank and money market items.** Interbank and money market items expanded 7.5% to EUR 191.3 billion at 31 December 2003. Time deposits and borrowings advanced 16.9% to EUR 61.7 billion, and securities and bills sold under repurchase agreements rose 7.1% to EUR 124.5 billion. These increases were partly offset by a 43.3% contraction in demand accounts to EUR 5.0 billion.

**Customer items.** Customer deposits totalled EUR 210.6 billion at 31 December 2003, an increase of 7.7% over the year-earlier figure. Securities and bills sold under repurchase agreements climbed 66.9% to EUR 35.6 billion, while funds deposited in time accounts declined 4.5% to EUR 68.9 billion. This decline was due mainly to low interest rates, which prompted customers to invest in products offering higher returns, such as guaranteed yield funds, money market funds, life insurance and regulated savings accounts. The shift fuelled a 17.7% rise in funds invested in regulated savings accounts, to EUR 36.6 billion. Demand accounts declined 2.1% to EUR 69.5 billion.

**Debt securities.** Debt securities amounted to EUR 83.1 billion at 31 December 2003, down 1.1% on the end-2002 figure. Bond debt contracted 11.6% to EUR 10.0 billion, primarily due to the redemption of euro-denominated fixed rate bonds. Retail certificates of deposit fell 26.5% to EUR 4.9 billion, while negotiable certificates of deposit expanded 3.2% to EUR 67.0 billion.

**Technical reserves of insurance companies.** The technical reserves of Group insurance companies rose 9.3% year-on-year, reflecting new money invested in non-unit-linked contracts and positive mark-to-market adjustments to unit-linked liabilities following the stock market recovery.

**Accrued expenses and other liabilities.** Accrued expenses and other liabilities totalled EUR 184.8 billion at 31 December 2003 as against EUR 145.8 billion one year earlier. The sharp rise stemmed mainly from increases of 53.9% in liabilities related to securities transactions (to EUR 88.4 billion), 23.9% in other payables and liabilities (to EUR 13.5 billion), 39.7% in settlement accounts related to securities transactions (to EUR 6.9 billion), and 15.5% in liabilities related to written options (to EUR 43.6 billion).

## PROVISIONS AND RESERVE FOR GENERAL BANKING RISKS

Provisions for contingencies and charges amounted to EUR 4.0 billion at 31 December 2003 compared with EUR 4.1 billion at 31 December 2002. During 2003, provisions for pensions and other post-employment benefits were increased by EUR 0.2 billion to take into account a revision of the actuarial assumptions applied in prior years following a change in French law. The EUR 0.2 billion provision for industry risks, which was notionally set off against unrealised losses on listed participating interests at 31 December 2002, was written off to the profit and loss account in 2003 and replaced by specific provisions. Lastly, utilisations of provisions for restructuring costs came to EUR 0.1 billion in 2003.

In 2003, EUR 0.25 billion were recorded under provisions for credit risks and equivalents for general risks in connection with the impact of a possible further economic slowdown in Europe.

The general banking risks reserve was reduced by EUR 0.1 billion to EUR 0.8 billion at 31 December 2003.

## SHAREHOLDERS' EQUITY

Consolidated shareholders' equity of the BNP Paribas Group at 31 December 2003, before dividend payments, totalled EUR 28.3 billion. The 7.1% increase compared with the year-earlier figure corresponds essentially to net income for the year, amounting to EUR 3.8 billion, less than EUR 1 billion paid out in dividends.

The EUR 0.2 billion increase in capital resulting from employee share issues and the exercise of stock options was neutralised by share buybacks. BNP Paribas shares bought back during the year to offset employee share issues, as well as under the share buyback programme announced in July 2003, had the effect of reducing shareholders' equity by EUR 0.9 billion. Lastly, the translation adjustment for the year was a negative EUR 0.2 billion.

Minority interests rose by 10.7% to EUR 5.0 billion, primarily following new preferred share issues in 2003.



## OFF BALANCE SHEET ITEMS

In billions of euros	31 December 2003	31 December 2002	Change 2003/2002
<b>Commitments given</b>			
Financing commitments given	156.3	140.4	+11.3%
Guarantees and endorsements given	56.9	60.2	-5.5%
Commitments given on securities	7.4	8.0	-7.5%
Insurance company commitments	1.3	0.9	+44.4%
Commitments incurred on forward and options contracts	18,356.8	13,959.8	+31.5%
<b>Commitments received</b>			
Financing commitments received	44.0	21.5	+104.7%
Guarantees and endorsements received	43.0	43.8	-1.8%
Commitments received on securities	7.9	15.0	-47.3%
Insurance company commitments	2.8	2.1	+33.3%

The BNP Paribas Group's off balance sheet commitments totalled EUR 18,676.4 billion at 31 December 2003. Commitments incurred on forward and options contracts rose 31.5% to EUR 18,356.8 billion, including EUR 14,750.5 billion related to forward contracts (up 26.4% on end-2002) and EUR 3,606.3 billion related to options (up 57.2%). The total amounts disclosed correspond to the aggregate of the nominal values of options and forward contracts, both purchased and sold. They reflect high trading volumes, linked to the Bank's hedging activity as well as to swaps and other interest rate derivatives set up by the

Fixed Income business line on behalf of clients. After weighting and netting agreements, counterparty risks on forward and options contracts represented the equivalent of EUR 14.7 billion at 31 December 2003 as against EUR 13.9 billion at 31 December 2002.

For further information concerning the BNP Paribas Group's off balance sheet assets and liabilities, see notes 23 and 24 to the consolidated financial statements for the year ended 31 December 2003.



## OUTLOOK

The BNP Paribas Group will focus chiefly on development in 2004, against the backdrop of an economic and financial environment that seems to be improving. Barring a major shock, the Group expects to see further earnings growth in 2004.

### THE GROUP

In France the Group has set up diversified and strong retail networks reaching out to 10 million individual and small business clients, and 60,000 companies. It has made its mark as a true European leader, both through "multi-local" businesses, such as Cetelem, Arval PHH, BPLG, BPSS and Cortal Consors, each of which is present in several European countries and is able to leverage the economies of scale that come with a leadership position, as well as via global businesses (fixed income, equity derivatives, financing) that market their services to the whole range of major European clients from a central point and are among the continent's key players in their field.

Serving 2 million clients in the United States, the BNP Paribas Group owns the 5<sup>th</sup> leading retail bank in California and the leader in Hawaii. It is also a recognised player on the national stage in several specialised businesses within Corporate and Investment Banking, including structured finance, derivatives, energy and commodities, export, and project finance.

Drawing on these robust positions in Europe and the United States, the Group should enjoy sustained growth on the back of a healthier economic environment. At the same time, it will strive to leverage its experience and local knowledge in high-potential markets to create alternate avenues for growth.

BNP Paribas Brazil enjoys strong organic growth and high profitability across several business lines (Corporate and Investment Banking, Asset Management and Services, International Retail Banking and Financial Services). BNP Paribas has a long-standing presence in China, with Hong Kong as its operational hub. Plans are now underway to step up development in the area from the base in Shanghai. In Russia, the Group's Moscow branch plans to capitalise on its foremost position in energy and commodities financing to develop other businesses in Corporate and Investment Banking, seeking new partnerships with local players. The Group also intends to launch a major development drive in the Middle East and North Africa, particularly in Morocco, Tunisia and the Persian Gulf countries.

The Group will continue to approach cost management with the discipline that produced renewed success in 2003, during which the ambitious goals set for each business segment were met, bringing the cost/income ratio almost in line with what it was in 2001. A productivity drive launched in April 2003 is expected to generate savings of EUR 240 million by the end of 2004, through 83 identified projects. The Group is also launching a joint venture with IBM, to optimise its data processing while keeping control over its technical environment.

At the same time, BNP Paribas will continue to exercise very strict control over risks. Its prudent approach and effective procedures have enabled it to weather the economic slowdown that has impacted the US and Europe over the past four years with provisions for credit risks and country risks not exceeding 0.51% of risk-weighted assets in 2002 and 0.50% in 2003.

Lastly, BNP Paribas plans to optimise its capital management through a combination of vigorous organic growth, the search for acquisition opportunities within the limits set by Group rules, a 21% increase in the dividend for 2003 <sup>(1)</sup> and implementation of the share buyback programme announced in July 2003, for which EUR 1.5 billion shares remain to be acquired in 2004.

### Priorities For 2004 by core business

#### RETAIL BANKING

##### French Retail Banking

French Retail Banking intends to keep up its modernisation drive and maintain capital expenditure levels in order to ensure greater availability of its sales teams and enhance client service. Underpinning these sales efforts will be the ramp-up of multichannel banking, dedicated advisory centres for Private Banking, specialised sales teams for self-employed professionals and small businesses and the setting up of business centres for companies and institutional clients. The aim will be to raise revenue and boost client satisfaction on the strength of productivity gains and improved data processing quality, as well as systematic cross-selling with all businesses of Corporate and Investment Banking, Asset Management and Services, and International Retail Banking and Financial Services.

*(1) Subject to approval by the Annual General Meeting.*



### **International Retail Banking and Financial Services**

As a first priority for 2004, BancWest will concentrate on leveraging its client base to increase the number of products sold per client and promoting cross-selling with Corporate and Investment Banking in trade finance, cash management, equity derivatives and public finance. BancWest is already strongly positioned at a domestic level in the specialised areas of Marine, Recreational vehicles, Church Lending, and Small Business Administration. It will develop these positions through organic growth, as it seeks out any opportunity for external expansion that meets Group criteria.

Cetelem's main focus will be on furthering sales growth in France while keeping a close watch on margins, particularly as it returns to managing revolving credit accounts for the French network, scheduled for the middle of the year. Outside France, Cetelem plans to build on its position as European leader and accelerate expansion in a number of major emerging countries, especially Mexico, where it intends to open a subsidiary in 2004.

Continuing development is also a priority for BNP Paribas Lease Group, UCB and Arval PHH, which should benefit in France from cross-selling with French Retail Banking, allowing them to extend outside France the momentum they have enjoyed in recent years. For retail banking operations in emerging countries and French overseas territories, key objectives will be to optimise management processes, maintain strict risk control and develop selectively in the most promising regions, particularly North Africa and the Persian Gulf.

### **ASSET MANAGEMENT AND SERVICES**

Growing the business and strengthening market share in Europe will be the twin focuses for Asset Management and Services. Private Banking sales teams should be expanded in Switzerland, Spain, Italy, Belgium and Asia, while Asset Management will seek to develop alternative structured products geared to emerging markets and to expand its capabilities in fund selection advisory services and discretionary portfolio management. Cortal Consors intends to roll out new services tailored to the needs of individual traders and launch new products aimed at affluent investors.

This subsidiary also plans to set up a network of independent financial advisers in Germany that can reach a new category of clients in the country. The Insurance business will look to further bolster its strong market share in retirement savings in France in tandem with the application of new legislation on pensions, and to continue its rapid growth outside France, especially in personal risk products. BPSS will concentrate on developing services to investors in order to create another growth driver in addition to custodial and clearing operations.

### **CORPORATE AND INVESTMENT BANKING**

In 2004 the Corporate and Investment Banking business will endeavour to further expand capital market operations while seeking to inject fresh momentum into financing operations.

Fixed Income aims to leverage its position as European leader to expand its presence in the United States and broaden its coverage of institutional clients and investment funds. The equity derivatives business will strive to consolidate the Group's ranking among global leaders. An innovative partnership should be set up with Exane in the field of equity brokerage for European institutional clients. Corporate Finance will focus on pursuing its development and broadening its Europe-wide coverage, in France, Italy, Germany and the United Kingdom. An aggressive sales strategy targeted at mid-caps should be rolled out in association with the business centres of the French network.

In an economic context that seems set to be brighter than in 2003, the financing businesses should be able to leverage new growth momentum, particularly for cross-border transactions and structured finance, while maintaining strict risk-control discipline. In energy and commodities, expansion of derivatives will be actively pursued, and the policy of marketing other Corporate and Investment Banking products will be stepped up, particularly in emerging countries.





## RECENT DEVELOPMENTS

**28 January 2004** - Merger between Atis Real and BNP Paribas Immobilier: On 27 January 2004, Atis Real and BNP Paribas Immobilier signed an agreement whereby BNP Paribas Immobilier will take a 49.9% stake in Atis Real International SAS, with the remaining 50.1% being retained by the Vendôme Rome Group and Crédit Lyonnais Private Equity.

Atis Real International incorporates all the commercial real estate services of Atis Real (transaction, consultancy, valuations and international management). These consist of Atis Real Auguste Thouard, ATHF and Expertim in France, Atis Real Weatherall in the United Kingdom, Atis Real Müller in Germany, as well as Atis Real establishments in Spain and Benelux.

BNP Paribas Immobilier will have full operational responsibility for Atis Real International SAS. The Chairman of the company will be Philippe Zivkovic, Chairman of BNP Paribas Immobilier. The company will be managed by a Board, chaired by Alain Béchade. The other members will be Greg Cooke and Peter Rösler, directors of Atis Real Weatherall and Atis Real Müller respectively, and the company's administrative and financial director.

This merger between Atis Real International and BNP Paribas Immobilier has created a major force in the commercial real estate business in Europe, with some 2,000 employees and the capacity to offer a comprehensive range of services to clients.

BNP Paribas Immobilier will acquire the entire remaining capital of Atis Real International in the next five years. Final completion of this merger is subject to the necessary approval being granted.

**9 February 2004** – At its meeting of 4 February 2004, the Board of Directors accepted the resignation of Jean-Marie Messier effective at the end of 2003 from his position as a board member and thanked him for his contribution to the development of BNP Paribas.

**11 February 2004** – The national commission in charge of tallying the results of the vote of 5 February 2004 to elect employee representatives to the Board of Directors of BNP Paribas from among the banking industry technical specialists, met on 11 February 2004. Jean-Marie Gianni and Jean-François Truffelli were declared elected, to replace Jack Delage and Jean Morio on the Board of Directors.

**13 February 2004** – BNP Paribas raises its majority stake in BMCI by 10%: On 12 February 2004, BNP Paribas acquired a further 10% of the capital of Banque Marocaine pour le Commerce et l'Industrie (BMCI) through a block trade on Casablanca Stock Exchange.

This acquisition is in line with the BNP Paribas Group strategy and will strengthen its presence in Morocco.

**4 March 2004** – Disposal by BNP Paribas of about 10% of Eiffage: On 4 March 2004, BNP Paribas sold 1.45 million Eiffage shares on the open market. This represents about 10% of the company's capital, of which BNP Paribas now owns 19.2%.

**16 March 2004** – BancWest signs an agreement to acquire Community First Bankshares. BNP Paribas expands its presence in the Western United States.

BancWest Corporation ("BancWest"), a wholly owned subsidiary of BNP Paribas, announced today that it has reached a definitive agreement to acquire Community First Bankshares ("Community First"), a Nasdaq listed company (CFBX). BancWest operates through 357 branches in 7 Western states, primarily California and Hawaii. BancWest operates under the brands of Bank of the West on the Western US Mainland and First Hawaiian Bank in Hawaii. Community First operates through 155 branches in 12 states in the West and Midwest of the US.

This transaction is consistent with BNP Paribas' expansion strategy in American retail banking and its disciplined acquisition policy. Following the acquisition, BancWest will have 3.4 million customer accounts and over 500 branches. The company will rank as the 7<sup>th</sup> largest commercial bank in the Western US, a region covering 18 states with 100 million inhabitants and one of the strongest demographic growth trends in the US.

On Monday 15 March 2004, the Board of Directors of Community First (Fargo, North Dakota) approved an agreement for the sale of 100% of the company to BancWest. The USD 1.2 billion purchase price is equivalent to 16.2 times reported earnings for 2003. It represents a 14% premium on the average closing stock price of Community First over the past three months. Subsequent to the transaction, all Community First activities will continue under the Bank of the West brand.

In 2003, Community First reported total revenues of USD 331 million, net income of USD 75 million, and a RoE of 20.5%. The bank had USD 5.465 billion of assets as of 31 December 2003.



Traditionally focused on smaller communities, Community First has grown through a series of acquisitions over the past 15 years. Community First has a strong presence in Colorado, Wyoming, Minnesota and North Dakota. The bank also has retail operations in Arizona, New Mexico, Utah, South Dakota, Iowa, Wisconsin, Nebraska and California. Community First enjoys an average 17% market share in the counties where it operates.

The merger will generate significant synergies and thus will create shareholder value from the beginning of the very first year. Given Community First's similar business model and strategic approach, as well as BancWest's proven track record in acquisition targets, execution risk related to the transaction is low.

In a statement following the agreement, Baudouin Prot, CEO of BNP Paribas said: "This transaction is in line with our strategy of 'disciplined' acquisitions, i.e. value-creating transactions of manageable size, in businesses and geographies of strong growth potential. This transaction is a great example of our efficient use of capital to strike deals with high synergies potential and low integration risks".

In addition, Don McGrath, President and COO of BancWest said: "Community First is a profitable bank, that has built strong relationships with its clients. Community First is a perfect match for Bank of the West. It operates in growing states that complement our existing footprint. This is a union of two complementary and compatible banks that makes sense both strategically and financially. It also creates new opportunities for further organic growth in the Western US."

The transaction is currently subject to approval by Community First's shareholders and by various regulatory agencies in the US. The transaction is expected to close in the third quarter of 2004. BNP Paribas and BancWest were advised by Lehman Brothers and BNP Paribas Corporate Finance.



## APPENDICES

### RESULTS OF BNP PARIBAS SA

#### 3-YEAR PROFIT AND LOSS ACCOUNT DATA

In millions of euros	2003	2002	2001	Change 2003/2002	Change 2002/2001
<b>Net banking income</b>	<b>9,222</b>	<b>9,012</b>	<b>8,738</b>	<b>+2.3%</b>	<b>+3.1%</b>
Operating expenses and depreciation	-5,824	-5,712	-6,048	+2.0%	-5.6%
<b>Gross operating income</b>	<b>3,398</b>	<b>3,300</b>	<b>2,690</b>	<b>+3.0%</b>	<b>+22.7%</b>
Provisions	-715	-820	-622	-12.8%	+31.8%
<b>Operating income</b>	<b>2,683</b>	<b>2,480</b>	<b>2,068</b>	<b>+8.2%</b>	<b>+19.9%</b>
Gains or losses on disposals of fixed assets	-70	364	2,366	n.m.	n.m.
Net non-recurring expenses	-416	-67	-98	n.m.	n.m.
Corporate income tax	-12	66	-373	n.m.	n.m.
Movements in the reserve for general banking risks and regulated provisions	174	-13	-38	n.m.	n.m.
<b>Net income</b>	<b>2,359</b>	<b>2,830</b>	<b>3,925</b>	<b>-16.6%</b>	<b>-27.9%</b>

#### APPROPRIATION OF 2003 INCOME

Total income to be appropriated at the Annual General Meeting of 28 May 2004 amounts to EUR 8,469,181,458.03, including net income for the year of EUR 2,358,756,301.88 and unappropriated retained earnings of EUR 6,110,425,156.15. The Board of Directors recommends that this amount should be appropriated as follows:

- EUR 856,423.20 in long-term capital gains, to the legal reserve;
- EUR 102,919,700.80 to the special long-term capital gains reserve;
- EUR 36,193,223.00 to the special Investment Reserve;
- EUR 1,310,242,625.80 to dividends;
- EUR 7,018,969,485.23 to unappropriated retained earnings.

Debit		Credit	
Appropriations:		Unappropriated retained earnings	6,110,425,156.15
other reserves	139,969,347.00	Net revenues for the year less	
dividends	1,310,242,625.80	general operating expenses,	
unappropriated retained earnings	7,018,969,485.23	depreciation and amortisation,	
		provisions and other charges	2,358,756,301.88
<b>Total</b>	<b>8,469,181,458.03</b>	<b>Total</b>	<b>8,469,181,458.03</b>



## CHANGES IN SHARE CAPITAL

	Number of shares	Capital
<b>At 31 December 1999</b>	<b>449,666,744</b>	<b>1,798,666,976</b>
Issuance of shares on exercise of stock options <sup>(1)</sup>	462,750	1,851,000
<b>At 26 January 2000</b>	<b>450,129,494</b>	<b>1,800,517,976</b>
Cancellation of shares	-7,053,612	-28,214,448
<b>At 23 May 2000</b>	<b>443,075,882</b>	<b>1,772,303,528</b>
Issuance of shares on exercise of stock options <sup>(2)</sup>	167,430	669,720
Employee share issue	4,821,403	19,285,612
<b>At 13 July 2000</b>	<b>448,064,715</b>	<b>1,792,258,860</b>
<b>At 31 December 2000</b>	<b>448,064,715</b>	<b>1,792,258,860</b>
Issuance of shares on exercise of stock options <sup>(3)</sup>	141,340	565,360
<b>At 29 January 2001</b>	<b>448,206,055</b>	<b>1,792,824,220</b>
Cancellation of shares	-9,000,000	-36,000,000
Issuance of shares on exercise of stock options <sup>(4)</sup>	417,720	1,670,880
Employee share issue <sup>(5)</sup>	3,361,921	13,447,684
<b>At 30 June 2001</b>	<b>442,985,696</b>	<b>1,771,942,784</b>
<b>At 31 December 2001</b>	<b>442,985,696</b>	<b>1,771,942,784</b>
Issuance of shares on exercise of stock options <sup>(6)</sup>	325,801	1,303,204
<b>At 17 January 2002</b>	<b>443,311,497</b>	<b>1,773,245,988</b>
Two-for-one share-split		
<b>At 20 February 2002</b>	<b>886,622,994</b>	<b>1,773,245,988</b>
Issuance of shares on exercise of stock options <sup>(7)</sup>	927,046	1,854,092
Employee share issue <sup>(8)</sup>	7,623,799	15,247,598
<b>At 30 June 2002</b>	<b>895,173,839</b>	<b>1,790,347,678</b>
<b>At 31 December 2002</b>	<b>895,173,839</b>	<b>1,790,347,678</b>
Issuance of shares on exercise of stock options <sup>(9)</sup>	705,985	1,411,970
<b>At 23 January 2003</b>	<b>895,879,824</b>	<b>1,791,759,648</b>
Issuance of shares on exercise of stock options <sup>(10)</sup>	618,431	1,236,862
Employee share issue <sup>(11)</sup>	6,673,360	13,346,720
<b>At 2 July 2003</b>	<b>903,171,615</b>	<b>1,806,343,230</b>
<b>At 31 December 2003</b>	<b>903,171,615</b>	<b>1,806,343,230</b>
Issuance of shares on exercise of stock options <sup>(12)</sup>	443,989	887,978
<b>At 28 January 2004</b>	<b>903,615,604</b>	<b>1,807,231,208</b>

In connection with share buyback programmes, in 2003, the BNP Paribas Group bought back on the market 22,547,920 shares at an average price of EUR 47.04 per EUR 2 par value share and sold 1,950,652 shares on the market at an average price of EUR 44.27 per EUR 2 par value share. Trading fees amounted to EUR 0.097 million. As of 31 December 2003, the BNP Paribas Group held 44,818,443 shares (par value EUR 2) in treasury stock, acquired at a total cost of EUR 1,905 million. These shares, representing 4.96 % of capital at 31 December 2003, have been recorded as a reduction in shareholders' equity (see Note 22 to the consolidated financial statements).

As of 31 December 2003, 23,960,398 stock subscription options (out of which 23,734,549 shares to be issued) and 8,850,163 stock purchase options were outstanding under the BNP Paribas options plans (see Note 36 to the consolidated financial statements).

(1) The 462,750 shares issued in January 2000 carried rights to the 1999 dividend.

(2) 65,750 shares carrying rights to the 1999 dividend and 101,640 shares carrying rights to the 2000 dividend.

(3) The 141,340 shares issued in January 2001 carried rights to the 2000 dividend.

(4) The 417,720 shares issued in June 2001 carried rights to the 2000 dividend.

(5) The 3,361,921 shares issued in June 2001 carried rights to the 2001 dividend.

(6) The 325,801 shares issued in January 2002 carried rights to the 2001 dividend.

(7) The 927,046 shares issued in June 2002 carried rights to the 2001 dividend.

(8) The 7,623,799 shares issued in June 2002 carried rights to the 2002 dividend.

(9) The 705,985 shares issued in January 2003 carried rights to the 2002 dividend.

(10) 517,716 shares carrying rights to the 2002 dividend and 100,715 shares carrying rights to the 2003 dividend.

(11) The 6,673,360 shares issued in July 2003 carried rights to the 2003 dividend.

(12) The 443,989 shares issued in January 2004 carried rights to the 2003 dividend.





## REGULATORY RATIOS

### INTERNATIONAL CAPITAL ADEQUACY RATIO

In billions of euros	31 December 2003	31 December 2002
Shareholders' equity at 31 December before appropriation of income	28.3	26.4
Dividends	-1.2	-1.0
Minority interests after dividend payments	4.7	4.3
<i>Including preferred shares</i>	3.5	3.1
Reserve for general banking risks	0.8	1.0
Regulatory deductions and other items <sup>(1)</sup>	-6.9	-7.6
<b>Tier 1 capital</b>	<b>25.7</b>	<b>23.0</b>
Tier 2 capital	11.7	13.0
Other regulatory deductions <sup>(2)</sup>	-2.5	-5.7
Allocated Tier 3 capital	0.5	0.6
<b>Total capital</b>	<b>35.4</b>	<b>30.9</b>
<b>Total capital</b>	<b>273.9</b>	<b>284.3</b>
<b>Tier 1 ratio</b>	<b>9.4%</b>	<b>8.1%</b>
<b>International capital adequacy ratio</b>	<b>12.9%</b>	<b>10.9%</b>

(1) Mainly goodwill and other intangible assets.

(2) Interests in finance companies that are not consolidated or accounted for by the equity method.

### CAPITAL ADEQUACY RATIO

At 31 December 2003, the BNP Paribas Group's available regulatory capital, determined in accordance with the rules and instructions issued in France for the application of the European capital adequacy directive ("Capital adequacy of investment firms and credit institutions") represented 163% of required regulatory capital excluding Tier 3 capital (2002: 136%) and 168% including Tier 3 capital (2002: 142%).

In the various countries in which the Group operates, BNP Paribas complies with specific regulatory ratios in line with procedures controlled by the relevant supervisory authorities. These ratios mainly concern:

- concentration of risks;
- liquidity;
- mismatches.

In France, these ratios are defined as follows:

#### RISK CONCENTRATION RATIO

Total risks arising from loans and other commitments to customers which, individually, represent more than 10% of the bank's net consolidated shareholders' equity, must not – in the aggregate – represent more than 8 times shareholders' equity.

Risk-weighted assets corresponding to loans and other commitments towards a group of customers considered as representing a single customer must not exceed 25% of the bank's net consolidated shareholders' equity.

Where ties exist between two or more individuals and/or legal entities, giving rise to the probability that if one of them ran into financial difficulties, they would all experience problems in honouring their commitments, they are collectively considered as representing a single customer.



### LIQUIDITY RATIO

This ratio measures the potential one-month liquidity gap. Banking regulations impose a minimum ratio of 100%.

### RATIO OF SHAREHOLDERS' EQUITY TO LONG-TERM FUNDING

This ratio measures the coverage of long-term assets (more than 5 years) by funding with a remaining life in excess of 5 years. Banking regulations impose a minimum ratio of 60%.

## SWITCH TO IFRS AND INTRODUCTION OF THE NEW INTERNATIONAL CAPITAL ADEQUACY RATIO (BASEL III)

### ADOPTION OF NEW ACCOUNTING STANDARDS

#### IFRS project

The BNP Paribas Group IAS/IFRS project was launched in 2002. The project is being led by the Group Finance Department, assisted by project teams in the business lines and corporate departments. Each Division is responsible for the portion of the project concerning its operations and is required to submit regular status reports to the IFRS Steering Committee. A Technical Committee is responsible for approving accounting choices made following an analysis of the related impact.

The project is organised around three key phases:

1. Impact analyses: this phase consists of analysing the impact of each change of method and drawing up new Group accounting policies. The analyses have been completed for the majority of topics, except financial instruments for which the related rules have not yet been adopted by the European Accounting Regulatory Committee (ARC).

2. Drafting of detailed specifications: this phase, which has now been completed, consisted of adapting information specifications to reflect the specific characteristics of each entity and determining the action to be taken to generate the required information.

3. Implementation phase: this phase was launched in mid-2003 and concerns accounting platforms and satellite front and back-office systems, as well as reporting and consolidation systems. A large-scale training programme was also launched in 2003 and will be pursued in 2004, covering changes to systems and organisational changes.

### Main differences between IAS/IFRS and French GAAP

The IAS/IFRS adopted by the European Accounting Regulatory Committee (ARC) on 16 July 2003 have been reviewed in order to identify the main differences between IAS and the French generally accepted accounting principles currently applied by the Group.

The review did not cover the standards dealing with financial instruments (IAS 39) and debt and equity instruments (IAS 32) which have not yet been adopted by the ARC, or any revisions to existing standards not yet approved by the ARC, or the Exposure Drafts related to standards that are due to be published by the IASB in 2004.

The main differences in accounting treatment and valuation methods identified to date concern the following items. This list is neither complete nor definitive.

#### Reserve for general banking risks

this reserve does not comply with the definition of provisions contained in IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and will therefore be included in shareholders' equity in the IFRS accounts.

#### Employee benefits (IAS 19)

The general risk arising from demographic changes related to the retired and active populations in the Bank's French operations, which could have been covered since 1993, if necessary, by a portion of the reserve for general risks, will be covered by a provision charged against shareholders' equity in the opening IFRS balance sheet. Since 1993, pensions for banking industry employees in France are provided by the general government-sponsored pay-as-you-go pension system. Companies have no liability under this system, beyond the payment of annual contributions. Consequently, the obligations to be covered by the provision correspond solely to the residual obligations under the banking industry pension schemes which were closed to new entrants in September 1993. Unamortised actuarial differences related to the Group's limited number of defined benefit plans outside France will also be provided for at 1 January 2004.

Work has been undertaken concerning the benefit scheme set up independently by Mutuelle de BNP Paribas, with a view to prescribing the appropriate accounting treatment under IAS of medical care services rendered by this organisation.



### Tangible fixed assets (IAS 16 and 36)

The effects of the revaluations of operating assets performed by the Group in 1991 and 1992 will be cancelled, and all assets will be valued at historical cost. In addition, recognition of assets based on their component parts means that these components will have differing useful lives and consequently require the application of differing depreciation rates, leading to the calculation of depreciation differences to be posted to shareholders' equity.

Concerning investment properties held to earn rentals and for capital appreciation, the Bank has not yet decided whether to apply the cost model. Use of this model would lead to the recognition of unrealised gains which would have the effect of increasing shareholders' equity.

### Fees and commissions

The methods used to defer certain fees and commissions received or paid in connection with financing operations carried out by the Corporate and Investment banking business will lead to the reversal of the expenses and income recorded when the loans were set up, and their inclusion in the effective interest rate on the loans, in accordance with IAS 18. This change will primarily concern commissions paid to referral agents.

### Customer deposits at regulated rates of interest

The interest rate paid on regulated savings accounts and the rate charged on any related loans granted at the end of the savings period will be compared with market rates of interest. Under IAS 37, if any of the contracts are found to be onerous, it will be necessary to record a provision, which will be charged against shareholders' equity in the opening IFRS balance sheet.

### Leases (IAS 17)

Analysis of the substance of contracts in accordance with IAS 17, which prescribes much more specific accounting treatment than in French generally accepted accounting principles, could in some cases lead to contracts that are currently accounted for as finance leases being reclassified as operating leases. In addition, under IAS 17, the revalued residual value of leased assets is taken into account in the depreciation schedule of said assets. The revalued residual value is reviewed on a more systematic basis than under French GAAP.

### INTRODUCTION OF THE NEW INTERNATIONAL CAPITAL ADEQUACY RATIO (BASEL II)

A structured internal project has been set up to determine regulatory capital requirements under the new Basel Capital Accord (Basel II). This represents a critical project for the Group and the Steering Committee is headed by the Chief Executive Officer.

BNP Paribas is following a best practice approach, with the aim of adopting as early as possible the advanced capital calculation methods that will enable it to benefit fully from the opportunities offered by the new Capital Accord. An internal corporate credit rating system was set up in 2001 and historical databases are in the process of being created. These initiatives are designed to reduce the capital required to cover credit risks and also to keep to a minimum the capital needed to cover operational risks.

Following this regulatory change, economic capital will be used as a yardstick for managing all of the Group's businesses. The Corporate and Investment Banking Division and the French Retail Banking Division are already equipped with applications which enable them to make sales decisions based on risk-adjusted margin calculations. General analysis systems based on risk-adjusted capital calculations are gradually being rolled out across the entire Group.

### INTERNAL CONTROL SYSTEM

#### ETHICAL AND COMPLIANCE RISKS

The key concerns of regulators now include protecting investors and guaranteeing the completeness and accuracy of corporate information. These issues are also high on the agenda at BNP Paribas, along with the imperative of ensuring that members of staff act in an ethical manner in all circumstances. The Bank also recognises 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 **Group Ethics and Compliance** which is completely independent from operating units. The unit has far-reaching global powers in the area of ethics and compliance and can take up matters directly with the Executive Committee and the Board of Directors' Internal Control and Risks Committee.



The internal control system established by Group Ethics and Compliance to manage these risks is based on:

- **An internal procedure manual**, which is regularly updated to take into account new regulatory requirements. All of the procedures are designed to ensure that the interests of clients are put before those of the Bank and that the integrity of the financial markets is maintained. Detailed procedures have been drawn up covering:
  - The establishment of Chinese walls to prevent unauthorised or inadvertent disclosure of sensitive information.
  - The avoidance of conflicts of interest.
  - The principles underpinning research produced by the financial analysts and the specific code of ethics applicable to research teams.
  - Controls over transactions carried out by employees for their own account.
- Coordination of action taken by the various Group entities, to guarantee the effectiveness and efficiency of monitoring systems and tools.

The international context and the introduction of stricter regulations in many countries have prompted the Group to **focus closely on preventing money laundering. Know Your Customer (KYC) procedures** are regularly updated, in the businesses most exposed to money-laundering risks and also in the other businesses. Action is currently underway to **review information about existing clients** based on KYC rules. **Specific committees** have been set up, such as the Customer Acceptance Committees (CAC) and Intermediary Selection Committees. The CAC are responsible for deciding whether to accept new customers and for ensuring that Group internal procedures and the procedures required under the applicable regulations have been duly carried out. Their meetings are generally attended by a compliance officer. The role of the Intermediary Selection Committees is to approve referral agents, brokers and non-Group asset managers.

**Computerised monitoring systems** have been developed 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 embargos. These systems include:

- The Vigilance database containing the names of more than 1,800 individuals suspected of being members of terrorist organisations or subject to financial embargos.
- Filtering systems for international fund transfers.
- Money-laundering detection applications for suspicious transactions or abnormal account activity.

Increased resources have been assigned to the **function responsible for reporting suspected money-laundering transactions to financial intelligence units** such as France's Tracfin.

Lastly, **training and awareness-raising initiatives** have been launched. Anti-money laundering training modules developed under the aegis of the French Banking Federation (FBF) with the participation of Tracfin and a select group of leading banks are gradually being rolled out, in the form of teaching kits and e-learning software for self-training purposes.

## GROUP RISK MANAGEMENT (GRM)

In many respects, banking is the business of **managing risks**. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively managing these risks. The entire process is supervised by the **Group Risk Management Department**, which is responsible for measuring, approving and controlling risks at the Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures.

While front-line responsibility for managing risks lies within the core businesses and business lines which 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 credit rating objectives**. GRM performs **continuous and ex ante controls**, fundamentally different from the periodic, ex-post examinations of the internal auditors. The department regularly reports 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 is an independent department that reports directly to **Executive Management** and is outside any business line or territory authority. The practical aim of this positioning is to ensure that controls are performed objectively, without taking into account any commercial considerations.

GRM has a **broad scope of competence** and is responsible for 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 consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, ethics and 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.

GRM is a global function. To define appropriate methods, policies, procedures and decision-making processes and deploy effective monitoring and control systems, it needs to have an acute understanding of the banking business, market imperatives and complex transactions, and to act very quickly in certain circumstances. In order to achieve the required level of responsiveness, GRM teams are based in the 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 is inefficient but acceptable in terms of risk, as is the case for example in the retail banking business, the operating units can establish their own risk management teams, with a clearly-defined functional reporting relationship with GRM. The GRM function is organised around four departments: Credit and Counterparty Risks, comprising three units (France, International, Banks and Financial Institutions), Market and Liquidity Risks, Operational Risks and Consolidated Risks.

## Credit Risk

### *General Credit Policy*

The Bank's lending operations are subject to the General Lending 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 principles include compliance with the Group's ethical standards, a clear definition of responsibilities, as well as the existence and strict application of risk analysis procedures.

### *Procedures*

#### 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 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. 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, 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 have to be backed up by the recommendation of an industry expert or of designated specialists and some credit restrictions may apply. Loan applications must comply with the Bank's General Credit Policy and with any specific policies applicable to the business line or the type of facility requested. Any exception must be signed off by the next level of lending authority. The same applies to loan applications that are not unanimously approved. To be considered, all loan applications must comply with the applicable laws and regulations. The Group Credit Committee, chaired by the Chief Executive Officer, the competent relevant Adviser, 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 projection and 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 the system of discretionary lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee, which in turn reports to the Chief Executive Officer. 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 provisions for these problem loans, based on the recommendations of the business line and GRM.



### Provisioning 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 value or by recording a loan loss provision, depending on the applicable accounting standards. The amount of the impairment loss takes into account potential recoveries, including the value of any collateral or other guarantees. According to the applicable regulations, interest accruals on loans in default are either suspended or continued; in the latter case, a provision is generally recorded immediately to offset the accrual. Where possible or desirable, due to the specific nature of the lending activities concerned – for example, consumer finance – 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, for example on a specific industry or country.

### Internal Rating System

The Bank has a comprehensive rating system which already complies with the future requirements of the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. 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. Eight cover excellent, good and average clients, 2 are related to clients in an uncertain situation which are on the GRM credit watch list, and 2 concern 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. High 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** are rated based on statistical analyses of groups of risks with the same characteristics. These risk measurement parameters serve as the basis for setting discretionary lending limits, primarily for corporate loans, and they are also used to calculate risk-weighted assets and the corresponding risk-adjusted margins.

### Portfolio Policy

In addition to carefully selecting individual risks and accurately measuring the related exposure, the Group follows a portfolio-based policy, with the aim of achieving a diversification of risks among borrowers and industries, backed by a cautious approach to country risks. The results

of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune the policy as required, based on GRM's analyses and guidelines.

The business lines actively manage the policy. For example, they can intervene in the initial taking of risks, and they can decide on ways to cover or reduce risks, based on a strict, regulated framework, using dedicated instruments such as securitisation and credit derivatives.

**Diversification of Counterparty Risks.** A core feature of the Group's lending policy is the diversification of counterparty risk. The breadth and depth of the Group's businesses and the rigidly structured system of lending limits contributes to this diversification. Any concentrations of counterparty risks are reviewed at regular intervals and corrective action is taken where necessary.

**Diversification of Industry Risks.** The Group also pays close attention to diversifying industry risks and performs projections to actively manage the Bank's 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, backed by precise studies 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 Group's total portfolio, the technical expertise necessary to assess industry risks, the cyclical nature of the industry and its level of globalisation, and the possible existence of specific risk issues. Where appropriate and for 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.

**The Geographic Dimension.** Country risk corresponds to the Bank's aggregate exposure to debtors operating in the country concerned. Country risk is different to sovereign risk, which concerns exposure to national governments and agencies. It reflects the Bank's exposure to an economic and political environment which needs to be factored into the assessment of the counterparty risk. The Group has operations in the majority of economically active regions. As a global player, it follows a policy of avoiding excessive concentrations of risks on 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 are reviewed annually by the Risk Policy Committee which also examines the overall consistency of the Group's country risk policy.



**Market and Liquidity Risks.** BNP Paribas has set up a sophisticated system to measure market and liquidity risks, backed by rigorous controls and watertight procedures. Overall responsibility for managing market and liquidity risks lies with the Market Risk Committee headed by one of the Chief Operating Officers or competent relevant Adviser and backed by GRM. The Committee meets once a month to approve risk management methods and procedures, define exposure limits and check compliance with these limits.

#### *Measuring Risk*

**Market Risk.** The key to effective control over market risks lies in reliably estimating potential losses. BNP Paribas has developed an internal Value at Risk model which calculates the amount of Gross Earnings at Risk (GEaR). The model, which has been approved by the French banking authorities, analyses variables such as interest rates (market rates and signature spreads), exchange rates, securities prices, commodity prices, volatilities and correlations as well as the resulting effects of diversification. Data are taken directly from the Bank's trading systems and are used to perform numerous simulations, based on a variety of scenarios ranging from the simplest to the most complex. The internal model complies with Basel Committee recommendations, by measuring the potential change in the value of the trading portfolio over a one-day holding period, using historical data covering 260 trading days and a 99% confidence level. Stress tests are performed at daily or monthly intervals, as appropriate. These tests simulate GEaR under extreme market conditions, based on worst-case scenarios. The variables used to perform these simulations are adjusted regularly to take account of changes in economic conditions. Stress test results are used to assess position limits and the overall results are analysed and discussed at the monthly Market Risk Committee meetings.

**Liquidity Risk.** In response to the Bank's growing relative weight in the financial markets, a liquidity policy has been defined, drawing on the lessons learnt from the technical liquidity crisis arising from the events of 11 September 2001. Approved by Group Executive Management, the policy consists of a set of management principles – covering both normal and crisis situations – backed by internal standards and warning indicators for the day-to-day monitoring of the liquidity position. The Bank's refinancing capacity is measured primarily by reference to the amount of liquid assets (with the degree of liquidity assessed differently according to the country). The overall aim is to have adequate cash reserves to cope with an exceptional increase in liquidity needs in a period of restricted availability of interbank refinancing. GRM is responsible for the entire system, from the development of liquidity risk measurement methodologies to liquidity risk reporting.

#### *Procedures*

GRM manages a four-dimensional control structure governing position-taking processes, which pertain to market risks:

- 1 - **General Exposure Limits.** These consist of GEaR or "nominal" limits and cover trading positions by country and by issuer as well as sensitivities.
- 2 - **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 organisation. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, limits are set based on signature quality.
- 3 - **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 Group Credit Committee for credit risk aspects or by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects.
- 4 - **Risk monitoring System.** This system is based on:
  - The monitoring of accidental or authorised temporary trading limit overruns, which are logged in a central database and analysed by cause.
  - Daily monitoring of Group positions.
  - Weekly reporting of the aggregate amount of material positions, by business.
  - The Market Risk Committee, which meets at monthly intervals to approve the main market risks incurred by the Group.

#### **Operational Risk**

The BNP Paribas operational risk management system is based on a quantitative and qualitative assessment of risk that complies with the requirements of the Basel II Capital Accord and also contributes to reducing annual losses from operational risks. The project to define and measure operational risk, conducted jointly by the divisions, the business lines, the territories, the Information Systems, Human Resources and Legal and Tax Affairs Functions, as well as the Bank's internal control teams, is well on the way to being completed.



Group Executive Management recently approved a general policy setting out the basic principles governing the organisation, management and measurement of operational risks. The policy provides for the creation of Operational Risk Committees to make decisions concerning the management of these risks across the entire organisation.

Operational risk measurement will be based on:

- Historical loss data derived from the Group-wide incident reporting system.
- External data supplied by the ORX consortium of which BNP Paribas is a founder member.
- Environmental and internal control factors.
- Analyses of simulations produced according to a range of scenarios.

Implementation of this system, backed by numerous analysis and management tools, should enable the Group to apply the most advanced calculation methods recommended in Basel II.

## LEGAL RISK AND SPECIAL REGULATIONS

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

Group Legal Affairs has established and regularly updated an internal control system designed to anticipate, detect, measure and manage legal risks. The system is organised around:

- **Specific committees:**
  - The Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs function.
  - The Legal Coordination Committee, whose remit is to roll down the Group's legal strategy to the various entities.
  - The Global Legal Committee, which defines human resources and budget management methods for the legal affairs functions throughout the world.
- A network of local legal correspondents spanning most Group entities.
- **Internal procedures and databases**, providing a framework for the activities of the Group's legal staff. The procedures and databases include:
  - Descriptions of the prerogatives and responsibilities of local legal affairs managers.
  - Details of current signature authorisations within the Group, which are managed by the Group General Counsel.
  - Illegal reference data (company law, securities law, etc.).
  - Descriptions of the various types of banking transactions.
  - Guidelines on specific topics such as combating money laundering and the financing of terrorism..

**Preventing the banking system from being used for money laundering is a key concern** of Group Legal Affairs. In 2002, an international survey was conducted to identify the various types of trust account in use, in order to pinpoint more easily the types of potential money-laundering structure referred to in French law. This information was then used to send a warning memo to all Group entities.

In 2003, a major exercise was undertaken jointly with Group Ethics and Compliance to update information about the ways in which financial institutions can contribute to the drive to combat money laundering, corrupt practices, the financing of terrorism and breaches of financial embargos.

- **Legal audits** carried out in certain Group entities to check that procedures are properly applied and the various tools are correctly used.

Group Legal Affairs also contributes to managing operational risks. An instruction manual has been drawn up, covering the management of incidents giving rise to a legal risk and, in 2003, the incident analysis phase began. To support the process, in November 2003 Group Legal Affairs set up an Operational Risks Committee.

## 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 function, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor the global tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable level and are consistent with the Group's reputation and profitability objectives.

Group Tax Affairs resources include:

- A network of tax correspondents, covering all of the countries where the Group does business.
- A qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws.
- A tax coordination committee, whose members include representatives of both Group Tax Affairs and Group Finance and Development, responsible for analysing key tax issues and making appropriate decisions.
- 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. **Group tax rules and standards** have also been drawn up and distributed throughout the organisation. Lastly, Group Tax Affairs is responsible for approving all new products with significant tax implications, "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.

## HUMAN RESOURCES RISK

Group Human Resources has established several complementary systems to measure and manage human resources risk:

- **Internal control procedures** covering human resources risk, set out in the following documents:
  - Human Resources Charter;
  - Human resources directives manual, issued to all employees worldwide;
  - Human resources practice guide, issued to all human resources professionals;
  - Procedure manual for internal audits of the human resources function, used by the divisional and Group internal audit teams.
- **Risk indicators** used to anticipate the main events that may generate risks and operating losses. The introduction of a system to track these indicators was one of the key projects carried out by Group Human Resources in 2003.
- **Management applications** which also contribute to containing human resources risk:
  - **GRH Monde**, a global human resources management application designed to provide information for Group Executive Management to track jobs, employee numbers and payroll budgets.
  - **HR Banque**, an administrative and payroll management system covering all employees of BNP Paribas SA.
  - **RéfOG**, (Référentiels Organisationnels Groupe), a global database containing information about organisation structures, employee numbers and jobs.
  - **B2E**, the Group's new intranet portal which was put in place at the end of 2003.

Lastly, Group Human Resources is participating in the operational risks project led by GRM.

## INFORMATION SYSTEMS SECURITY

The internal control system set up by Group Information Systems is organised around:

- A collection of **procedures** distributed throughout the Group, reflecting the Group's overall information systems security policy. This policy describes **IT-related assets** (information, software, physical and service assets) and the **criteria applied to define security requirements** related to these assets (availability, integrity, confidentiality and auditability).
- A **network of security coordinators** based in the various Divisions and Group Functions, backed by security correspondents responsible for operational aspects.
- Committees with extended powers, such as the **Group Information Systems Architecture Committee**, which is responsible for ensuring that IT projects comply with Group standards on systems architecture, security, risks and operations.
- A **project management approach which factors in systems security issues** from the outset. This approach is an integral part of Group quality assurance standards.
- **Periodic monitoring** of systems security and systematic monitoring of mission critical systems.
- **Technical intelligence gathering** to take into account inherent systems weaknesses as and when they come to light.

Avoiding any interruption of operations is a key concern of management, at Group level and also at the level of the various business lines. Contingency and disaster recovery plans, covering resources, organisation and standby facilities, are regularly updated and strengthened.

## SIGNIFICANT EVENTS OF THE YEAR IN THE AREA OF INTERNAL CONTROL

Continuously strengthening the internal control system is a key concern for BNP Paribas.

In 2003, a number of major initiatives were launched to further enhance the effectiveness of Group Internal Audit:

**Internal Audit guidelines.** 2003 saw the implementation of the Internal Audit Charter signed by the Chairman and Chief Executive Officer in October 2002 and approved by the Internal Control and Risk Committee.

The charter has been supplemented by Internal Audit guidelines setting out the main principles governing internal audit activities within the Group. The guidelines issued in 2003 concern:

- Internal audit programmes;
- Implementation of internal audit recommendations;
- Implementation of the recommendations of the external auditors and regulatory authorities.



- The conduct and documentation of internal audits.
- The content of internal audit reports and the list of recipients.

**Internal Audit methods.** During 2003, Group Internal Audit continued to roll out standard internal audit methodologies defining the principles underlying the basic controls to be performed by all internal auditors. The focus during the year was on auditing ethics and compliance issues, accounting risks, commercial risks, as well as on auditing the work of the internal auditors.

**Internal Auditor training.** Specific training modules have been developed as part of the constant drive to enhance the skills and technical expertise of the internal auditors. In addition, internal auditors were encouraged to obtain professional qualifications such as the CIA (Certified Internal Auditor) diploma.

**Internal Audit oversight and communication.** The Internal Audit Line database set up in 2002 has been rolled out to substantially all internal audit teams. This database is an essential means of circulating information and methodologies for use by the Group's internal auditors in connection with their audits.

**Internal Audit tools.** 2003 was devoted to improving the functional and technical performance of internal audit tools, particularly the applications used to monitor implementation of the internal auditors' recommendations.

## RISKS

### GRM - EXPOSURES

In 2003, there were many reasons to fear an escalation of risks. The European economy was extremely dismal, certain large clients ran into difficulties, the US economic recovery did not begin until the end of the year and the financial markets remained unstable. Given the circumstances, the Group's risk performance was largely satisfactory. While this was partly due to responsible behaviour by the various players and sound economic policies, it also reflected the quality of the Group's risk selection and management capabilities.

### • Credit risks

At EUR 384 billion <sup>(1)</sup>, total outstanding commercial loans remained on a par with the figure at 31 December 2002, while net additions to provisions for credit risks and country risks declined overall, as shown in the following table:

In millions of euros	FRB	IRFS	AMS	CIB	Group total
Net additions to provisions for credit risks and country risks 2002	198	522	8	715	1,470
Net additions to provisions for credit risks and country risks 2003	225	529	12	633	1,361

The diversification of risks across a wide variety of economic sectors and geographical regions played a key role in attenuating the impact of the lacklustre economic conditions. Reversing the trend of prior years, net additions to provisions for credit risks and country risks declined 7% compared with 2002. The pace of improvement picked up towards the end of the year, especially in North America where the economic recovery was accompanied by a fall in the dollar.

### • Diversification by counterparty

The top 10 client groups represented less than 4% of total commitments at 31 December 2003.

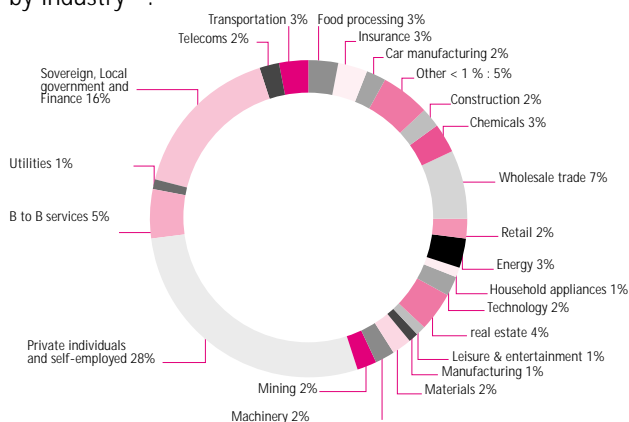
*(1) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.*

### • Industry diversification

Thanks to its disciplined approach to industry risks, the Group is not exposed to any material concentration of credit risks in any specific sector. No client sector accounts for more than 5% of total commitments, with the exception of the "sovereign, local government and finance" sector and the "wholesale trade" sector, which corresponds largely to commodity traders



## Breakdown of commercial loans and commitments by industry <sup>(2)</sup>:



There were no adverse changes in conditions in the various industries during 2003, except in the energy sector. The energy crisis, confined essentially to North America and the United Kingdom, primarily affected certain types of project finance deals, due to the fact that markets were not guaranteed by long-term contracts. The Bank's commitments in the energy sector are limited and provision expense was not materially affected by this situation. Moreover, debt restructurings negotiated by energy companies in the United States have helped to bolster the industry's liquidity position over the next two to three years.

Telecoms industry fundamentals are improving.

The significant progress made by the leading operators in paying down debt has gone hand-in-hand with a steep reduction in the Bank's telecoms exposure over the last two years (by more than 25% from the peak registered in December 2001).

Lastly, aircraft financing risks remained under control despite the SARS outbreak in the first half of the year and the lingering fallout from the 11 September 2001 terrorist attacks. Thanks to the quality and characteristics of the financed aircraft, new buyers were found for most of the planes originally acquired by the small number of airlines that filed for bankruptcy.

*(2) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.*

### • Geographic diversification

The Bank's exposure is heavily weighted towards Western Europe and North America.

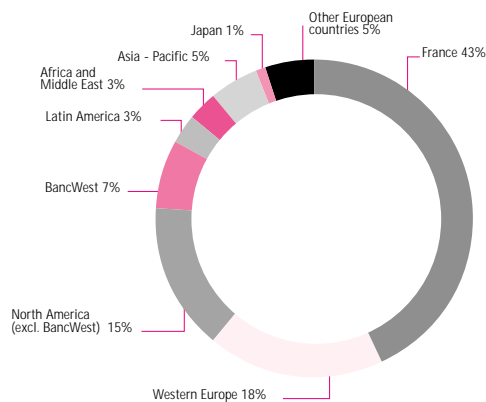
1. In Europe, 61% of commitments concern borrowers in Western Europe, with France accounting for 43% of the total.

2. North American commitments declined in relative terms in 2003, due to the fall in the dollar.

3. Japan represents only 1% of commitments, and the credit quality of the portfolio is excellent.

The Bank's exposure in other geographic areas is based on a stringent policy, with preference given to either local currency loans to selected borrowers or to commitments related to international trade transactions, guaranteed by export credit insurance in developed countries or by commodities exports.

## Geographic breakdown of commercial loans and commitments <sup>(3)</sup> :



### • Portfolio Quality

Thanks to the internal rating system which has now been rolled out across all Corporate and Investment Banking and French Retail Banking businesses, these Divisions' "Corporates" portfolios (corporates, government agencies, banks and other institutions) – representing three-quarters of commitments – are of a high quality. The majority of commitments are towards top-drawer borrowers, reflecting the Bank's strong presence among large multinationals 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 written by international agencies, project finance, structured finance and transaction financing.

*(3) Unweighted on and off balance sheet commercial commitments. Data extracted from the risk management systems.*



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



\* Corporate and Investment Banking at 31 December 2003 and French Retail Banking at 30 September 2003, 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 towards all categories of counterparties (customer transactions, interbank transactions, securities portfolio and long-term investments). Provisions used to calculate the coverage rate correspond to specific provisions. They do not include provisions for country risks or the reserve for general banking risks, amounting to EUR 1.8 billion and EUR 0.8 billion respectively at 31 December 2003.

In billions of euros	31/12/2003	31/12/2002
Doubtful commitments	14.05	15.25
Specific provisions	9.40	10.05
Provision rate	67%	66%

#### Breakdown by geographic area and industry

Doubtful loans, excluding securities and long-term investments, amounted to EUR 13.3 billion at 31 December 2003. Provisions deducted from the carrying value of these assets at 31 December 2003 amounted to EUR 8.5 billion.

The 10 largest doubtful loans represent 0.4% of the portfolio and the 100 largest doubtful loans represent 1.5%.

#### • Breakdown by geographic area

	Breakdown of doubtful loans	Breakdown of provisions
North America	10.2%	11.6%
Other European countries	6.3%	7.0%
European Economic Area	9.2%	9.3%
France	57.3%	57.6%
Japan	0.4%	0.0%
Africa et Middle East	6.9%	7.7%
Latin America	4.7%	3.2%
Asia (excluding Japan) - Pacific	4.9%	3.4%
Non analysed	0.1%	0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### • Industry breakdown

	Breakdown of doubtful loans	Breakdown of provisions
Food	4.1%	3.5%
Insurance	1.5%	1.2%
Automotive	1.8%	2.2%
Other	9.3%	9.9%
Construction	2.0%	2.3%
Chemicals	0.7%	0.5%
Wholesalers	8.5%	8.7%
Retailers	2.1%	2.2%
Energy	4.4%	3.0%
Household appliances	1.0%	1.1%
Sovereign, Local govt. and Finance	4.4%	2.8%
Real estate	5.3%	4.8%
Manufacturing	1.9%	1.9%
Leisure	1.2%	0.7%
Materials	2.6%	2.5%
Capital goods	1.3%	1.2%
Mining	0.7%	0.8%
Private individuals and self-employed	28.0%	27.0%
B2B	2.9%	2.5%
Utilities	0.5%	0.4%
Technology	1.5%	1.1%
Telecoms	4.2%	3.6%
Transportation	6.2%	3.3%
Not analysed	3.9%	12.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

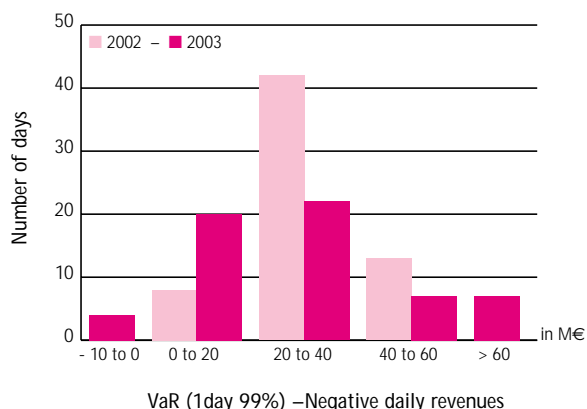




• **Market risks**

The comparison between the losses incurred by the capital markets business on selected days and the Value at Risk (VaR, 1 day) testifies to the quality of the valuation model and the discipline exercised by the trading teams.

Variance between VaR (1day 99%) and negative daily revenues



In 2003, losses were incurred on 57 days compared with 63 in 2002.

In most cases, the daily loss was well below VaR. On no day did losses exceed VaR in 2002 and VaR was exceeded in 2003 only four times (in each case by less than EUR 10 million). These performances are consistent with the 99% confidence interval used for VaR calculations.

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 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.
- US Debacle, corresponding to a loss of confidence in the dollar and the US 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.
- 11 September, corresponding to the impact of an abrupt market reversal similar to the one that followed the terrorist attack on the World Trade Center.

• **Use of credit derivatives**

**Banking book transactions**

BNP Paribas uses credit derivatives in connection with the management of the Corporate and Investment Banking banking book, to hedge individual risks, reduce the overall concentration of risks or cap potential losses under securitisation transactions. The Bank also purchases credit risks as part of its portfolio diversification and capital utilisation strategy, based on strict risk/yield ratio guidelines.

These transactions are managed centrally by the Corporate and Investment Banking Portfolio Management Department, which follows specific risk management procedures for credit risks generated by derivative instruments.

**Trading book transactions**

Credit derivatives may be used, for hedging purposes only, by the trading desks that are exposed to credit risk. In addition, BNP Paribas trades actively in credit derivatives on behalf of clients. The transactions include both trades in ordinary instruments such as credit-default swaps and structured transactions with tailor-made complex risk profiles. They are carried out by a specific research, structuring and trading platform that forms part of the Fixed Income unit. In the same way as for other trading activities, the platform buys and sells protection. Strict limits apply to net positions arising from these transactions. The platform is backed by a solid support infrastructure, comprising middle and back office teams and an IT development team.

Within GRM, market risks generated by these products are tracked by the Market Risk Department, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.



- **Asset/Liability Management**

The Asset/Liability Management and Treasury Department (ALM Treasury) reports to two committees, each headed by a Chief Operating Officer:

- The ALM Treasury/Commercial Banking Committee, 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 Treasury/Investment Banking Committee, responsible for monitoring market risks related to Treasury transactions, defining funding and liquidity management policies, managing Group equity and structural currency risks.

- **Liquidity Management**

The Group's cash needs are managed centrally by the ALM Treasury Department. The Treasury unit is responsible for interbank refinancing and short-term debt issues (certificates of deposit, commercial paper, etc.). The Asset/Liability Management unit is in charge of senior and subordinated funding programmes (MTN, Bonds, medium-and long-term deposits, etc.), asset-backed securities issued on behalf of the specialised subsidiaries of the Retail Banking Division and preferred stock issues.

The policy of diversification of financing sources and instruments was stepped up in 2003.

Senior debt issues carried out in 2003 totalled EUR 14.7 billion, an increase of 56% over 2002. Excluding issues redeemable in advance by the issuer, long-term senior debt issues came to EUR 6.5 billion, an increase of 19% over the previous year.

Subordinated debt issues amounted to EUR 0.9 billion. The total included a USD 750 million MTN issue in the United States, placed through a public offering, and EUR 160 million placed through the Retail Banking network in France.

The Group also carried out a EUR 700 million preferred stock issue, placed with institutional investors. At 31 December 2003, total preferred stock issues amounted to EUR 3.5 billion versus EUR 3.1 billion at end-2002.

Lastly, EUR 950 million (BNP Paribas share) were raised through three securitisation operations, including EUR 625 million for UCI (the Spanish subsidiary of UCB), EUR 175 million for Findomestic and EUR 150 million for

Centroleasing. As of 31 December 2003, loans totalling EUR 6.5 billion (BNP Paribas share) had been refinanced through securitisations compared with EUR 6.7 billion at end-2002.

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

BNP Paribas 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 internal maturity assumptions (for demand loans and deposits, passbook savings accounts, etc.) The mismatch for liability positions beyond one year amounted to 16.5 % at 31 December 2003, compared with 16.4% one year earlier.

- **Management of interest rate risk on the banking book**

Interest rate risk on the commercial transactions of the French and International Retail Banking business and the specialised financing subsidiaries is managed on a centralised basis by the ALM Treasury Department. Positions are transferred by means of internal lending/borrowing transactions and swaps.

**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. Maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and back-tested, are presented to the ALM/Commercial Banking Committee for approval.



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 behavioural 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.

These three indicators are reviewed during monthly meetings of the ALM/Commercial Banking Committee, and serve as the basis for hedging decisions taking into account the nature of the risks involved.

Management of the interest rate risk on the banking book is based on two limits. Compliance with these limits is checked at monthly intervals and the limits are adjusted each year by the ALM/Commercial Banking Committee.

The main limit concerns the sensitivity of French commercial banking revenues – including hedging transactions carried out by the Asset/Liability Management unit – to an immediate and parallel change in the yield curve of  $\pm 100$  b.p. 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 2003, the sensitivity of revenues to interest rate changes was significantly below the limit set by the ALM Committee.

The second limit concerns the banking book interest rate gap and is expressed as a percentage of customer deposits. The percentage is a declining function of the management period. This limit is used to manage medium- and long-term interest rate risk.

The two types of limit are also applied to the retail banking subsidiaries' exposure to interest rate risk.

During the year, the Market Risks unit has continued to control 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 an ad-hoc committee.

#### • Management of structural currency risk

The ALM unit is responsible for covering foreign currency gains and losses on transactions booked in Paris and the earnings of foreign subsidiaries and branches. Currency risks related to gains and losses on foreign currency transactions carried out by foreign subsidiaries and branches are managed by the local treasury managers.

Positions related to country risk provisions, specific provisions and positions arising from foreign currency investments by the Group are managed on a centralised basis by the ALM unit. The bulk of the Group's structural currency risk results mainly from capital allocations and equity interests denominated in foreign currencies that are financed by purchasing the currencies concerned. Group policy generally consists of borrowing the investment currency in order to avoid any currency risk. However, for most soft currencies, the investment is financed by purchasing the currency.

#### ASSET MANAGEMENT RISK

In their country of origin, asset management companies are bound by specific legislation on third party portfolio management. Such companies are placed under the jurisdiction of a regulator for this purpose. The key activity represented by the creation and management of mutual funds is closely regulated. In most countries, funds have to 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.

#### INSURANCE

BNP Paribas risks are covered by major insurers, with the twin aims of effectively protecting the Bank's balance sheet and profit and loss account. The Group's insurance programme involves taking out policies that enable significant risks to be covered, such as fraud, claims for damages, and liability.

In order to optimise costs and ensure a satisfactory risk level, certain risks, the frequency and financial impact of which can be adequately estimated, are self insured. As a complement to this, risks insured on the market include:



- Property and contents damage (fire, explosion etc.), taking into account replacement cost (approved by the Group's insurers following risk assessment visits to key sites). Related premiums for France total some EUR 1,300,000 for a global coverage of EUR 190 million.
- Fraud and misappropriation of assets.
- Corporate liability (for example personal injury, property damage or consequential loss caused to a third party, etc.).
- Business interruption (loss of revenues or earnings, additional costs, etc.).
- Theft of valuables on the company premises and from safes.
- Liability of corporate officers in the event of errors or omissions, for example.
- Business liability (for example, personal injury, property damage or consequential loss caused to a third party).

All these policies have been taken out on the basis of the Bank's known claims experience, market claims experience and global insurance market capacity.

Some business units can also take out excess insurance locally for specific coverage concerning certain operations, or if they cannot find adequate coverage on the French market.

The difficult insurance market conditions of 2002 continued in 2003 both in terms of reductions in – and in some cases a total lack of – capacity in a number of markets, as well as an increase in exclusion clauses and higher deductibles. While this combination of factors did not have a significant impact on the quality of policies entered into, they did lead to a limited amount of additional insurance expenditure.

## PLEGDED ASSETS

Assets given as pledges do not represent material amounts at Group level, and mainly comprise assets from Klépierre, the Group's listed subsidiary. For more details, please refer to the financial data published by Klépierre.

## CLAIMS AND LITIGATION

Claims and litigations ongoing at 31 December 2003 are covered by adequate provisions. The outcome of these claims and litigations is not likely to significantly impact the group's financial position.

## PATENTS, LICENSES, CONTRACTS

BNP Paribas is not dependent upon any patents or licenses or any industrial, commercial or financial services contracts for the conduct of its business.

## EXCEPTIONAL EVENTS

At 31 December 2003, no exceptional events had occurred and no claims or litigation were pending or in progress that would be likely to have a material impact on the assets and liabilities, financial condition or results of the BNP Paribas Group.





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# Consolidated balance sheet

## ASSETS

In millions of euros, at 31 December	2003	2002	2001
<b>Interbank and money market items (note 3):</b>			
Cash and amounts due from central banks and post office banks	5,287	9,884	3,489
Treasury bills and money market instruments (note 5)	106,671	83,990	81,462
Due from credit institutions	162,950	146,512	186,623
<b>Total interbank and money market items</b>	<b>274,908</b>	<b>240,386</b>	<b>271,574</b>
<b>Customer items (note 4):</b>			
Due from customers	201,611	204,719	214,819
Leasing receivables	20,362	20,622	20,088
<b>Total customer items</b>	<b>221,973</b>	<b>225,341</b>	<b>234,907</b>
<b>Bonds and other fixed income instruments (note 5)</b>	<b>55,005</b>	<b>41,964</b>	<b>56,062</b>
<b>Equities and other variable income instruments (note 5)</b>	<b>52,506</b>	<b>22,616</b>	<b>42,497</b>
<b>Insurance company investments (note 6)</b>	<b>62,275</b>	<b>57,154</b>	<b>56,210</b>
<b>Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment (note 7)</b>			
Investments in non-consolidated undertakings and other participating interests	2,160	5,872	3,027
Equity securities held for long-term investment	4,612	5,407	5,746
<b>Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment</b>	<b>6,772</b>	<b>11,279</b>	<b>8,773</b>
<b>Investments in companies carried under the equity method:</b>			
Financial sector companies	1,436	1,557	1,507
Non-financial sector companies	195	238	376
<b>Total investments in companies carried under the equity method (note 9)</b>	<b>1,631</b>	<b>1,795</b>	<b>1,883</b>
<b>Tangible and intangible assets (note 11)</b>	<b>9,008</b>	<b>8,640</b>	<b>7,514</b>
<b>Goodwill (note 12)</b>	<b>5,578</b>	<b>6,547</b>	<b>4,489</b>
<b>Accrued income and other assets (note 13)</b>	<b>93,420</b>	<b>94,597</b>	<b>141,387</b>
<b>Total assets</b>	<b>783,076</b>	<b>710,319</b>	<b>825,296</b>
<b>COMMITMENTS GIVEN</b>			
Financing commitments given (note 23)	156,287	140,398	132,929
Guarantees and endorsements given (note 23)	56,865	60,226	79,943
Commitments related to securities to be delivered (note 23)	7,389	7,960	9,216
Insurance company commitments	1,297	914	668
Commitments incurred on forward and options contracts (note 24)	18,356,809	13,959,842	10,921,962



## LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2003	2002	2001
<b>Interbank and money market items (note 14):</b>			
Due to central banks and post office banks	60	159	202
Due to credit institutions	191,194	177,746	220,094
<b>Total interbank and money market items</b>	<b>191,254</b>	<b>177,905</b>	<b>220,296</b>
<b>Customer items (note 15)</b>	<b>210,621</b>	<b>195,569</b>	<b>216,096</b>
<b>Debt securities:</b>			
Retail certificates of deposit (note 15)	4,933	6,708	6,771
Interbank market securities (note 14)	1,025	1,025	1,670
Negotiable certificates of deposit (note 15)	67,014	64,913	63,575
Bonds, including short-term portion (note 16)	9,952	11,260	15,780
Other debt instruments	177	151	67
<b>Total debt securities</b>	<b>83,101</b>	<b>84,057</b>	<b>87,863</b>
<b>Technical reserves of insurance companies (note 17)</b>	<b>61,808</b>	<b>56,526</b>	<b>55,205</b>
<b>Accrued expenses and other liabilities (note 18)</b>	<b>184,820</b>	<b>145,836</b>	<b>199,224</b>
<b>Badwill (note 12)</b>	<b>18</b>	<b>22</b>	<b>25</b>
<b>Provision for contingencies and charges (note 19)</b>	<b>4,045</b>	<b>4,144</b>	<b>4,853</b>
<b>Subordinated debt (note 20)</b>	<b>13,226</b>	<b>14,283</b>	<b>13,038</b>
<b>Reserve for general banking risks (note 21)</b>	<b>843</b>	<b>997</b>	<b>1 007</b>
<b>Minority interests in consolidated subsidiaries (note 22)</b>	<b>5,019</b>	<b>4,535</b>	<b>3,079</b>
<b>Shareholders' equity (note 22):</b>			
Share capital	1,806	1,790	1,772
Additional paid-in capital in excess of par and premium on acquisition	11,017	10,804	10,476
Retained earnings	11,737	10,556	8,344
Net income	3,761	3,295	4,018
<b>Total shareholders' equity</b>	<b>28,321</b>	<b>26,445</b>	<b>24,610</b>
<b>Total liabilities and shareholders' equity</b>	<b>783,076</b>	<b>710,319</b>	<b>825,296</b>
<b>COMMITMENTS RECEIVED</b>			
Financing commitments received (note 23)	43,976	21,536	22,355
Guarantees and endorsements received (note 23)	42,951	43,824	42,276
Commitments related to securities to be received (note 23)	7,852	15,037	11,090
Insurance company commitments	2,801	2,065	2,345



## Consolidated profit and loss account

In millions of euros	2003	2002	2001
<i>Interest income</i>	27,174	31,606	39,303
<i>Interest expense</i>	(20,663)	(26,222)	(35,327)
Net interest income (note 29)	6,511	5,384	3,976
Income on equities and other variable income instruments (note 32)	283	323	564
<i>Commission income</i>	6,319	6,160	6,413
<i>Commission expense</i>	(2,026)	(1,982)	(2,029)
Net commission income (note 33)	4,293	4,178	4,384
Net gains on trading account securities	4,407	4,687	6,296
Net gains on securities available for sale	190	139	223
<i>Other banking income</i>	970	1,134	1,097
<i>Other banking expenses</i>	(880)	(911)	(766)
Net other banking income	90	223	331
Underwriting result and net investment income of insurance companies (note 34)	1,658	1,440	1,308
Net income from other activities	503	419	368
<b>Net banking income (note 39)</b>	<b>17,935</b>	<b>16,793</b>	<b>17,450</b>
Operating expense:			
Salaries and employee benefits, including profit sharing (note 35)	(6,763)	(6,445)	(6,467)
Other administrative expenses	(3,764)	(3,892)	(3,889)
Total operating expense	(10,527)	(10,337)	(10,356)
Depreciation, amortisation and provisions on tangible and intangible assets	(758)	(618)	(577)
<b>Gross operating income (note 39)</b>	<b>6,650</b>	<b>5,838</b>	<b>6,517</b>
Net additions to provisions for credit risks and country risks (note 8)	(1,361)	(1,470)	(1,312)
<b>Operating income (note 39)</b>	<b>5,289</b>	<b>4,368</b>	<b>5,205</b>
Share of earnings of companies carried under the equity method (note 9)	131	80	228
Gains on long-term investments and changes in provisions (note 37)	912	903	1,125
<b>Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks</b>	<b>6,332</b>	<b>5,351</b>	<b>6,558</b>
Net non-recurring expense (note 38)	(494)	(174)	(165)
Corporate income tax (note 40)	(1,481)	(1,175)	(1,817)
Amortisation of goodwill	(399)	(366)	(188)
Movements in the reserve for general banking risks	147	2	27
Minority interests	(344)	(343)	(397)
<b>Net income</b>	<b>3,761</b>	<b>3,295</b>	<b>4,018</b>
<b>Basic earnings per share, in euros <sup>(1)</sup></b>	<b>4.31</b>	<b>3.78</b>	<b>4.64</b>
<b>Diluted earnings per share, in euros <sup>(2)</sup></b>	<b>4.28</b>	<b>3.74</b>	<b>4.58</b>

(1) After the two-for-one share-split.

(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 cashFlows

In millions of euros	2003	2002	2001
<b>Long-term sources of funds</b>			
<b>Funds provided from shareholders' equity</b>			
<b>From operations:</b>			
Consolidated net income (group share and minority interest)	4,105	3,638	4,415
Depreciation and amortisation	758	618	577
Net additions to provisions	1,200	1,764	1,557
Share of earnings of companies carried under the equity method	(131)	(80)	(228)
<b>Total funds provided from operations</b>	<b>5,932</b>	<b>5,940</b>	<b>6,321</b>
Dividends paid	(1,541)	(1,322)	(1,209)
Other changes in shareholders' equity:			
Group share	120	(2,482)	(2,008)
Minority interests	424	1,253	(25)
Decrease in reserve for general banking risks	(154)	(10)	(5)
(Decrease) increase in subordinated debt	(1,057)	1,245	1,293
<b>Increase in shareholders' equity and other long-term capital</b>	<b>3,724</b>	<b>4,624</b>	<b>4,367</b>
<b>Funds provided from other sources:</b>			
Increase (decrease) in interbank items (liabilities)	13,349	(42,391)	24,041
Increase (decrease) in customer deposits	15,052	(20,527)	43,219
(Decrease) increase in debt securities	(956)	(3,806)	12,138
Increase in technical reserves of insurance companies	5,282	1,321	1,112
Increase (decrease) in other financial items	40,030	(7,243)	25,775
<b>Increase (decrease) in other sources of funds</b>	<b>72,757</b>	<b>(72,646)</b>	<b>106,285</b>
<b>Total increase (decrease) in sources of funds</b>	<b>76,481</b>	<b>(68,022)</b>	<b>110,652</b>
<b>Uses:</b>			
Increase (decrease) in interbank items (assets)	11,790	(33,706)	51,319
(Decrease) increase in customer loans	(2,182)	(8,129)	5,551
Increase (decrease) in securities	63,104	(34,439)	57,007
Increase in insurance company investments	5,121	944	1,565
(Decrease) increase in long-term investments	(2,478)	5,564	(7,050)
Increase in tangible and intangible assets	1,126	1,744	2,260
<b>Total increase (decrease) in uses of funds</b>	<b>76,481</b>	<b>(68,022)</b>	<b>110,652</b>



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

The effect on opening shareholders' equity at 1 January 2002 of applying *Comité de la Réglementation Comptable* standard CRC 2000-06 concerning liabilities is not material. Application of the new standard does not affect comparisons of the three financial years presented in these consolidated financial statements.

Up until 30 September 2002, 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 twenty-four 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.

Since that date, 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 analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities (see note below on securities). The effect of this change of method on 2001 net income would not have been material.

Application by the BNP Paribas Group of decree no. 2002-970 amending the 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 year-on-year comparisons. Application of the opinion issued on 21 January 2004 by the *Comité d'Urgence du Conseil National de la Comptabilité* (French National Accounting Board Urgent Issues Taskforce) concerning the accounting treatment in the consolidated financial statements of the liquidity risk reserve pursuant to decree no. 2003-1236 of 22 December 2003 dealing with the rules for setting up said reserve does not affect the Group's financial statements. In its consolidated financial statements, the Group has always set aside in full the liquidity risk reserve, both for its French and foreign subsidiaries.

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 (note 8).

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 the related benefit obligation have been revised to take account of these changes, leading to an additional cost of EUR 229 million provided for in full in 2003, 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 provisions of the entity's bylaws, 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 and 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 profits, 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 significantly reduce those investors' risk.

The first of the above 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.

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;
- 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;
- the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or provisions of the bylaws, 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 bylaws, 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 year and the year-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 Group has adopted standard CRC 2000-05 requiring the application of the new French consolidation principles by insurance companies, with effect from 1 January 2001.

The financial statements of insurance companies, prepared according to these standards, 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, related to 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 permanently 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.

In addition, if the aggregate book value of property and variable income instruments is higher than their aggregate market value, a reserve is set up for the difference. This reserve is set up for all net unrealised gains on the assets concerned.

#### • **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 year or years) 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 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 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 or losses are recorded as "Gains (losses) on disposals of long-term assets" in the profit and loss account.

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 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 5 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 UNFORSEEABLE 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 taxed at a rate of 19%. Gains and losses on securities in the portfolios are taxed at the standard corporate income tax rate of 33 1/3%, with the exception of gains and losses on disposals of investments in non-consolidated undertakings which are taxed at the reduced rate applicable to long-term capital gains. Effective from 31 December 2000, dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% are non-taxable.

The French government imposed a 6% surtax on corporate income for 2001. The rate of this surtax was reduced to 3% from 2002. A further 3.3% surtax has been levied on corporate income as of 1 January 2000. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned, and has used the liability method to adjust the amount of deferred taxes in cases where the surtaxes are expected to apply when the timing differences reverse.

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 for all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method. 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 nationwide 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.

## 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 2002 and 2003 were as follows:

## In 2002

### NEWLY-CONSOLIDATED COMPANIES

	Fully-consolidated companies	Proportionally-consolidated companies	Companies accounted for by the equity method
Acquisitions	Capstar Partners Llc (United States), Facet, United California Bank (merged with Bank of the West, subsidiary consolidated into Bancwest Corp.), Trinity Capital Corp. (consolidated into Bancwest Corp.), Cobepa subsidiary: Ulan, Klépierre subsidiaries: Alicentro 5 (Italy) (merged with Klecar Italia Spa), FMC (Czech Republic)	Klépierre subsidiaries: Eurocenter (Italy) (merged with PSG), IGC (Italy), PSG (Italy)	Cogent Investment Operations Ireland Ltd, Cogent Investment Operations Ltd (United Kingdom), Cogent Investment Operations Pty (Australia), Cogent Investment Operations Luxembourg SA, Consors Discount Broker AG Group (Germany)
Companies meeting the criteria for consolidation for the first time	All In One (Germany), Antin Participation 4, Antin Participation 5, Antin Participation 7, Antin Participation 13, BNP Paribas Asset Management Institutionnels, BNP Paribas BDDI Participations, BNP Paribas Capital Trust LLC 4 (United States), BNP Paribas Capital Trust LLC 5 (United States), BNP Paribas Capstar Partners Inc (United States), BNP Paribas Cyprus Ltd (Cyprus), BNP Paribas Épargne Entreprise, BNP Paribas Equities Hong Kong Ltd, BNP Paribas Fund Services (Luxembourg), BNP Paribas Gestion Épargne Salariale, BNP Paribas New Zealand Ltd, BNP Paribas Réunion, BNP Paribas Securities Services Holdings Cy Ltd (United Kingdom), BNP Paribas Securities Services International Holding SA, BNP Paribas Stratégies Action, Capstar Partners SAS, Cardiff Levensverzekeringen NV (Netherlands), Cardiff Nederland Holding BV, Cardiff Schadeverzekeringen NV (Netherlands), Catesienne de Participations, Cetelem Bank GmbH (Germany), Cetelem Thailand, Cooper Neff Advisors Inc. (United States), Cooper Neff Group (United States), Ejesur (Spain), Filip Partnership (United Kingdom), Hennaros Pty Ltd (Australia), Parritaye Pty Ltd (Australia), Soreco, Meunier Promotion subsidiaries (consolidated into Meunier Promotion): Géner, Meunier Développement SAS, SNC Cézarne, Klépierre subsidiaries: Capucine BV (Netherlands), Klecar Italia SPA, Klecar Participations Italy, Klefin Italia, Klelou SA (Portugal), Klépierre Services, Klépierre Portugal SA SGPS, SNC Galae, SNC KC5	-	BNP Andes (Peru)

### COMPANIES EXCLUDED FROM THE SCOPE OF CONSOLIDATION

	Fully-consolidated companies	Proportionally-consolidated companies	Companies accounted for by the equity method
Disposals	Banque Directe, PAI Management, Cobepa subsidiaries: Texaf, Cie Financière Africaine (formerly CFA)	-	Dongwong ITMC (South Korea), Facet
Mergers	BNP Paribas Kredit Bank AG and BNP Paribas Lease Group GmbH (Germany) (merged with BNP Paribas Lease Groupe SA), Natioinformatique (merged with Société Française Auxiliaire - SFA), Ejenorte (Spain) (merged with Ejesur), Cobepa subsidiary: Lucht et Licht NV (merged with Sté Financière & de Réalisation)	-	Findomestic Sviluppo (Italy) (merged with Findomestic)
Companies no longer meeting the criteria for consolidation and discontinued operations	BNP Paribas Financière du Régent (Belgium), Cardiff Limitada (Brazil), Cardiff Polska Life, Cardiff Provita (Czech Republic), Cardiff Retiro (Argentina), Cardiff Slovakia, Coficape (formerly Inchcape Finance), Firem, Fund Services (Poland), Guaranteed Underwriting Agency Ltd (United Kingdom), Immo Investissements BNP, Paribas Capital Funding (United States), Pinnacle Europe (United Kingdom), Pinnacle Pet Healthcare (United Kingdom), Pinnafrica Holding Ltd (South Africa), Pinnafrica Insurance Company (South Africa), Pinnafrica Insurance Life (South Africa), Promopart BNP, Klépierre subsidiaries: SAS Baudin Levallois, SAS Curial Archereau, SAS Fontenay La Redoute, SAS Langevin Herblay, SAS Sommer Antony, SAS Varennes Ormes, SCI Levallois Michelet, SCI Paris Suffren, SNC Liège 25 Paris 8eme, SNC Université Paris 7°	Poczsta Polska	BNP Paribas Peregrine Inc. (Philippines), Forum Finances, RIVP

### CHANGES IN CONSOLIDATED 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 Paribas Peregrine Services Ltd (Hong Kong), Cetelem America (Brazil)	CNH Capital Europe, CNH Capital Europe Ltd (formerly Case Credit UK Ltd) (United Kingdom)	Cobepa subsidiary: Bogerco

## 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 (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)	-
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 Clquet 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'Épargne Financement CEFI, Cetelem Brazil

### 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 (merged with BNP Paribas Lease Group Holding SPA), 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 Étoile 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	-	-



FULLY CONSOLIDATED COMPANIES	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Financial institutions</b>		
<b>IN FRANCE</b>		
<b>Credit institutions</b>		
Antin Bail <sup>(1)</sup>	100.00	100.00
Banque de Bretagne <sup>(1)</sup>	100.00	100.00
Banque Financière Cardif <sup>(1)</sup>	100.00	100.00
BNP Intercontinentale -BNPI <sup>(1)</sup>	100.00	100.00
BNP Paribas Emergis <sup>(1)</sup>	100.00	100.00
BNP Paribas Factor <sup>(1)</sup>	100.00	100.00
BNP Paribas Guadeloupe <sup>(1)</sup>	100.00	100.00
BNP Paribas Guyane <sup>(1)</sup>	100.00	100.00
BNP Paribas Lease Group <sup>(1)</sup>	99.96	99.96
BNP Paribas Martinique <sup>(1)</sup>	100.00	100.00
BNP Paribas Nouvelle-Calédonie	100.00	100.00
BNP Paribas Private Bank <sup>(1)</sup>	100.00	100.00
BNP Paribas Private Bank Monaco	100.00	99.99
BNP Paribas Réunion <sup>(1)</sup>	100.00	100.00
BNP Paribas Securities Services – BP2S <sup>(1)</sup>	100.00	100.00
Cetelem <sup>(1)</sup>	100.00	100.00
Claas Financial Services	90.00	89.96
CNH Capital Europe	50.10	50.08
Cofica Bail <sup>(1)</sup>	100.00	100.00
Compagnie Médicale de financement de Voitures et matériels – CMV Médiforce <sup>(1)</sup>	100.00	100.00
Cortal Consors France <sup>(1)</sup> – (formerly Banque Cortal)	100.00	100.00
Crédial <sup>(1)</sup>	100.00	100.00
Crédit Moderne Antilles	100.00	100.00
Crédit Moderne Guyane	99.99	99.99
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 <sup>(1)</sup>	100.00	100.00
Loisirs Finance	51.00	51.00
Natiobail	95.14	91.37
Natiocrédibail	100.00	99.96
Natiocrédimurs <sup>(1)</sup>	100.00	99.96
Natioénergie	100.00	99.96
Norbail SNC <sup>(1)</sup>	100.00	99.96
Paribas Dérivés Garantis SNC <sup>(1)</sup>	100.00	100.00
Paricomi	100.00	99.93
Parilease <sup>(1)</sup>	100.00	100.00
Same Deutz-Fahr Finance	99.97	99.93
SAS Prêts et Services	100.00	99.93
Services et Prêts immobiliers <sup>(1)</sup>	100.00	99.93
UCB <sup>(1)</sup>	99.93	99.93
UCB Bail <sup>(1)</sup>	100.00	99.93
UCB Entreprises <sup>(1)</sup>	100.00	99.93
UCB Locabail immobilier	100.00	99.93
<b>Other financial institutions</b>		
Arius Finance <sup>(1)</sup>	100.00	99.99
Arius SA <sup>(1)</sup>	100.00	99.99
Arval ECL SAS <sup>(1)</sup>	100.00	99.99
Arval PHH Holding SAS <sup>(1)</sup>	100.00	99.99
Arval Service Lease <sup>(1)</sup>	100.00	99.99
B*Capital <sup>(1)</sup>	100.00	100.00
Banexi Société de Capital-Risque Bancaire	99.99	99.99
BNP Paribas Arbitrage <sup>(1)</sup>	100.00	100.00
BNP Paribas Asset Management <sup>(1)</sup>	100.00	100.00

(1) Members of the BNP Paribas SA tax group as of 1 January 2003



FULLY CONSOLIDATED COMPANIES	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Financial institutions</b>		
<b>IN FRANCE</b>		
<b>Other financial institutions (cont'd)</b>		
BNP Paribas Asset Management Group <sup>(1)</sup>	100.00	100.00
BNP Paribas Développement	100.00	100.00
BNP Paribas Épargne Entreprise Gestion (formerly BNP Gestion Épargne Salariale) <sup>(1)</sup>	100.00	100.00
BNP Paribas Equities France <sup>(1)</sup>	99.96	99.96
BNP Paribas Equity Strategies France <sup>(1)</sup>	100.00	100.00
BNP Paribas Gestion Épargne Salariale <sup>(1)</sup>	100.00	100.00
BNP Paribas Securities Services International Holding SA <sup>(1)</sup>	100.00	100.00
Capstar Partners SAS	80.00	80.00
Cardif Asset Management <sup>(1)</sup>	100.00	100.00
Compagnie d'Investissements de Paris – CIP	100.00	100.00
Conseil Investissement <sup>(1)</sup>	100.00	100.00
Cortal Fund Management <sup>(1)</sup>	100.00	100.00
Financière BNP Paribas <sup>(1)</sup>	100.00	100.00
Gestion et Location <sup>(1)</sup>	99.99	99.99
Jovacienne de Participations <sup>(1)</sup>	100.00	100.00
SCAU (formerly Société de Courtage et d'Assurance Universel) <sup>(1)</sup>	100.00	99.96
Société de Renseignements Contentieux Développement – Soreco <sup>(1)</sup>	99.92	99.92
Société Française Auxiliaire – SFA <sup>(1)</sup>	100.00	100.00
Truck Management Artegy <sup>(1)</sup>	100.00	99.99
<b>Other financial sector companies</b>		
Aprolis Finance	51.00	50.98
Cofiparc <sup>(1)</sup>	100.00	99.99
FCC Domos 2003	100.00	100.00
Nhg Guyomarc'h <sup>(1)</sup>	100.00	100.00
SA Leval 3 <sup>(1)</sup>	100.00	100.00
Singapore Emma Finance 1 SAS <sup>(1)</sup>	100.00	100.00
Socappa <sup>(1)</sup>	99.93	99.89
<b>OUTSIDE FRANCE</b>		
<b>Credit institutions</b>		
<b>Europe</b>		
Banca UCB SPA	Italy	99.96
Banco Cetelem Portugal (formerly Cetelem SFAC)	Portugal	100.00
Banco Cetelem SA (formerly Banco Fimestic SA)	Spain	100.00
BNP Capital Finance Ltd	Ireland	100.00
BNP Factor	Portugal	100.00
BNP Paribas (Bulgaria) AD	Bulgaria	80.00
BNP Paribas Bank (Hungaria) RT	Hungary	100.00
BNP Paribas Bank (Polska) SA	Poland	100.00
BNP Paribas Bank NV	Netherlands	100.00
BNP Paribas Cyprus Ltd	Cyprus	100.00
BNP Paribas España SA	Spain	99.48
BNP Paribas Finance PLC	United Kingdom	100.00
BNP Paribas Guernesey Ltd	Guernsey	99.99
BNP Paribas Luxembourg SA	Luxembourg	100.00
BNP Paribas Net Ltd	United Kingdom	100.00
BNP Paribas Private Bank Switzerland	Switzerland	99.99
BNP Paribas Suisse SA	Switzerland	99.99
BNP Paribas ZAO	Russia	100.00
Cetelem Bank GmbH	Germany	70.00
Cetelem Belgium	Belgium	100.00
Cetelem Benelux BV	Netherlands	100.00
CNH Capital Europe Ltd	United-Kingdom	100.00
Cortal Bank Luxembourg	Luxembourg	100.00
Evergo Finanzaria	Italy	99.96

(1) Members of the BNP Paribas SA tax group as of 1 January 2003.



## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION



FULLY CONSOLIDATED COMPANIES		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Financial institutions</b>			
<b>OUTSIDE FRANCE</b>			
<b>Credit institutions (cont'd)</b>			
<b>Europe (cont'd)</b>			
Isis Factor SPA	Italy	100.00	100.00
Magyar Cetelem	Hungary	100.00	100.00
UCB Group Ltd	United Kingdom	100.00	100.00
Union de Creditos Inmobiliarios – UCI	Spain	50.00	49.97
United European Bank Switzerland	Switzerland	100.00	99.99
<b>America</b>			
Banco Cetelem Argentine	Argentina	60.00	60.00
BancWest Corporation (groupe)	United States	100.00	100.00
BNP Andes	Peru	100.00	100.00
BNP Leasing Dallas Corporation	United States	100.00	100.00
BNP Paribas Brasil SA	Brasil	100.00	100.00
BNP Paribas Canada	Canada	100.00	100.00
BNP Paribas North America Incorporated – PNA	United States	100.00	100.00
Paribas Finance Incorporated	United States	100.00	100.00
Paribas North America	United States	100.00	100.00
Paribas Principal Incorporated	United States	100.00	100.00
<b>Asia-Pacific</b>			
BNP Paribas (China) Limited (formerly International Bank of Paris and Shanghai)	People Republic of China	100.00	100.00
BNP Paribas Peregrine Services Ltd	Hong Kong	100.00	100.00
BNP Paribas Peregrine (Singapour) Ltd	Singapore	100.00	100.00
Cetelem Thaïlande	Thailand	100.00	100.00
PT Bank BNP Paribas Indonésia	Indonesia	100.00	99.99
<b>Africa</b>			
Banque Internationale Commerce et Industrie Burkina Faso	Burkina Faso	51.00	46.84
Banque Internationale Commerce et Industrie Côte d'Ivoire	Côte d'Ivoire	60.29	58.96
Banque Internationale Commerce et Industrie Gabon	Gabon	46.66	46.66
Banque Internationale Commerce et Industrie Sénégal	Senegal	54.11	52.40
Banque Malgache de l'Océan Indien	Madagascar	75.00	75.00
Banque Marocaine du Commerce et de l'Industrie	Morocco	53.16	53.16
Banque Marocaine du Commerce et de l'Industrie Leasing	Morocco	72.03	38.29
Banque Marocaine du Commerce et de l'Industrie Offshore	Morocco	100.00	53.16
Banque pour le Commerce et l'Industrie de la Mer Rouge	Djibouti	51.00	51.00
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	53.86	26.93
<b>Other financial institutions</b>			
<b>Europe</b>			
All In One Allemagne	Germany	100.00	99.96
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	70.00	65.07
BNP Ireland Ltd	Irland	100.00	100.00



FULLY CONSOLIDATED COMPANIES		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Financial institutions</b>			
<b>OUTSIDE FRANCE</b>			
<b>Other financial institutions (cont'd)</b>			
<b>Europe (cont'd)</b>			
BNP Paribas Asset Management Luxembourg (formerly Parvest Investment Management SA)	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
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 Equities Italie SIM (formerly Pasfin SIM Milan)	Italy	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 (formerly BNP Paribas Securities Services Holdings Company Ltd)	United Kingdom	100.00	100.00
BNP Paribas Fund Services UK Ltd (formerly Cogent Investment Operations 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	99.94
BNP Paribas Lease Group SA EFC	Spain	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 (formerly BNP Paribas Leasing 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
Cogent Investment Operations Irland Ltd	Irland	100.00	100.00
Compagnie Bancaire UK Fonds C	United Kingdom	100.00	100.00
Consors International Holding GmbH	Germany	100.00	100.00
Eurocredito	Spain	100.00	100.00
Filip Partnership	United Kingdom	100.00	100.00
Fimestic Expansion SA	Spain	100.00	100.00
Leasing Handels und Service AG	Switzerland	100.00	99.99
Sifida	Luxembourg	72.32	58.37
Société Financière pour les pays d'Outre-Mer – Sfom	Switzerland	100.00	100.00
<b>Amériques</b>			
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	75.00	75.00
Cooper Neff Advisors Incorporated	United States	100.00	100.00
Cooper Neff Group	United States	100.00	100.00
French American Banking Corporation – FABC – PNA	United States	100.00	100.00
Petits Champs Participações e Serviços SA	Brazil	100.00	100.00

## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION



FULLY CONSOLIDATED COMPANIES	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)	
<b>Financial institutions</b>			
<b>OUTSIDE FRANCE</b>			
<b>Other financial institutions (cont'd)</b>			
<b>Asia-Pacific</b>			
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 Equities (Hong Kong) Ltd	Hong Kong	100.00	100.00
BNP Paribas Equities Group (Australia) Ltd	Australia	100.00	100.00
BNP Paribas Finance (Hong Kong) Ltd	Hong Kong	100.00	100.00
BNP Paribas Futures (Hong Kong) Ltd	Hong Kong	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 Investments Ltd	Hong Kong	100.00	100.00
BNP Paribas Peregrine Ltd	Malaysia	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 (Australia) Ltd	Australia	100.00	100.00
BNP Paribas Securities Ltd	Hong Kong	100.00	100.00
Cogent Investment Operations Pty Australie	Australia	100.00	100.00
Henaross Pty Ltd	Australia	100.00	100.00
PT BNP Lippo Utama Leasing	Indonesia	100.00	100.00
<b>Other financial sector companies</b>			
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
Claas Leasing GmbH	Germany	100.00	89.96
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
Fidex PLC (formerly Fidex Holding Ltd)	United Kingdom	100.00	0.00
Forsete Investments SA	Luxembourg	100.00	0.00
Global Guaranteed Cliquet Investment	Cayman Islands	95.00	95.00
Global Hedged Equity Investment Ltd	Cayman Islands	95.00	95.00
Joconde SA	Luxembourg	100.00	0.00
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
<b>Other companies</b>			
<b>IN FRANCE</b>			
<b>Real estate</b>			
BNP Paribas Immobilier <sup>(1)</sup>		100.00	100.00
BNP Paribas Participations Finance Immobilier <sup>(1)</sup>		100.00	100.00
Great Central Railway land SA <sup>(1)</sup>		99.99	99.99

(1) Members of the BNP Paribas SA tax group as of 1 January 2003



FULLY CONSOLIDATED COMPANIES	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Other companies</b>		
<b>IN FRANCE</b>		
<b>Real estate (cont'd)</b>		
Immobilière des Bergues <sup>(1)</sup>	100.00	100.00
Klépierre Services	100.00	46.37
Meunier Promotion (Group) <sup>(1)</sup>	100.00	100.00
SA Klépierre	53.00	52.85
SAS 192, avenue Charles-de-Gaulle	100.00	52.85
SAS 21 Kléber	100.00	52.85
SAS 21 La Pérouse	100.00	52.85
SAS 23, avenue de Marignan (formerly Société du 23 avenue de Marignan)	99.99	52.85
SAS 43 Grenelle	100.00	52.85
SAS 43 Kléber	100.00	52.85
SAS 46 Notre-Dame-des-Victoires	100.00	52.85
SAS 5 Turin	100.00	52.85
SAS Baudot Massy	100.00	52.85
SAS Brescia	100.00	52.85
SAS Cande	100.00	52.84
SAS Cecoville	100.00	52.85
SAS Centre Jaude Clermont	99.99	52.84
SAS Concorde Puteaux	100.00	52.85
SAS Doumer Caen	99.96	52.83
SAS Espace Dumont d'Urville	100.00	52.85
SAS Espace Kléber	100.00	52.85
SAS Flandre	100.00	52.85
SAS Issy Desmoulins	100.00	52.85
SAS Kléber Levallois	100.00	52.85
SAS Klecar Europe Sud	83.00	43.87
SAS Klefinances <sup>(1)</sup>	100.00	100.00
SAS Klegestion	100.00	52.85
SAS Klemurs	100.00	52.85
SAS Klépierre Conseil	100.00	52.85
SAS Klépierre Finance	100.00	52.85
SAS Klépierre Transactions	100.00	52.85
SAS Le Havre Capelet	100.00	52.85
SAS Le Havre Tourneville	100.00	52.85
SAS Leblanc Paris 15	100.00	52.85
SAS Louis David (formerly SA Centrale Immobilière)	100.00	52.85
SAS LP7	100.00	52.85
SAS Marseille le Merlan	100.00	52.85
SAS Melun Saints-Pères	99.98	52.84
SAS Odysseum Place de France	70.00	36.99
SAS Oise Cergy	50.00	26.42
SAS Opale	100.00	52.85
SAS Poitiers Aliénor	100.00	52.85
SAS Saint-André Pey Berland	100.00	52.85
SAS Secmarne	61.67	32.59
SAS Segecar	100.00	39.64
SAS Ségécé	74.99	39.64
SAS Ségécé Loisirs Transactions	95.20	37.73
SAS Socoseine	100.00	49.55
SAS Strasbourg La Vigie	99.85	52.77
SAS Suffren Paris 15	100.00	52.85
SAS Tours Nationale	100.00	52.85
SC Centre Bourse	100.00	52.85
SC Solorec	88.76	46.91
SCI 8, rue du Sentier	100.00	52.85
SCI Secovalde	40.00	21.14
SCI Square Chaptal Alun (formerly SCI Square Chaptal 2)	100.00	52.85
SCI Tour Marcel Brot	100.00	52.85
Setic <sup>(1)</sup>	100.00	100.00
SGM H1	100.00	52.85
SGS H3	100.00	52.85
SNC CB Pierre	99.00	52.85

(1) Members of the BNP Paribas SA tax group as of 1 January 2003



## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION



FULLY CONSOLIDATED COMPANIES	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Other companies</b>		
<b>IN FRANCE</b>		
<b>Real estate (cont'd)</b>		
SNC Foncière Saint-Germain	100.00	52.85
SNC Galae	100.00	46.11
SNC Général Leclerc 11-11 bis Levallois	100.00	52.85
SNC Jardins des Princes	100.00	52.85
SNC KC1	100.00	43.87
SNC KC2	100.00	43.87
SNC KC3	100.00	43.87
SNC KC4	100.00	43.87
SNC KC5	100.00	43.87
SNC KC6	100.00	43.87
SNC KC7	100.00	43.87
SNC KC8	100.00	43.87
SNC KC9	100.00	43.87
SNC KC10	100.00	43.87
SNC KC11	100.00	43.87
SNC KC12	100.00	43.87
SNC KC20	100.00	43.87
SNC Kléber La Pérouse	100.00	52.85
SNC Klecar France	83.00	43.87
SNC Barjac Victor (formerly SNC Le Barjac)	100.00	52.85
SNC Maille Nord	100.00	52.85
SNC Soccendre	100.00	39.77
SNC Sodevac	100.00	52.85
<b>Insurance</b>		
BNP Paribas Assurance	100.00	100.00
Cardif RD <sup>(1)</sup>	100.00	100.00
Cardif SA <sup>(1)</sup>	100.00	100.00
Cardif Sté Vie <sup>(1)</sup>	100.00	100.00
GIE Helios	75.90	67.90
Natiovie <sup>(1)</sup>	100.00	100.00
<b>Other business units</b>		
Antin Participation 4 <sup>(1)</sup>	100.00	100.00
Antin Participation 5 <sup>(1)</sup>	100.00	100.00
Antin Participation 7 <sup>(1)</sup>	95.50	95.50
Antin Participation 13	99.99	95.49
Antin Vendôme	96.77	96.77
Bincofi <sup>(1)</sup>	100.00	100.00
BNP Paribas BDDI Participations <sup>(1)</sup>	100.00	100.00
BNP Paribas Stratégies Actions <sup>(1)</sup>	100.00	100.00
Capefi <sup>(1)</sup>	100.00	100.00
Catesienne de Participation <sup>(1)</sup>	100.00	100.00
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer <sup>(1)</sup>	99.99	99.99
Compagnie d'Entreprise Industrielle et Commerciale <sup>(1)</sup>	99.20	99.20
Compagnie Immobilière de France <sup>(1)</sup>	100.00	100.00
Foncière de la Compagnie Bancaire <sup>(1)</sup>	100.00	100.00
Immobilier Marché Saint-Honoré <sup>(1)</sup>	100.00	100.00
Kle 65 <sup>(1)</sup>	100.00	100.00
Kle 66 <sup>(1)</sup>	100.00	100.00
Norbail Location <sup>(1)</sup>	100.00	99.96
Omnium Gestion Développement Immobilier <sup>(1)</sup>	100.00	100.00
Paribas International <sup>(1)</sup>	100.00	100.00
Quatch <sup>(1)</sup>	99.96	99.96
Sagal <sup>(1)</sup>	100.00	100.00
SAS 5 Kléber <sup>(1)</sup>	100.00	100.00
Sinvim <sup>(1)</sup>	100.00	100.00
Société Centrale d'Investissement <sup>(1)</sup>	100.00	100.00

(1) Members of the BNP Paribas SA tax group as of 1 January 2003



FULLY CONSOLIDATED COMPANIES		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Other companies</b>			
<b>OUTSIDE FRANCE</b>			
<b>Insurance</b>			
BNP de Réassurance au Luxembourg	Luxembourg	100.00	100.00
Cardif Assicurazioni SPA	Italy	100.00	100.00
Cardif Compania de Seguros de Vida	Argentina	100.00	100.00
Cardif do Brasil Seguros	Brasil	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
Compania Seguros de Vida	Chile	100.00	100.00
Cybele RE	Luxembourg	100.00	100.00
European Reinsurance Ltd	Guernsey	97.62	97.62
Investlife SA	Luxembourg	100.00	100.00
Luxpar-Ré	Luxembourg	100.00	100.00
Pinnacle Insurance	United Kingdom	97.62	97.62
Pinnacle Insurance Holdings	United Kingdom	97.62	97.62
Pinnacle Insurance Management Services	United Kingdom	97.62	97.62
<b>Real estate</b>			
Arcol	Slovakia	100.00	52.85
Belarcol	Belgium	100.00	52.85
Capucines BV	Netherlands	100.00	52.85
Cinéma de l'Esplanade	Belgium	100.00	52.85
Cinneo SRL	Italy	85.00	44.92
Coimbra	Belgium	100.00	52.85
Delcis Cr	Czech Republic	99.00	52.32
Ejesur	Spain	100.00	100.00
Foncière de Louvain-la-Neuve	Belgium	100.00	52.85
FMC	Czech Republic	75.00	29.73
ICD SPA	Italy	85.00	44.92
Immobiliare Magnolia	Italy	85.00	44.92
Klecar Foncier España	Spain	100.00	43.87
Klecar Foncier Iberica	Spain	100.00	43.87
Klecar Italia SPA	Italy	100.00	43.87
Klecar Participations Italie	Italy	83.00	43.87
Klefin Italia SPA	Italy	100.00	52.85
Klelou SA	Portugal	100.00	52.85
Klenor	Portugal	100.00	52.85
Klépierre Athinon AE	Greece	100.00	52.85
Klépierre NEA Efkarpia AE	Greece	100.00	52.85
Klépierre Peribola Patras AE	Greece	100.00	52.85
Klépierre Portugal SA SGPS	Portugal	100.00	52.85
Klétel	Portugal	100.00	52.85
KFM Macedonia (formerly SNC Macedonia)	Greece	100.00	43.87
Novate SRL	Italy	100.00	52.85
Sogecaec	Portugal	100.00	39.64
Vignate	Italy	85.00	44.92
Vinaza	Spain	100.00	52.85
Zobel Investment BV	Netherlands	100.00	52.85
<b>Other business units</b>			
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 RCC Incorporation	United States	100.00	100.00
BNP Paribas Services	Switzerland	100.00	99.99
Cetelem America	Brasil	100.00	100.00
Cobepa – Amparzo	Netherlands	100.00	100.00
Cobepa – Cippar	Belgium	100.00	100.00
Cobepa – Claireville	Belgium	100.00	100.00

## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION



FULLY CONSOLIDATED COMPANIES		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Other companies</b>			
<b>OUTSIDE FRANCE</b>			
<b>Other business units (cont'd)</b>			
Cobepa - Cobema	Belgium	100.00	100.00
Cobepa - Cobepa Finance	Luxembourg	100.00	100.00
Cobepa - Cobepa International	Netherlands	100.00	100.00
Cobepa - Cobepa Technology	Belgium	100.00	100.00
Cobepa - Compagnie de Participations Internationales NV	Netherlands	100.00	100.00
Cobepa - Compagnie de Participations Internationales SA	Luxembourg	97.50	97.50
Cobepa - Copabel SA	Belgium	100.00	97.50
Cobepa - Gepeco	Belgium	100.00	100.00
Cobepa - Groupe Financier Liégeois	Belgium	99.60	99.60
Cobepa - Holnor	Netherlands	100.00	100.00
Cobepa - Ibel (formerly Cobepa – Belvuco)	Belgium	100.00	100.00
Cobepa - IIM	Netherlands	100.00	100.00
Cobepa - Ilmaco	Belgium	100.00	100.00
Cobepa - Libelux	Luxembourg	99.98	99.98
Cobepa - Mascagni	Belgium	100.00	100.00
Cobepa - Paribas Deelnemingen NV	Netherlands	99.70	99.70
Cobepa - Paribas Participation Limitée	Canada	97.50	97.50
Cobepa - Regio Invest Ontwik Maats	Belgium	100.00	100.00
Cobepa - SA Mosane	Belgium	100.00	100.00
Cobepa - Sté Financière et de Réalisation	Belgium	100.00	100.00
Cobepa - Tradexco SA	Belgium	100.00	100.00
Cobepa - Uran	Luxembourg	100.00	100.00
Compagnie Bancaire UK Fonds B	United Kingdom	100.00	100.00
Compagnie Belge de Participations Paribas – Cobepa	Belgium	100.00	100.00
Compagnie Financière Ottomane	Luxembourg	96.51	96.50
Paribas Management Services Ltd	United Kingdom	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 (%)
<b>Financial institutions</b>			
<b>IN FRANCE</b>			
<b>Other financial institutions</b>			
Antarius		50.00	50.00
<b>OUTSIDE FRANCE</b>			
<b>Credit institutions</b>			
<b>Europe</b>			
BNP AK Dresdner Bank AS	Turkey	30.00	30.00
Findomestic	Italy	50.00	50.00



## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION

PROPORTIONALLY-CONSOLIDATED COMPANIES		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)
<b>Financial institutions</b>			
<b>OUTSIDE FRANCE</b>			
<b>Other financial institutions (cont'd)</b>			
<b>Europe (cont'd)</b>			
BNP AK Dresdner Financial Kiralama	Turkey	29.99	29.99
Halifax Cetelem Credit Ltd	United Kingdom	50.00	50.00
<b>Other companies</b>			
<b>IN FRANCE</b>			
<b>Insurance</b>			
Natio Assurance		50.00	50.00
<b>Real estate</b>			
SAS Bègles Arcins		50.00	26.42
SAS Cecobil		50.00	26.42
SAS Soaval		50.00	19.82
SAS Espace Cordeliers		50.00	26.42
SAS Le Havre Lafayette		50.00	26.42
SAS Le Havre Vauban		50.00	26.42
SCI Antin Vendôme		50.00	26.42
SCI du Bassin Nord		50.00	26.42
<b>OUTSIDE FRANCE</b>			
<b>Insurance</b>			
Centro Vita Assicurazioni SPA	Italy	49.00	49.00
<b>Real estate</b>			
Centros Shopping Gestion	Italy	50.00	19.82
Gondomar SGM	Portugal	50.00	26.42
Gondomar SGS	Portugal	50.00	26.42
IGC	Italy	40.00	21.14
PSG	Italy	50.00	19.82
<b>Other business units</b>			
Cobepa – Bogerco	Belgium	50.00	50.00



## Note 2 (cont'd)

### SCOPE OF CONSOLIDATION



COMPANIES CARRIED UNDER THE EQUITY METHOD	GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST (%)	
<b>Financial institutions</b>			
<b>IN FRANCE</b>			
<b>Credit institutions</b>			
Axa Crédit	35.00	35.00	
Banque Pétrofigaz	44.81	44.81	
Caisse d'Épargne Financement – CEFI	33.00	33.00	
Cofinoga (Group)	44.00	44.00	
Société Paiement Pass	40.01	40.01	
<b>Other financial institutions</b>			
Laser	9.01	9.01	
<b>Other financial sector companies</b>			
CIG – Cofidis International Groupe	15.00	15.00	
<b>OUTSIDE FRANCE</b>			
<b>Credit institutions</b>			
<b>Europe</b>			
Cetelem Polska Expansion SA	Poland	100.00	100.00
Consors España	Spain	100.00	100.00
Cortal Belgique	Belgium	100.00	100.00
Creation Financial Services	United Kingdom	49.05	49.05
Fortis Crédit	Belgium	45.00	45.00
Servicios Financieros Carrefour EFC SA ( formerly Fipryca)	Spain	40.00	40.00
<b>Asia-Pacific</b>			
BNP Paribas Peregrine Futures Ltd	Hong Kong	100.00	100.00
BNP Paribas Private Bank (Japan) Ltd	Japan	100.00	100.00
Cetelem Capital Company Ltd (formerly Cetelem Services Korea)	South Korea	100.00	100.00
PT BNP Paribas Peregrine	Indonesia	100.00	98.80
<b>Americas</b>			
Cetelem Brésil	Brazil	100.00	100.00
<b>Other financial institutions</b>			
<b>Americas</b>			
Fischer Francis Trees and Watts	United States	24.90	71.54
<b>Other financial sector companies</b>			
<b>Europe</b>			
Centro Leasing SPA	Italy	34.29	34.28



COMPANIES CARRIED UNDER THE EQUITY METHOD (%)		GROUP VOTING INTEREST (%)	GROUP OWNERSHIP INTEREST
<b>OUTSIDE FRANCE</b>			
<b>Other financial sector companies</b>			
<b>Americas</b>			
CCAC	Brazil	40.00	40.00
<b>Other companies</b>			
<b>IN FRANCE</b>			
<b>Insurance</b>			
Axa Ré Finance		21.00	21.00
<b>Other</b>			
Finaxa		13.38	21.32
<b>OUTSIDE FRANCE</b>			
<b>Real estate</b>			
Devimo Consult	Belgium	35.00	13.87
<b>Insurance</b>			
State Bank of India Life Insurance Company Ltd	India	26.00	26.00

## Note 3

### INTERBANK AND MONEY MARKET ITEMS



In millions of euros, at 31 December	2003			2002	2001
	Gross	(Provisions)	Net	Net	Net
Cash and amounts due from central banks and post office banks	5,287		5,287	9,884	3,489
Treasury bills and money market instruments (note 5)	106,848	(177)	106,671	83,990	81,462
<b>Due from credit institutions</b>					
Demand accounts	7,080	(18)	7,062	9,426	25,654
Term loans and time deposits <sup>(a)</sup>	22,560	(238)	22,322	22,938	24,332
Repurchase agreements:					
Securities received under resale agreements	131,137		131,137	112,100	134,219
Bills purchased outright or under resale agreements	1,817		1,817	1,730	2,119
Total securities and bills purchased outright or under resale agreements	132,954		132,954	113,830	136,338
Subordinated loans	612		612	318	299
<b>Total due from credit institutions</b>	<b>163,206</b>	<b>(256)</b>	<b>162,950</b>	<b>146,512</b>	<b>186,623</b>
<b>Total interbank and money market items</b>	<b>275,341</b>	<b>(433)</b>	<b>274,908</b>	<b>240,386</b>	<b>271,574</b>
<i>Including accrued interest</i>			1,538	3,228	4,547

(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).



In millions of euros, at 31 December	Gross	2003 (Provisions)	Net	2002 Net	2001 Net
<b>Due from customers</b>					
Commercial and industrial loans	10,069	(28)	10,041	11,806	9,387
Overdrafts	12,822		12,822	12,908	17,424
Other credits:					
- short-term loans	44,145		44,145	50,503	43,603
- mortgage loans	46,739		46,739	42,701	36,672
- investment loans	22,031		22,031	22,452	20,156
- export loans	5,447	(916)	4,531	4,462	7,565
- other customer loans	36,385	(1)	36,384	38,024	57,513
<b>Total other credits</b>	<b>154,747</b>	<b>(917)</b>	<b>153,830</b>	<b>158,142</b>	<b>165,509</b>
Doubtful customer loans	12,348	(8,098)	4,250	4,385	3,939
Accrued interest	1,217		1,217	1,277	1,558
Securities and bills purchased outright or under resale agreements	19,319		19,319	16,103	16,734
Subordinated loans <sup>(b)</sup>	140	(8)	132	98	268
<b>Total due from customers <sup>(c)</sup></b>	<b>210,662</b>	<b>(9,051)</b>	<b>201,611</b>	<b>204,719</b>	<b>214,819</b>
Leasing receivables	20,817	(455)	20,362	20,622	20,088
<b>Total customer items</b>	<b>231,479</b>	<b>(9,506)<sup>(a)</sup></b>	<b>221,973</b>	<b>225,341</b>	<b>234,907</b>
<i>Including accrued interest</i>			1,494	1,620	1,860

(a) Including EUR 963 million in general provisions for country risks.

(b) Participating loans granted to BNP Paribas customers included under "Subordinated loans" amounted to EUR 59 million at 31 December 2003 (EUR 53 million at 31 December 2002 and EUR 207 million at 31 December 2001).

(c) Loans qualifying for refinancing by Banque de France amounted to EUR 7,879 million at 31 December 2003 (EUR 8,079 million at 31 December 2002 and EUR 13,491 million at 31 December 2001).

Total customer items, excluding repurchase agreements and provisions for country risks, break down as follows by counterparty:

In millions of euros, at 31 December	Financial institutions	Corporate	Small businesses	Private individuals	Government agencies	Other	Total
<b>Sound loans</b>	<b>11,576</b>	<b>94,854</b>	<b>14,375</b>	<b>70,762</b>	<b>5,381</b>	<b>1,960</b>	<b>198,908</b>
• including restructured loans		49		275	74		398
<b>Doubtful loans</b>							
• Gross outstanding loans	136	8,503	757	3,635	114	107	13,252
• including irrecoverable loans	102	5,064	548	2,859	111	46	8,730
• Specific provisions	(68)	(5,405)	(495)	(2,414)	(68)	(93)	(8,543)
• Net outstanding loans	68	3,098	262	1,221	46	14	4,709
<b>Total, net</b>	<b>11,644</b>	<b>97,952</b>	<b>14,637</b>	<b>71,983</b>	<b>5,427</b>	<b>1,974</b>	<b>203,617</b>

Net irrecoverable loans – which amounted to EUR 8,730 million at 31 December 2003 – were covered by a EUR 5,523 million provision.



## Note 5

### TRANSACTIONS ON TRADING ACCOUNT SECURITIES, SECURITIES AVAILABLE FOR SALE AND DEBT SECURITIES HELD TO MATURITY



In millions of euros, at 31 December	2003			2002		2001		
	Gross value	Provisions	Net book value	Market value	Net book value	Market value	Net book value	Market value
<b>Trading account securities:</b>								
Treasury bills and money market instruments	73,822		73,822	73,822	54,453	54,453	54,539	54,539
Bonds and other fixed income instruments	34,217		34,217	34,217	24,707	24,707	42,473	42,473
Equities and other variable income instruments	50,442		50,442	50,442	21,149	21,149	40,553	40,553
Own shares held within the Group	80		80	80	14	14	8	8
<b>Total trading account securities</b>	<b>158,561</b>		<b>158,561</b>	<b>158,561</b>	<b>100,323</b>	<b>100,323</b>	<b>137,573</b>	<b>137,573</b>
<i>Including unlisted equities and bonds</i>	<i>7,968</i>		<i>7,968</i>	<i>7,968</i>	<i>4,806</i>	<i>4,806</i>	<i>4,438</i>	<i>4,438</i>
<b>Securities available for sale:</b>								
Treasury bills and money market instruments	8,186	(141)	8,045	8,403	7,254	7,830	7,600	8,497
Bonds and other fixed income instruments	15,214	(542)	14,672	14,957	9,642	10,213	8,151	8,723
Equities, other variable income instruments and equity securities available for sale in the medium-term	2,189	(205)	1,984	2,101	1,453	1,547	1,936	2,121
<b>Total securities available for sale</b>	<b>25,589</b>	<b>(888)</b>	<b>24,701</b>	<b>25,461</b>	<b>18,349</b>	<b>19,590</b>	<b>17,687</b>	<b>19,341</b>
<i>Including unlisted equities and bonds</i>	<i>2,689</i>	<i>(20)</i>	<i>2,669</i>	<i>2,724</i>	<i>1,541</i>	<i>1,556</i>	<i>2,054</i>	<i>2,352</i>
<b>Debt securities held to maturity:</b>								
Treasury bills and money market instruments	24,840	(36)	24,804	24,889	22,283	22,735	19,323	19,637
Bonds and other fixed income instruments	6,125	(9)	6,116	6,643	7,615	8,009	5,438	5,424
<b>Total debt securities held to maturity</b>	<b>30,965</b>	<b>(45)</b>	<b>30,920</b>	<b>31,532</b>	<b>29,898</b>	<b>30,744</b>	<b>24,761</b>	<b>25,061</b>
<i>Including unlisted bonds</i>	<i>359</i>		<i>359</i>	<i>369</i>	<i>409</i>	<i>414</i>	<i>541</i>	<i>541</i>
<b>Total trading account securities, securities available for sale and debt securities held to maturity <sup>(a)</sup>:</b>	<b>215,115</b>	<b>(933)</b>	<b>214,182</b>	<b>215,554</b>	<b>148,570</b>	<b>150,657</b>	<b>180,021</b>	<b>181,975</b>
<i>Including</i>								
Treasury bills and money market instruments	106,848	(177)	106,671	107,114	83,990	85,018	81,462	82,673
Bonds and other fixed income instruments	55,556	(551)	55,005	55,817	41,964	42,929	56,062	56,620
<i>Including unlisted bonds</i>	<i>3,405</i>	<i>(13)</i>	<i>3,392</i>	<i>3,422</i>	<i>2,452</i>	<i>2,465</i>	<i>3,212</i>	<i>3,225</i>
Equities and other variable income instruments	52,711	(205)	52,506	52,623	22,616	22,710	42,497	42,682
<i>Including unlisted equities</i>	<i>7,611</i>	<i>(7)</i>	<i>7,604</i>	<i>7,639</i>	<i>4,304</i>	<i>4,311</i>	<i>3,821</i>	<i>4,106</i>

(a) Mutual fund shares held by the BNP Paribas Group amounted to EUR 12,081 million at 31 December 2003 (EUR 4,437 million at 31 December 2002 and EUR 4,531 million at 31 December 2001). This amount includes EUR 11,777 million in growth funds, of which EUR 565 million incorporated in France (EUR 4,246 million in 2002 of which EUR 791 million incorporated in France and EUR 4,185 million in 2001 of which EUR 491 million incorporated in France).



Over the past three years, securities were reclassified among the various portfolios as follows:

Former classification	New classification	Amount transferred during the period (in millions of euros)		
		2003	2002	2001
Trading account securities	Securities available for sale	830	575	335
Securities available for sale	Debt securities held to maturity	5	270	9
Debt securities held to maturity	Securities available for sale	628	769	2 608

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 71 million at 31 December 2003 (versus net discounts of EUR 364 million at 31 December 2002 and net premiums of EUR 170 million at 31 December 2001). 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 49 million at 31 December 2003 (versus net discounts of EUR 181 million at 31 December 2002 and EUR 155 million at 31 December 2001).

Receivables corresponding to securities lent amounted to EUR 11,065 million at 31 December 2003 (EUR 5,051 million at 31 December 2002 and EUR 5,374 million at 31 December 2001).

Accrued interest on fixed income securities was EUR 601 million at 31 December 2003 (EUR 506 million at 31 December 2002 and EUR 657 million at 31 December 2001).

One of the Group subsidiaries engaged in trading and arbitraging on stock market indexes held 1,608,000 BNP Paribas SA shares at 31 December 2003, under trading account securities (note 22).

## Note 6

### INSURANCE COMPANY INVESTMENTS



In millions of euros, at 31 December	2003	2002	2001
Real estate	1,103	1,141	1,224
Equities, mutual funds and other variable income instruments	2,944	2,613	2,640
Bonds and other fixed income instruments	33,153	30,323	27,545
Admissible assets related to unit-linked business	22,530	20,734	23,010
Reinsurers' share of technical reserves	1,030	919	473
Other	648	629	573
Accrued interest	867	795	745
<b>Insurance company investments</b>	<b>62,275</b>	<b>57,154</b>	<b>56,210</b>

INVESTMENTS IN NON-CONSOLIDATED UNDERTAKINGS, OTHER PARTICIPATING INTERESTS AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT

In millions of euros, at 31 December	2003			2002		2001	
	Gross book value	Net book value	Market value	Net book value	Market value	Net book value	Market value
<b>Equity securities held for long-term investment</b>							
Unlisted securities	2,771	2,405	2,908	2,620	3,245	2,474	2,897
Listed securities	2,587	2,207	3,339	2,787	3,875	3,272	6,416
<b>Total equity securities held for long-term investment</b>	<b>5,358</b>	<b>4,612</b>	<b>6,247</b>	<b>5,407</b>	<b>7,120</b>	<b>5,746</b>	<b>9,313</b>
<b>Investments in non-consolidated undertakings and other participating interests <sup>(a)</sup> :</b>							
Investments in non-consolidated undertakings	1,240	842	947	887	1,032	832	887
Other participating interests							
Unlisted securities	867	730	808	1,116	1,482	1,390	1,949
Listed securities	805	588	1,097	3,869	3,743	805	1,025
<b>Total other participating interests</b>	<b>1,672</b>	<b>1,318</b>	<b>1,905</b>	<b>4,985</b>	<b>5,225</b>	<b>2,195</b>	<b>2,974</b>
<b>Total investments in non-consolidated undertakings and other participating interests</b>	<b>2,912</b>	<b>2,160</b>	<b>2,852</b>	<b>5,872</b>	<b>6,257</b>	<b>3,027</b>	<b>3,861</b>
<b>Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment</b>	<b>8,270</b>	<b>6,772</b>	<b>9,099</b>	<b>11,279</b>	<b>13,377</b>	<b>8,773</b>	<b>13,174</b>

(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.

Investment in non-consolidated credit institutions amounted to EUR 144 million at 31 December 2003 (EUR 144 million at 31 December 2002 and EUR 157 million at 31 December 2001). Participating interests in credit institutions amounted to EUR 467 million at 31 December 2003 (EUR 3,566 million at 31 December 2002 and EUR 508 million at 31 December 2001).

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 period-end market prices for listed securities, amounted to EUR 2,327 million at 31 December 2003 (EUR 2,098 million at 31 December 2002 and EUR 4,401 million at 31 December 2001).



## Note 7 (cont'd)

### INVESTMENTS IN NON-CONSOLIDATED UNDERTAKINGS, OTHER PARTICIPATING INTERESTS AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT



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 2002 <sup>(a)</sup>	2002 consolidated net income (loss)	Net book value in the BNP Paribas Group accounts
<b>Interests representing less than 5% of the investee's share capital</b>					
Axa	1.11	Paris	23,711	949	265
Véolia Environnement	2.79	Paris	6,330	339	214
Total	0.23	La Défense	32,146	5,941	194
Vivendi Universal	0.74	Paris	14,020	(23,301)	128
Peugeot	1.53	Paris	10,984	1,690	114
Shinhan Financial Group	4.60	Seoul (South Korea)	2,923	508	138
Schneider Electric	2.03	Boulogne-Billancourt	7,785	422	127
Sagem	3.95	Paris	1,277	77	106
<b>Interests representing between 5% and 10% of the investee's share capital</b>					
Tyler Trading Inc.	6.65	Wilmington (USA)	2,013	5	318
Bouygues Telecom	6.41	Issy-les-Moulineaux (France)	1,350	129	171
Cassa di Risparmio di Firenze	6.99	Florence (Italy)	915	83	118
<b>Interests representing more than 10% of the investee's share capital</b>					
Pargesa Holding	14.63	Genève (Switzerland)	3,371	(91)	356
Erbe SA	43.83	Gerpennes (Belgium)	672	25	335
ABN Amro Advisory Inc.	19.35	Chicago (USA)	1,503	34	239
Eiffage	29.39	Issy-les-Moulineaux (France)	904	126	166
Crédit Logement	32.98	Paris	942	44	186
<b>Interest in an investment fund</b>					
PAI Europe III	13.49	Paris	N/A	N/A	109

(a) According to French accounting standards, including net income/(loss)



In millions of euros	2003	2002	2001
<b>At 1 January</b>	<b>13,029</b>	<b>13,171</b>	<b>12,542</b>
Net additions during the period	1,379	1,532	1,366
Write-offs during the period covered by provisions	(1,724)	(1,470)	(1,230)
Translation adjustments and other changes	(979)	(204)	493
<b>At 31 December</b>	<b>11,705</b>	<b>13,029</b>	<b>13,171</b>
Breakdown of provisions:			
- Provisions deducted from assets:			
• On interbank items <sup>(a)</sup>	256	416	379
• On customer items (note 4)	9,506	10,347	10,484
• On securities <sup>(a)</sup>	746	1,009	1,117
Total provisions deducted from assets	10,508	11,772	11,980
<i>Including provisions for country risks</i>	<i>1,481</i>	<i>2,119</i>	<i>2,271</i>
-Provisions recorded under liabilities (note 19):			
• To cover off balance sheet commitments	505	570	621
• To cover credit risks	692	469	352
• To cover industry risks	-	218	218
Total provisions recorded under liabilities	1,197	1,257	1,191
<i>Including provisions for country risks</i>	<i>314</i>	<i>309</i>	<i>434</i>
<b>Total provisions for credit risks and country risks</b>	<b>11,705</b>	<b>13,029</b>	<b>13,171</b>

*(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 1,795 million at 31 December 2003 (EUR 2,428 million at 31 December 2002 and EUR 2,705 million at 31 December 2001).

## Note 8 (cont'd)

### PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS



In millions of euros	2003	2002	2001
<b>Additions to provisions for credit risks and country risks:</b>			
• Customer and interbank items	2,278	2,533	2,423
• Off balance sheet commitments	51	93	43
• Securities	214	87	173
• Other credit risks	367	112	72
<b>Total additions to provisions for credit risks and country risks</b>	<b>2,910</b>	<b>2,825</b>	<b>2,711</b>
<b>Recoveries of provisions for credit risks and country risks:</b>			
• Customer and interbank items	(1,137)	(1,024)	(856)
• Off balance sheet commitments	(38)	(38)	(44)
• Securities	(226)	(132)	(181)
• Other credit risks	(130)	(99)	(264)
<b>Total recoveries of provisions for credit risks and country risks</b>	<b>(1,531)</b>	<b>(1,293)</b>	<b>(1,345)</b>
<b>Net additions to provisions for credit risks and country risks</b>	<b>1,379</b>	<b>1,532</b>	<b>1,366</b>
Write-offs not covered by provisions	187	146	130
Recoveries of amounts written off	(104)	(101)	(95)
Elimination of net addition to provisions for interest in arrears recorded under net banking income	(101)	(107)	(89)
<b>Net charge for the period for credit risks and country risks</b>	<b>1,361</b>	<b>1,470</b>	<b>1,312</b>
<i>Including:</i>			
• <i>Net charge to provisions for specific credit risks</i>	<i>1,727</i>	<i>1,555</i>	<i>1,351</i>
• <i>Net recovery of provisions for country risks</i>	<i>(366)</i>	<i>(85)</i>	<i>(39)</i>

As mentioned in note 1 concerning Accounting Policies, in 2003 EUR 273 million of provisions for country risks were reclassified under provisions for specific risks.



**INVESTMENTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD**

In millions of euros, at 31 December 2003	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 2003 net income (loss) (based on voting interest)	Total	
<b>Financial institutions:</b>				
<i>Credit institutions</i>	480	53	533	334
Cofinoga	211	42	253	130
Société de paiement Pass	80	18	98	36
CIG	44	16	60	13
Servicios Financieros Carrefour EFC SA	52	8	60	87
BNP Private Banking Japan	18	(3)	15	20
Cetelem Capital Co Ltd (Korea)	24	(24)	0	0
Other	51	(4)	47	48
<i>Other financial institutions</i>	875	28	903	515
Finaxa	815	11	826	437
Centro Leasing SPA	43	6	49	37
CCAC Brazil	23	11	34	38
Groupe Cetelem (Cofidis Belgique et Espagne)	(9)	0	(9)	0
Other	3	0	3	3
<b>Total financial institutions</b>	<b>1,355</b>	<b>81</b>	<b>1,436</b>	<b>849</b>
<b>Other companies:</b>				
<i>Insurance companies:</i>	55	4	59	41
Axa Ré Finance	38	5	43	41
Other	17	(1)	16	0
<i>Other companies:</i>	90	46	136	148
Laser	28	5	33	53
Fischer Francis Trees and Watts	2	6	8	73
Other	60	35	95	22
<b>Total other companies</b>	<b>145</b>	<b>50</b>	<b>195</b>	<b>189</b>
<b>Total investments in companies carried under the equity method</b>	<b>1,500</b>	<b>131</b>	<b>1,631</b>	<b>1,038</b>



## Note 10

### LONG-TERM INVESTMENTS



In millions of euros	Cost at 1 January 2003	Acquisitions	Redemptions and disposals	Transfers et other movements	Cost at 31 Dec. 2003	Provisions at 1 Jan. 2003	Additions to provisions	Recoveries of provisions	Other provision movements	Provisions at 31 Dec. 2003	Net book value at 31 Dec. 2003	Net book value at 31 Dec. 2002
Debt securities held to maturity (note 5)	29,960	31,587	(28,231)	(2,351)	30,965	(62)	-	-	17	(45)	30,920	29,898
Investments in non-consolidated undertakings and other participating interests (note 7)	6,890	325	(4,259)	(44)	2,912	(1,018)	(176)	409	33	(752)	2,160	5,872
Equity securities held for long-term investment (note 7)	6,175	438	(920)	(335)	5,358	(768)	(255)	225	52	(746)	4,612	5,407
Investments in companies carried under the equity method (note 9)	1,795			(164)	1,631						1,631	1,795
<b>Total long-term investments</b>	<b>44,820</b>	<b>32,350</b>	<b>(33,410)</b>	<b>(2,894)<sup>(a)</sup></b>	<b>40,866</b>	<b>(1,848)</b>	<b>(431)</b>	<b>634</b>	<b>102</b>	<b>(1,543)</b>	<b>39,323</b>	<b>42,972</b>

(a) Including translation adjustment of EUR (2,080) million.



In millions of euros, at 31 December	2003			2002	2001
	Gross	Depreciation amortisation and provisions	Net	Net	Net
<b>Intangible assets:</b>					
- Computer software	1,615	(917)	698	538	267
- Other intangible assets	1,004	(215)	789	749	464
<b>Total intangible assets</b>	<b>2,619</b>	<b>(1,132)</b>	<b>1,487</b>	<b>1,287</b>	<b>731</b>
<b>Tangible assets:</b>					
- Land and buildings	3,321	(1,198)	2,123	2,076	2,099
- Rental properties (land and buildings)	3,976	(579)	3,397	3,062	2,637
- Equipment, furniture and fixtures	4,095	(2,495)	1,600	1,695	1,702
- Other fixed assets	401		401	520	345
<b>Total tangible assets</b>	<b>11,793</b>	<b>(4,272)</b>	<b>7,521</b>	<b>7,353</b>	<b>6,783</b>
<b>Total tangible and intangible assets</b>	<b>14,412</b>	<b>(5,404)</b>	<b>9,008</b>	<b>8,640</b>	<b>7,514</b>

## 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 an EUR 80 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 2003, non-operating land and buildings, including assets leased under operating leases, amounted to EUR 3,454 million (EUR 3,122 million at 31 December 2002 and EUR 2,729 million at 31 December 2001). The total includes shopping centres acquired for rental.

## DEPRECIATION, AMORTISATION AND PROVISIONS

The charge for depreciation, amortisation and provisions recorded in 2003 amounted to EUR 758 million (EUR 618 million in 2002 and EUR 577 million in 2001).



In millions of euros	2003	2002	2001
<b>Net amount at 1 January</b>	<b>6,547</b>	<b>4,489</b>	<b>2,540</b>
Goodwill on acquisitions made during the year	50	2,988	2,273
Translation adjustment	(559)	(397)	4
Amortisation for the year	(417)	(388)	(206)
Exceptional amortisation of goodwill	(43)	(145)	(122)
<b>Unamortised goodwill at 31 December</b>	<b>5,578</b>	<b>6,547</b>	<b>4,489</b>

Net amortisation of goodwill totalled EUR 399 million for 2003 (EUR 366 million for 2002 and EUR 188 million for 2001), after deducting EUR 18 million in amortisation of negative goodwill (EUR 22 million in 2002 and EUR 18 million in 2001). Exceptional amortisation of goodwill on investments sold includes EUR 43 million (EUR 95 million in 2002 and EUR 101 million in 2001) corresponding to goodwill recorded on acquisition of minority interests in the Cobepa sub-group. An additional EUR 50 million in amortisation was recorded in 2002

to take account of the decrease in unrealised gains. The exceptional amortisation was deducted from "Gains (losses) on disposals of long-term investments and changes in provisions" (note 37).

Badwill amounted to EUR 18 million at 31 December 2003 (EUR 22 million at 31 December 2002 and EUR 25 million at 31 December 2001), including EUR 15 million concerning Finaxa.



**Note 13**  
ACCRUED INCOME AND OTHER ASSETS

In millions of euros, at 31 December	2003	2002	2001
<b>Accrued income and other adjustment accounts</b>			
Valuation adjustment accounts <sup>(a)</sup>	13,853	20,228	17,519
Accrued income	5,419	5,331	10,271
Collection accounts	2,845	3,488	7,816
Other adjustment accounts <sup>(b)</sup>	6,707	9,501	11,195
<b>Total accrued income and other adjustment accounts</b>	<b>28,824</b>	<b>38,548</b>	<b>46,801</b>
<b>Other assets</b>			
Premiums on purchased options	42,185	36,328	68,290
Settlement accounts related to securities transactions	5,067	3,655	10,831
Investments in Codevi "industrial development" securities	3,716	3,702	3,275
Deferred tax assets	853	975	1,032
Other insurance company assets	1,142	931	807
Other	11,633	10,458	10,351
<b>Total other assets</b>	<b>64,596</b>	<b>56,049</b>	<b>94,586</b>
<b>Total accrued income and other assets</b>	<b>93,420</b>	<b>94,597</b>	<b>141,387</b>

*(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 ITEM AND MONEY MARKET SECURITIES



In millions of euros, at 31 December	2003	2002	2001
<b>Interbank and money market items</b>			
Demand accounts	5,027	8,859	20,027
Time deposits and borrowings	61,740	52,808	73,404
Securities and bills sold outright or under repurchase agreements:			
• Securities given under repurchase agreements	122,258	113,552	126,128
• Bills sold outright or under repurchase agreements	2,229	2,686	737
Total securities and bills sold outright or under repurchase agreements	124,487	116,238	126,865
<b>Total interbank and money market items</b>	<b>191,254</b>	<b>177,905</b>	<b>220,296</b>
<b>Debt securities issued to credit institutions</b>			
Interbank market securities	1,025	1,025	1,670
<b>Total interbank items and money market securities</b>	<b>192,279</b>	<b>178,930</b>	<b>221,966</b>
<i>Including accrued interest</i>	<i>1,785</i>	<i>2,273</i>	<i>3,152</i>

Interbank demand deposits amounted to EUR 4,906 million at 31 December 2003 (EUR 8,465 million at 31 December 2002 and EUR 19,572 million at 31 December 2001).



In millions of euros, at 31 December	2003	2002	2001
<b>Customer deposits:</b>			
Demand accounts	69,464	70,950	64,742
Time accounts	68,899	72,150	93,455
Regulated savings accounts	36,622	31,113	29,662
Repurchase agreements:			
Securities given under repurchase agreements	35,475	20,819	27,996
Bills sold outright or under repurchase agreements	161	537	241
Total securities and bills sold outright or under repurchase agreements	35,636	21,356	28,237
<b>Total customer deposits</b>	<b>210,621</b>	<b>195,569</b>	<b>216,096</b>
<b>Bonds and negotiable short-term debt instruments:</b>			
Negotiable certificates of deposit	67,014	64,913	63,575
Retail certificates of deposit	4,933	6,708	6,771
<b>Total bonds and negotiable short-term debt instruments</b>	<b>71,947</b>	<b>71,621</b>	<b>70,346</b>
<b>Total customer deposits, negotiable certificates of deposit and retail certificates of deposit</b>	<b>282,568</b>	<b>267,190</b>	<b>286,442</b>
<i>Including accrued interest</i>	<i>648</i>	<i>968</i>	<i>1,426</i>

Regulated demand savings deposits, including savings collected for investment, totalled EUR 18,272 million at 31 December 2003 (EUR 14,515 million at 31 December 2002 and EUR 13,599 million at 31 December 2001).

Other customer demand deposits amounted to EUR 76,701 million at 31 December 2003 (EUR 74,542 million at 31 December 2002 and EUR 74,628 million at 31 December 2001).



The following table shows bonds issued by the Group by currency, contractual interest rate and maturity:

Issuing currency in millions of euros	Average interest rate	Balance outstanding at 31/12/2003	Maturity						
			2004	2005	2006	2007	2008	2009 to 2013	Beyond 2013
Eurozone issues	Variable	1,939	225	266	812	5	600	31	
	6.10%	7,693	647	549	1,741	1,246	577	2,523	410
US dollar issues	4.34%	488							488
Issues in other currencies	Variable	45			32		13		
	6.31%	36	2		16	18			
<b>Total bonds issued</b>		<b>10,201</b>	<b>874</b>	<b>815</b>	<b>2,601</b>	<b>1,269</b>	<b>1,190</b>	<b>2,554</b>	<b>898</b>
<b>BNP Paribas Group bonds held by consolidated companies</b>		<b>(447)</b>							
Total BNP Paribas Group bonds outstanding		9,754							
Accrued interest		198							
<b>Total bond issues</b>		<b>9,952</b>							

Unamortised premiums on the above issues, corresponding to the difference between the issue proceeds and the redemption price, amounted to EUR 163 million at

31 December 2003 (EUR 158 million at 31 December 2002 and EUR 97 million at 31 December 2001).



## Note 17

### TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros, at 31 December	2003	2002	2001
Life technical reserves	35,910	32,684	29,219
Technical reserves – unit-linked business	22,554	21,047	23,364
Non-life technical reserves	1,694	1,409	1,209
Policyholders' surplus	1,139	1,048	1,129
Accrued interest	511	338	284
<b>Total technical reserves</b>	<b>61,808</b>	<b>56,526</b>	<b>55,205</b>

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 615 million at 31 December 2003, EUR 547 million at 31 December 2002 and EUR 656 million at 31 December 2001).

## Note 18

### ACCRUALS AND OTHER LIABILITIES

In millions of euros, at 31 December	2003	2002	2001
<b>Accruals:</b>			
Accrued liabilities	4,459	5,060	8,977
Valuation adjustment accounts <sup>(a)</sup>	14,528	20,617	17,682
Collection accounts	2,923	2,066	1,675
Other accruals	8,585	4,806	8,186
<b>Total accruals</b>	<b>30,495</b>	<b>32,549</b>	<b>36,520</b>
<b>Other liabilities:</b>			
Settlement accounts related to securities transactions	6,938	4,966	12,284
Liabilities related to written options	43,634	37,782	68,969
Liabilities related to securities transactions	88,430	57,471	59,912
Deferred tax liabilities	1,417	1,685	1,734
Other insurance liabilities	418	494	337
Other payables and liabilities	13,488	10,889	19,468
<b>Total other liabilities</b>	<b>154,325</b>	<b>113,287</b>	<b>162,704</b>
<b>Total accruals and other liabilities</b>	<b>184,820</b>	<b>145,836</b>	<b>199,224</b>

*(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	2003	2002	2001
Provisions for pensions and other post-employment benefits (note 27)	1,467	1,245	1,329
Provisions for credit risks and equivalents (note 8)	692	469	352
Provisions for industry risks (note 8)	-	218 <sup>(a)</sup>	218
Provisions for off balance sheet commitments (note 8):			
• credit risks	191	261	187
• country risks	314	309	434
Restructuring (note 41)	80	178	321
Other provisions	1,301	1,464	2,012
<b>Total provisions for contingencies and charges</b>	<b>4,045</b>	<b>4,144</b>	<b>4,853</b>

(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.

Off balance sheet credit risks covered by provisions amounted to EUR 983 million at 31 December 2003 (EUR 1,222 million at 31 December 2002 and EUR 976 million at 31 December 2001).

At 31 December 2003, other provisions for contingencies and charges break down as follows:

In millions of euros	1 January 2003	Additions	Reversals	Other	31 December 2003
<b>Provisions set up in connection with banking and banking-related transactions</b>		<b>231</b>	<b>(331)</b>	<b>28</b>	<b>539</b>
• Provisions for contingencies related to capital markets transactions	216	153	(175)	(7)	187
• Provisions for potential losses on long-term investments	181	31	(25)	7	194
• Other provisions related to banking transactions	214	47	(131)	28	158
<b>Provisions not set up in connection with banking or banking-related transactions</b>		<b>230</b>	<b>(339)</b>	<b>18</b>	<b>762</b>
<b>Total other provisions for contingencies and charges</b>	<b>1,464</b>	<b>461</b>	<b>(670)</b>	<b>46</b>	<b>1,301</b>



In millions of euros, at 31 December	2003	2002	2001
<b>Subordinated medium- and long-term debt</b>	<b>11,112</b>	<b>11,776</b>	<b>10,257</b>
<b>Undated subordinated debt:</b>			
Undated participating subordinated notes	312	343	344
Other undated floating-rate subordinated notes:			
In foreign currencies	707	849	1,041
In euros	290	305	305
<b>Total undated floating rate subordinated notes</b>	<b>997</b>	<b>1,154</b>	<b>1,346</b>
Undated notes	412	629	762
<b>Total undated subordinated debt</b>	<b>1,721</b>	<b>2,126</b>	<b>2,452</b>
<b>Total subordinated debt issued by BNP Paribas Group</b>	<b>12,833</b>	<b>13,902</b>	<b>12,709</b>
Accrued interest	393	381	329
<b>Total</b>	<b>13,226</b>	<b>14,283</b>	<b>13,038</b>

## 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 2003, subordinated medium- and long-term debt broke down as follows by maturity and by currency:

Issuing currency	Total	Maturity						
		2004	2005	2006	2007	2008	2009 to 2013	Beyond 2013
Subordinated medium-and long-term debt:								
• In euros	6,976	704	258	290	486	959	2,823	1,456
• In US dollars	3,287		60	179	477		1,776	795
• In other currencies	849	48	112		78	52	47	512
<b>Total subordinated medium-and long-term debt</b>	<b>11,112</b>	<b>752</b>	<b>430</b>	<b>469</b>	<b>1,041</b>	<b>1,011</b>	<b>4,646</b>	<b>2,763</b>



## 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.

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 843 million at 31 December 2003 (EUR 997 million at 31 December 2002 and EUR 1,007 million at 31 December 2001). In 2003, EUR 147 million was deducted

from the reserve for general banking risks to reflect exceptional additions to "Provisions for employee benefits" during the year (see note 38).



## RETAINED EARNINGS

In millions of euros	Capital	Additional paid-in capital in excess of par
<b>Balance at 1 January 2001</b>	<b>1,792</b>	<b>10,962</b>
Operations affecting capital in 2001:		
• cancellation of shares held by BNP Paribas	(36)	(752)
• share issues	16	266
Cancellation of contingent value rights certificates held by BNP Paribas		
Issue of preferred shares		
Buyout of minority interests in subsidiaries		
Minority interests in newly-acquired companies		
BNP Paribas SA shares held pursuant to the 5th resolution of the Annual Shareholders' Meetings of 23 May and 15 May 2001 and contingent value rights certificates bought back during the period		
Translation adjustment		
Effect of changes of accounting methods in connection with the application of standard CRC 00-05 concerning the financial statements of insurance companies		
Other		
2001 consolidated net income		
<b>Balance at 31 December 2001 before appropriation of income</b>	<b>1,772</b>	<b>10,476</b>
Cash dividend		
<b>Balance at 1 January 2002</b>	<b>1,772</b>	<b>10,476</b>
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 5 <sup>th</sup> resolution of the Annual Shareholders' Meetings of 23 May 2000 and 15 May 2001		
Translation adjustment		
Other		
2002 consolidated net income		
<b>Balance at 31 December 2002 before appropriation of income</b>	<b>1,790</b>	<b>10,804</b>
2002 cash dividend		
<b>Balance at 1 January 2003</b>	<b>1,790</b>	<b>10,804</b>
Operations affecting capital in 2003:		
Share issues	16	213
Issue of preferred shares		
BNP Paribas SA shares held pursuant to the 6 <sup>th</sup> 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		
2003 consolidated net income		
<b>Balance at 31 December 2003 before appropriation of income</b>	<b>1,806</b>	<b>11,017</b>





**RETAINED EARNINGS**

Capital gain on restructuring and revaluation surplus	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 attribution to BNP Paribas Group	Minority interests	Total consolidated shareholders' equity
375	(45)	9,163	(1,602)	7,891	20,645	2,653	23,298
			788	788			282
		(147)	83	(64)	282		(64)
					(64)	850	850
						(852)	(852)
						150	150
		(41)	(204)	(245)	(245)		(245)
	(48)			(48)	(48)	32	(16)
		(2)		(2)	(2)		(2)
5		19		24	24	20	44
		4,018		4,018	4,018	226	4,244
<b>380</b>	<b>(93)</b>	<b>13,010</b>	<b>(935)</b>	<b>12,362</b>	<b>24,610</b>	<b>3,079</b>	<b>27,689</b>
		(1,039)		(1,039)	(1,039)	(140)	(1,179)
<b>380</b>	<b>(93)</b>	<b>11,971</b>	<b>(935)</b>	<b>11,323</b>	<b>23,571</b>	<b>2,939</b>	<b>26,510</b>
					346		346
		(226)	161	(65)	(65)		(65)
						1,276	1,276
		(50)	(329)	(379)	(379)		(379)
	(342)			(342)	(342)	(203)	(545)
(3)		22		19	19	180	199
		3,295		3,295	3,295	343	3,638
<b>377</b>	<b>(435)</b>	<b>15,012</b>	<b>(1,103)</b>	<b>13,851</b>	<b>26,445</b>	<b>4,535</b>	<b>30,980</b>
		(1,040)		(1,040)	(1,040)	(284)	(1,324)
<b>377</b>	<b>(435)</b>	<b>13,972</b>	<b>(1,103)</b>	<b>12,811</b>	<b>25,405</b>	<b>4,251</b>	<b>29,656</b>
					229		229
						700	700
		(94)	(802)	(896)	(896)		(896)
	(167)			(167)	(167)	(284)	(451)
		(33)		(33)	(33)		(33)
(3)		25		22	22	12	34
		3,761		3,761	3,761	340	4,101
<b>374</b>	<b>(602)</b>	<b>17,631</b>	<b>(1,905)</b>	<b>15,498</b>	<b>28,321</b>	<b>5,019</b>	<b>33,340</b>



## **OPERATIONS INVOLVING SHARE CAPITAL IN 2001, 2002 AND 2003**

### **OPERATIONS AFFECTING CAPITAL IN 2001**

#### **Capital Reduction**

Pursuant to authorisations granted by the fifth and twenty-second resolutions of the Shareholders' Meeting of 23 May 2000, the Board of Directors decided on 6 March 2001 to cancel by way of a reduction of capital 9,000,000 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 authorisation received from the Shareholders' Meeting of 15 May 2001, the Board of Directors decided on 6 March 2001 and 15 May 2001, to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 26 June 2001, the mutual fund subscribed 3,361,921 ordinary shares with a par value of EUR 4 for this purpose. In addition, during 2001, BNP Paribas employees subscribed 417,720 shares with rights from 1 January 2000 under the stock option plan.

At 31 December 2001, the capital of BNP Paribas SA consisted of 442,985,696 fully-paid ordinary shares with a par value of EUR 4.

During 2001, employees also subscribed 325,801 shares with a par value of EUR 4 and with rights from 1 January 2001 under the stock option plan. The corresponding capital increase was carried out on 17 January 2002.

### **OPERATIONS AFFECTING CAPITAL IN 2002**

#### **Share-Split**

In accordance with the authorisation received from the Shareholders' Meeting of 15 May 2001 (12<sup>th</sup> 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.



### **ANALYSIS OF ADDITIONAL PAID-IN CAPITAL IN EXCESS OF PAR**

In 2001, additional paid-in capital in excess of par was reduced by EUR 752 million as a result of the cancellation of 9,000,000 shares, and increased by EUR 266 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In 2002, this item 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.

Additional paid-in capital in excess of par also includes a capital gain on real estate restructuring of EUR 283 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' Meetings of 31 May 2002 and 14 May 2003, 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 2003, the BNP Paribas Group held 46,426,443 BNP Paribas shares representing an amount of EUR 1,985 million, including 44,818,443 shares representing EUR 1,905 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
<b>Shares held at 31 December 2001</b>	<b>8,808,175</b>	<b>774</b>	<b>75,450</b>	<b>7</b>	<b>8,883,625</b>	<b>781</b>
Two-for-one share-split	8,808,175		75,450		8,883,625	-
Shares acquired pursuant to shareholder authorisations	12,663,315	436			12,663,315	436
Other movements	(2,385,212)	(107)	215,100	7	(2,170,112)	(100)
<b>Shares held at 31 December 2002</b>	<b>27,894,453</b>	<b>1,103</b>	<b>366,000</b>	<b>14</b>	<b>28,260,453</b>	<b>1,117</b>
Shares acquired pursuant to shareholder authorisations	22,547,920	1,061			22,547,920	1,061
Other movements	(5,623,930)	(259)	1,242,000	66	(4,381,930)	(193)
<b>Shares held at 31 December 2003</b>	<b>44,818,443</b>	<b>1,905</b>	<b>1,608,000</b>	<b>80</b>	<b>46,426,443</b>	<b>1,985</b>



## Note 23

### OFF BALANCE SHEET COMMITMENT



In millions of euros, at 31 December	2003	2002	2001
<b>FINANCING COMMITMENTS GIVEN AND RECEIVED</b>			
<b>Financing commitments given:</b>			
To credit institutions	25,451	16,310	9,177
On behalf of customers:			
- Confirmed letters of credit			
• Documentary credits	14,500	16,326	6,911
• Other confirmed letters of credit	86,686	49,019	53,878
- Other commitments given on behalf of customers	29,650	58,743	62,963
	<b>130,836</b>	<b>124,088</b>	<b>123,752</b>
<b>Total financing commitments given</b>	<b>156,287</b>	<b>140,398</b>	<b>132,929</b>
<b>Roll-over (standby) commitments received:</b>			
From credit institutions	41,217	19,040	13,530
On behalf of customers	2,759	2,496	8,825
<b>Total financing commitments received</b>	<b>43,976</b>	<b>21,536</b>	<b>22,355</b>
<b>GUARANTEES AND ENDORSEMENTS GIVEN AND RECEIVED</b>			
<b>Guarantees and endorsements given:</b>			
To credit institutions			
- Confirmed documentary credits	1,382	2,035	997
- Other	3,865	4,812	6,585
	<b>5,247</b>	<b>6,847</b>	<b>7,582</b>
On behalf of customers			
- Guarantees and endorsements:			
• Real estate guarantees	862	883	1,314
• Administrative and tax guarantees	7,038	7,361	6,841
• Other	6,111	6,179	5,016
- Other guarantees given on behalf of customers	37,607	38,956	59,190
	<b>51,618</b>	<b>53,379</b>	<b>72,361</b>
<b>Total guarantees and endorsements given</b>	<b>56,865</b>	<b>60,226</b>	<b>79,943</b>
<b>Guarantees and endorsements received:</b>			
From credit institutions	21,633	23,362	16,767
On behalf of customers			
- Guarantees received from government administrations	2,392	1,895	5,687
- Guarantees received from financial institutions	478	299	1,020
- Other guarantees received	18,448	18,268	18,802
<b>Total guarantees and endorsements received from customers</b>	<b>21,318</b>	<b>20,462</b>	<b>25,509</b>
<b>Total guarantees and endorsements received</b>	<b>42,951</b>	<b>43,824</b>	<b>42,276</b>
<b>COMMITMENTS GIVEN AND RECEIVED ON SECURITIES</b>			
Securities to be received	7,735	14,904	10,909
Securities sold under repurchase agreements to be received <sup>(a)</sup>	117	133	181
<b>Total securities to be received</b>	<b>7,852</b>	<b>15,037</b>	<b>11,090</b>
<b>Total securities to be delivered</b>	<b>7,389</b>	<b>7,960</b>	<b>9,216</b>

(a) Receipt of these securities is contingent upon exercise of the repurchase option.



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	2003			2002		
	Hedging transactions	Position management	Total	Hedging transactions	Position management	Total
<b>Forward contracts</b>	<b>268,731</b>	<b>14,481,754</b>	<b>14,750,485</b>	<b>836,631</b>	<b>10,829,381</b>	<b>11,666,012</b>
On organised exchanges	18,050	7,217,623	7,235,673	448,558	3,961,047	4,409,605
- Interest rate contracts	7,253	7,178,284	7,185,537	443,010	3,924,745	4,367,755
- Foreign exchange contracts	10,411	9,864	20,275	5,547	20,402	25,949
- Financial assets contracts	386	29,475	29,861	1	15,900	15,901
Over-the-counter	250,681	7,264,131	7,514,812	388,073	6,868,334	7,256,407
- Forward rate agreements (FRAs)	13,413	529,224	542,637	4,687	393,594	398,281
- Interest rate swaps	112,179	5,145,442	5,257,621	229,642	5,122,145	5,351,787
- Currency swaps	61,497	508,927	570,424	68,313	445,905	514,218
- Forward currency swaps	62,323	906,114	968,437	82,309	785,725	868,034
- Other forward contracts	1,269	174,424	175,693	3,122	120,965	124,087
<b>Options</b>	<b>40,043</b>	<b>3,566,281</b>	<b>3,606,324</b>	<b>44,089</b>	<b>2,249,741</b>	<b>2,293,830</b>
On organised exchanges	1,046	1,933,578	1,934,624	622	831,863	832,485
Interest rate options	17	1,748,719	1,748,736	10	266,178	266,188
- purchased	17	886,151	886,168	10	115,450	115,460
- sold		862,568	862,568		150,728	150,728
Currency options	896		896		2,167	2,167
- purchased	787		787		1,104	1,104
- vendues	109		109		1,063	1,063
Other options	133	184,859	184,992	612	563,518	564,130
- purchased	10	114,678	114,688	286	258,400	258,686
- sold	123	70,181	70,304	326	305,118	305,444
Over-the-counter	38,997	1,632,703	1,671,700	43,467	1,417,878	1,461,345
Caps and floors	15,396	393,432	408,828	10,561	490,127	500,688
- purchased	8,053	174,497	182,550	7,150	234,721	241,871
- sold	7,343	218,935	226,278	3,411	255,406	258,817
Swaptions and options (interest rate, currency and other)	23,601	1,239,271	1,262,872	32,906	927,751	960,657
- purchased	11,670	572,880	584,550	20,163	405,862	426,025
- sold	11,931	666,391	678,322	12,743	521,889	534,632
<b>Total forward and options contracts</b>	<b>308,774</b>	<b>18,048,035</b>	<b>18,356,809</b>	<b>880,720</b>	<b>13,079,122</b>	<b>13,959,842</b>

The nominal amounts of the contracts shown above should be construed as indicators of the BNP Paribas Group's activity on the financial instruments markets and not as indicators of the market risks arising on these instruments.

At 31 December 2003, the forwards and options contracts item included EUR 141,555 million in credit derivatives (EUR 80,711 million purchased and EUR 60,844 million sold)



### 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 2003. 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

31 December 2003 (in millions of euros)					
By type of counterparty	Gross replacement cost	Net replacement cost	Collateral	Net value after collateral	Weighted risks equivalent
Sovereign exposure	1,174	851		851	
Risk exposure on banks in zone A <sup>(a)</sup>	104,703	18,206	7,173	11,032	8,016
Risk exposure on banks in zone B <sup>(a)</sup> and non-banking counterparties	15,593	8,195	1,217	6,979	6,677
<b>Total</b>	<b>121,470</b>	<b>27,252</b>	<b>8,390</b>	<b>18,862</b>	<b>14,693</b>
By credit rating (Standard & Poor's)		Net replacement cost	Collateral	Net value after collateral	Weighted risks equivalent
AAA – AA		8,537	2,312	6,225	3,874
A		3,081	1,624	1,457	1,831
BBB		10,139	3,329	6,810	5,273
BB or lower		2,616	1,039	1,577	1,749
Not rated		2,879	86	2,793	1,966
<b>Total</b>		<b>27,252</b>	<b>8,390</b>	<b>18,862</b>	<b>14,693</b>

(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.

At 31 December 2003, the weighted risk equivalent of OTC forward and options contracts represented 0.17% of

the sum of the notional amounts, excluding written options, unchanged compared with 31 December 2002.

Maturity	Notional amount by remaining term (in %)			Total
	Within 1 year	After 1 year but within 5 years	After 5 years	
Interest rate instruments	39%	28%	17%	84%
Currency instruments and other contracts	9%	6%	1%	16%
<b>Total</b>	<b>48%</b>	<b>34%</b>	<b>18%</b>	<b>100%</b>



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, de diversification du risque induits ;

- 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 2003, the total average Value at Risk amounted to EUR 112 million (with a minimum of EUR 51 million and a maximum of EUR 307 million), taking into account the EUR 74 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 2003			31 December 2003	31 December 2002	31 December 2001
	Average	Minimum	Maximum			
Interest rate risk	123	62	292	92	77	112
Equity risk	47	22	109	43	86	30
Currency risk	6	3	15	9	8	25
Commodity risk	10	5	16	6	7	3
<i>Netting effect</i>	<i>(74)</i>			<i>(81)</i>	<i>(91)</i>	<i>(54)</i>
<b>Total</b>	<b>112</b>			<b>69</b>	<b>87</b>	<b>116</b>





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 2003, three non-consolidated multiseller conduits (Eliopée, Thésée and Starbird) 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 333 million and has also granted liquidity lines totalling EUR 7,403 million to these entities.

At 31 December 2003, 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 2003, the Group had set up liquidity lines totalling EUR 171 million for three of the funds (BEI-Iris 4, Tiepolo Finance and Telecom Italia SV), representing EUR 1,112 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 Centreleasing 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 99-07, 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 2003 (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 Dec. 2003	Gross amount of guarantees at 31 Dec. 2003
Cetelem (France)	Noria 3	1997	2004	38	3.4
	Master Noria	1998	2006	597	21.1
UCB (France)	Domos 1 à 5	1994-1999	2004-2011	721	32.0
	Master Domos	1999	2012	1,694	38.3
Findomestic (Italy)	Findomestic	2000	2005	336	-
	MasterDolfin	2003	2008	350	12.0
UCI (Spain)	UCI 2 à 9	1995-2003	2004-2017	2,200	27.9
Centro Leasing (Italy)	Ponte Vecchio Finance	2002	2007	573	-
	Ponte Vecchio Finance 2	2003	2010	431	-

At 31 December 2003, 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 15 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 2003	Gross risk retained by the Group <sup>(1)</sup>	Provisions and losses in 2003 <sup>(2)</sup>	Accumulated provisions and losses et 31 December 2003
Olan 1,2 (France)	1999/2000	2004/2005	5,201	104.0	42.7	63.1
Falcon (USA)	2000	2005	4,115	107.0	39.2	77.7
Euroliberté (France)	2001	2008	3,215	139.8	17.9	17.9
Condor (USA)	2001	2006	2,280	103.8	-	-
Jules Vernes (USA)	2002	2006	671	35.8	-	-

(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.



• 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. Funding for the ex-BNP employees' pension fund is provided by transfers from its existing reserves and reserves that will steadily become eligible for allocation (approximately EUR 91 million at 31 December 2003), and by the annual employers' contributions paid contractually by BNP in France, which are limited to 4% of payroll costs. At 31 December 2002, the pension fund for Paribas employees had reserves of EUR 285 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, Luxembourg)..

Other plans are wholly funded through insurance companies (Spain) 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 102 million at 31 December 2003, net of EUR 8 million in amortisation for the year. EUR 91 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 and Australia). 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 2003, 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 post-retirement benefit obligations in France and other countries amounted to EUR 1,467 million at 31 December 2003.



In millions of euros, at 31 December	Maturity					Total
	Demand and overnight	Maturing within 3 months	Maturing after 3 months but within 1 year	Maturing after 1 but within 5 years	Maturing after 5 years	
<b>LOANS (GROSS)</b>						
<b>Interbank and money market items (note 3)</b>	<b>54,333</b>	<b>180,890</b>	<b>19,508</b>	<b>9,589</b>	<b>11,021</b>	<b>275 341</b>
- Cash and amounts due from central banks and post office banks	5,287					5,287
- Treasury bills and money market instruments		82,989	7,816	6,398	9,645	106,848
- Due from credit institutions	49,046	97,901	11,692	3,191	1,376	163,206
<b>Customer items (note 4)</b>	<b>27,063</b>	<b>60,208</b>	<b>30,067</b>	<b>72,146</b>	<b>41,995</b>	<b>231,479</b>
- Due from customers	27,063	57,561	26,518	60,173	39,347	210,662
- Leasing receivables		2,647	3,549	11,973	2,648	20,817
<b>Bonds and other fixed income instruments (note 5)<sup>(1)</sup></b>		<b>43,011</b>	<b>2,747</b>	<b>6,589</b>	<b>2,653</b>	<b>55,000</b>
- Trading account securities		34,217				34,217
- Securities available for sale		8,022	2,072	2,755	2,203	15,052
- Debt securities held to maturity		772	675	3,834	450	5,731
<b>DEPOSITS</b>						
<b>Interbank and money market items and securities (note 14)</b>	<b>53,212</b>	<b>119,470</b>	<b>15,387</b>	<b>3,020</b>	<b>1,190</b>	<b>192,279</b>
- Total interbank and money market items	53,212	119,295	15,387	2,557	803	191,254
- Interbank market securities		175		463	387	1,025
<b>Customer deposits, retail certificates of deposit, and negotiable certificates of deposit (note 15)</b>	<b>94,973</b>	<b>128,257</b>	<b>22,334</b>	<b>20,440</b>	<b>16,564</b>	<b>282,568</b>
- Total customer deposits	94,973	92,665	6,059	7,597	9,327	210,621
- Total bonds and negotiable short-term debt instruments		35,592	16,275	12,843	7,237	71,947

(1) Excluding accrued interest of EUR 556 million.

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)		
2003	2002	2001	2003	2002	2001		2003	2002	2001
(7,212)	(11,460)	(19,783)	5,846	8,876	16,375	Interbank items (note 30)	(1,366)	(2,584)	(3,408)
(3,524)	(3,695)	(5,424)	10,548	11,679	13,883	Customer items (note 31)	7,024	7,984	8,459
(5,991)	(5,757)	(5,062)	7,309	7,119	6,496	Leasing transactions	1,318	1,362	1,434
(3,936)	(5,310)	(5,058)				Debt securities	(3,936)	(5,310)	(5,058)
			3,471	3,932	2,549	Bonds and other fixed income instruments (note 32)	3,471	3,932	2,549
<b>(20,663)</b>	<b>(26,222)</b>	<b>(35,327)</b>	<b>27,174</b>	<b>31,606</b>	<b>39,303</b>	<b>Net interest income (expenses)</b>	<b>6,511</b>	<b>5,384</b>	<b>3,976</b>

## Note 30

### NET INTEREST INCOME (EXPENSES) ON INTERBANK ITEMS

Expenses			Income			In millions of euros	Net income (expenses)		
2003	2002	2001	2003	2002	2001		2003	2002	2001
(4,751)	(7,901)	(14,262)	3,556	5,622	10,756	Interest on interbank demand deposits, loans and borrowings	(1,195)	(2,279)	(3,506)
(2,461)	(3,559)	(5,521)	2,288	3,251	5,611	Interest on securities or given under resale/purchase agreements	(173)	(308)	90
			2	3	8	Interest on subordinated term loan	2	3	8
<b>(7,212)</b>	<b>(11,460)</b>	<b>(19,783)</b>	<b>5,846</b>	<b>8,876</b>	<b>16,375</b>	<b>Net interest income (expenses) on interbank items</b>	<b>(1,366)</b>	<b>(2,584)</b>	<b>(3,408)</b>





## Note 31

### NET INTEREST INCOME (EXPENSES) ON CUSTOMER ITEMS

Expenses			Income			In millions of euros	Net income (expenses)		
2003	2002	2001	2003	2002	2001		2003	2002	2001
(2,978)	(3,225)	(4,401)	10,133	11,215	13,062	Interest on customer loans and deposits	7,155	7,990	8,661
(546)	(470)	(1,023)	411	462	816	Interest on securities held or given under resale/purchase agreements	(135)	(8)	(207)
			4	2	5	Interest on subordinated term loans	4	2	5
<b>(3,524)</b>	<b>(3,695)</b>	<b>(5,424)</b>	<b>10,548</b>	<b>11,679</b>	<b>13,883</b>	<b>Net interest income (expenses) on customer items</b>	<b>7,024</b>	<b>7,984</b>	<b>8,459</b>

## Note 32

### NET INCOME FROM SECURITIES PORTFOLIO

In millions of euros	2003	2002	2001
<b>Interest on bonds and other fixed income instruments</b>			
Securities available for sale	653	810	922
Debt securities held to maturity	1,117	1,080	1,097
From Codevi "industrial development" securities	230	212	209
From hedging of interest rate instruments and other	1,471	1,830	321
<b>Total interest on bonds and other fixed income instruments</b>	<b>3,471</b>	<b>3,932</b>	<b>2,549</b>
<b>Income on equities and other variable income instruments</b>			
Securities available for sale	12	22	129
Equity securities held for long-term investment	148	157	189
Investments in non-consolidated undertakings and other participating interestss	123	144	246
<b>Total income on equities and other variable income instruments</b>	<b>283</b>	<b>323</b>	<b>564</b>
<b>Net income from securities portfolio</b>	<b>3,754</b>	<b>4,255</b>	<b>3,113</b>

## Note 33

### NET COMMISSIONS



In millions of euros	Net		
	2003	2002	2001
Commissions on interbank and money market transactions	181	181	230
Commissions on customer transactions	1,482	1,530	1,272
Commissions on securities transactions <sup>(1)</sup>	145	(103)	(163)
Commissions on foreign exchange and arbitrage transactions	(9)	10	211
Commissions on securities commitments	193	113	118
Commissions on forward financial instruments	(143)	(124)	(66)
Commissions on securities managed or on deposit:			
• Custody fees	170	184	213
• Mutual fund management	732	739	990
• Management of customer securities portfolios	200	218	221
• Other commissions on securities managed or on deposit	32	30	36
<b>Total commissions on securities managed or on deposit</b>	<b>1,134</b>	<b>1,171</b>	<b>1,460</b>
Commissions on securities transactions carried out on behalf of customers:			
• For purchases and sales of securities	257	302	422
• For purchases and sales of mutual fund shares	124	139	175
• Other commissions on securities transactions carried out on behalf of customers	273	248	228
<b>Total commissions on securities transactions carried out on behalf of customers</b>	<b>654</b>	<b>689</b>	<b>825</b>
Other commissions:			
• Commissions on customer assistance and advisory services	428	508	413
• Commissions on payment instruments	558	552	474
• Commissions on other financial services	(970)	(908)	(980)
• Expense recoveries	118	116	102
• Commissions on miscellaneous revenues	365	350	351
• Commissions on other banking transactions	157	93	137
<b>Total other commissions</b>	<b>656</b>	<b>711</b>	<b>497</b>
<b>Total commissions on financial services</b>	<b>2,444</b>	<b>2,571</b>	<b>2,782</b>
<b>Net commissions</b>	<b>4,293</b>	<b>4,178</b>	<b>4,384</b>

(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 23.9% of net banking income in 2003 (24.9% in 2002 and 25.1% in 2001).



In millions of euros	2003	2002	2001
Net premium income	8,980	7,890	7,775
Net investment income	1,770	1,706	1,811
Claims expenses and changes in claims reserves	(9,100)	(8,170)	(8,276)
Other underwriting income and expenses, net	8	14	(2)
<b>Underwriting result and net investment income of insurance companies <sup>(a)</sup></b>	<b>1,658</b>	<b>1,440</b>	<b>1,308</b>

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" (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 totalled 9,203 million in 2003 (EUR 8,192 million in 2002 and EUR 7,970 million in 2001).

*(a) In 2003, 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	2003				2002	2001
	NATIOVIE	CARDIF	OTHER COMPANIES	TOTAL		
Life underwriting result	112	81	17	210	145	178
Non-life underwriting result	12	64		76	59	31
Management fees addback	260	989	40	1,289	1,207	1,066
Financial reclassifications	118	26	3	147	113	144
Sub-total	502	1,160	60	1,722	1,524	1,419
Elimination of intercompany income and expenses	(51)	(11)	(2)	(64)	(84)	(111)
<b>Net contribution to underwriting result and net investment income</b>	<b>451</b>	<b>1 149</b>	<b>58</b>	<b>1,658</b>	<b>1,440</b>	<b>1,308</b>

## Note 35

### SALARIES AND EMPLOYEE BENEFITS, INCLUDING PROFIT SHARING



En millions of euros	2003	2002	2001
<b>Salaries</b>	<b>4,742</b>	<b>4,619</b>	<b>4,627</b>
<b>Termination benefits and social security taxes:</b>			
Retirement bonuses and retirement expenses	400	385	336
Social security taxes	1,172	1,057	1,009
<b>Total termination benefits and social security taxes</b>	<b>1,572</b>	<b>1,442</b>	<b>1,345</b>
<b>Incentive plans and profit sharing:</b>			
Incentive plans	82	57	104
Profit sharing	97	64	113
<b>Total incentive plans and profit sharing</b>	<b>179</b>	<b>121</b>	<b>217</b>
<b>Payroll taxes</b>	<b>270</b>	<b>263</b>	<b>278</b>
<b>Total salaries and employee benefits, including profit sharing</b>	<b>6,763</b>	<b>6,445</b>	<b>6,467</b>

Gross remuneration and benefits paid to Executive Committee members totalled EUR 10.4 million in 2003. This amount includes fixed compensation for 2003, variable compensation received in 2003 in respect of 2002, attendance fees paid by Group companies and shares

awarded in 2000 and 2001 under the deferred bonus plan. It does not include deferred variable compensation of EUR 0.7 million paid under the BNP Paribas deferred bonus plan. Attendance fees paid to members of the BNP Paribas Board of Directors totalled EUR 0.5 million.

## 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	Number of grantees decided	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 December 2003 <sup>(1)</sup>	Options outstanding at 31 December 2003 <sup>(1)</sup>
2001 <sup>(2)</sup>	23 May 2000	15 May 2001	932	6,069,000	15 May 2005	14 May 2011	49	136,000	5,933,000
2002 <sup>(2)</sup>	23 May 2000	31 May 2002	1,384	2,158,570	31 May 2006	30 May 2012	60	63,020	2,095,550
2003 <sup>(3)</sup>	23 May 2000	21 March 2003	1,302	6,693,000	21 March 2007	20 March 2013	37.10	14,000	6,679,000

(1) The numbers of options and the 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

Plan year	Date of EGM at which plan was authorised	Date of Board Meeting at which the plan terms were	Number of grantees decided	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 December 2003 <sup>(1)</sup>	Options outstanding at 31 December 2003 <sup>(1)</sup>
1997	14 Dec. 1993	22 May 1997	64	476,000	23 May 2002	22 May 2007	18.45	220,980	255,020
1998	14 Dec. 1993	13 May 1998	259	2,074,000	14 May 2003	13 May 2008	37.28	342,385	1,731,615
1999	13 May 1998	3 May 1999	112	670,000	4 May 2004	3 May 2009	37.64	12,000	658,000
1999 <sup>(2)</sup>	13 May 1998	22 Dec. 1999	642	5,064,000	23 Dec. 2004	22 Dec. 2009	45.16	452,000	4,612,000
2000 <sup>(2)</sup>	13 May 1998	7 April 2000	1,214	1,754,200	8 April 2005	7 April 2010	42.50	260,500	1,493,700

(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 (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	Type of options	Number of grantees	Adjusted number of options granted <sup>(1)</sup>	Starting date of the exercise period <sup>(2)</sup>	Option expiry date	Adjusted exercise price <sup>(1)</sup> (in euros)	Adjusted number of options exercised or forfeited at 31 Dec. 2003 <sup>(1)</sup>	Adjusted options outstanding at 31 Dec. 2003 <sup>(1)</sup>
<b>PARIBAS SA AND MERGED SUBSIDIARIES</b>											
1996	CB	17 March 1993	5 Nov. 1996	S	100	624,696	06 Nov. 2001	04 Nov. 2004	13.89	419,784	204,912
	Cardif	26 April 1993	21 Nov. 1996	S	35	198,832	22 Nov. 2001	20 Nov. 2004	17.50	127,080	71,752
1997	CFP	27 May 1992	20 Jan. 1997	P	526	5,178,206	20 Jan. 2002	20 Jan. 2005	17.30	3,794,756	1,383,450
	CFP	27 May 1992	7 July 1997	P	4	77,125	7 July 2002	7 July 2005	19.47	52,445	24,680
	CB	26 April 1997	30 Sept. 1997	P	149	615,608	1 <sup>st</sup> Oct. 2002	29 Sept. 2005	19.71	241,007	374,601
	CFP	25 April 1997	26 Dec. 1997	P	319	6,370,545	26 Dec. 2002	26 Dec. 2005	23.47	3,483,309	2,887,236
1998	Paribas	11 May 1998	17 Nov. 1998	P	975	7,255,377	17 Nov. 2003	17 Nov. 2006	20.41	3,552,578	3,702,799
1999	Paribas	24 April 1997	4 May 1999	P	1	30,850	4 May 2004	4 May 2007	31.88	-	30,850
<b>FULLY CONSOLIDATED SUBSIDIARIES OF PARIBAS</b>											
1996	Cetelem	24 March 1994	4 Nov. 1996	S	95	482,903	5 Nov. 2001	3 Nov. 2004	15.51	358,177	124,726
	UFB	18 March 1993	16 Oct. 1996	S	37	200,976	17 Oct. 2001	15 Oct. 2004	13.72	99,853	101,123
1997	Cetelem	27 March 1997	22 Sept. 1997	P	117	332,2893	23 Sept. 2002	21 Sept. 2005	17.19	112,195	220,698

CB: Compagnie Bancaire CFP: Compagnie Financière Paribas

S: Options exercisable for newly-issued shares P: Options exercisable for existing shares held by the Bank

(1) Number of options and exercise price expressed in BNP Paribas shares:

- 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 fully-consolidated subsidiaries of Paribas (Cetelem and UFB), 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 shares for 1 Paribas share, 1.62054 Paribas shares for 1 UFB share, 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 5<sup>th</sup> anniversary of the date of grant, as required under French tax rules, whatever the original exercise dates.



**GAINS (LOSSES) ON DISPOSALS OF LONG-TERM INVESTMENTS AND CHANGES IN PROVISIONS**

In millions of euros	2003	2002	2001
<b>Debt securities held to maturity</b>			
- Disposal gains	106	7	33
- Disposal losses	(3)	-	
- Additions to provisions	-	-	(6)
- Deductions from provisions	1	-	1
<b>Net gains on disposals of debt securities held to maturity and changes in provisions</b>	<b>104</b>	<b>7</b>	<b>28</b>
<b>Equity securities held for long-term investment</b>			
- Disposal gains	790	1,147	1,142
- Disposal losses	(248)	(73)	(75)
- Additions to provisions	(261)	(396)	(230)
- Deductions from provisions	243	219	90
<b>Net gains on equity securities held for long-term investment and changes in provisions <sup>(1)</sup></b>	<b>524</b>	<b>897</b>	<b>927</b>
<b>Investments in non-consolidated undertakings and other participating interests</b>			
- Disposal gains	337	187	364
- Disposal losses	(501)	(109)	(125)
- Additions to provisions	(201)	(233)	(168)
- Deductions from provisions	416	147	94
<b>Net gains (losses) on disposals of investments in non-consolidated undertakings and other participating interests and changes in provisions</b>	<b>51</b>	<b>(8)</b>	<b>165</b>
<b>Deduction from provisions for industry risks</b>	<b>218</b>	<b>-</b>	<b>-</b>
<b>Operating assets</b>			
- Disposal gains	53	11	21
- Disposal losses	(38)	(4)	(16)
<b>Net gains on disposals of operating assets</b>	<b>15</b>	<b>7</b>	<b>5</b>
<b>Total net gains on disposals of long-term investments and changes in provisions</b>	<b>912</b>	<b>903</b>	<b>1,125</b>

(1) See note 12.



In millions of euros	2003	2002	2001
Movements in provisions for employee benefits	(313)	21	(93)
Movements in provisions for restructuring and discontinued operations	(59)	(51)	(18)
Compliance costs (changes in laws and regulations)	(45)	(49)	(33)
Write-down of the residual value of leased vehicles	-	(42)	-
Provision for losses on real estate lease contract with a call option	(10)	(25)	-
Other non-recurring expenses, net	(67)	(28)	(21)
<b>Net non-recurring items</b>	<b>(494)</b>	<b>(174)</b>	<b>(165)</b>

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.

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, has been provided for in full in 2003, in accordance with the practice consistently followed by the Bank and its French subsidiaries.

The Bank has 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.

These two provisions are included in "Movements in provisions for employee benefits".

Lastly, provisions have been recorded to cover costs related to changes in the Group's strategy in Australia and India, the spin-off of the Securities business into subsidiaries as well as certain Private Banking & Asset Management businesses and Corporate & Investment Banking businesses. Provisions of EUR 51 million and EUR 18 million were set aside in 2002

and 2001 respectively. In 2003, a provision of EUR 59 million was also booked in connection with the restructuring of Retail Financial Services and International Retail Banking operations in several countries, and Corporate and Investment Banking on equity trading business.

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. This amount covered the cost of adapting BNP Paribas' own information systems, the Group's contribution to the cost of adapting interbank systems, euro-related corporate communication and customer relations programme costs and costs related to the introduction of euro-denominated coins and bank notes in 2002. Expenses incurred in 2003 resulted from adapting information systems in accordance with applying international accounting standards as from 1 January 2005 and from changes in capital adequacy rules introduced by the international regulatory authorities.

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.



• **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.

The following analysis by business segment takes into account the organisational changes made in 2003, including the creation of a new "Retail Financial Services and International Retail Banking" division. These changes were carried out in tandem with the transfer of the Cortal Consors Group to the Private Banking, Asset Management, Securities Services and Insurance division. Cortal Consors formed part of Retail Financial Services until 2002. Data for 2002 have been restated to reflect the changes.

In millions of euros	Net banking income		Gross operating income		Operating income		Pre-tax income	
	2003	2002	2003	2002	2003	2002	2003	2002
Retail Banking in France	4,733	4,588	1,467	1,405	1,242	1,207	1,240	1,207
Retail Financial Services and International Retail Banking	4,903	4,878	2,158	2,025	1,629	1,503	1,408	1,284
<i>International Retail Banking</i>	2,174	2,379	987	1,059	883	908	727	701
<i>Retail Financial Services</i>	2,729	2,499	1,171	966	746	595	681	583
Corporate and Investment Banking	5,818	5,146	2,434	1,875	1,801	1,160	1,879	1,186
Private Banking, Asset Management, Securities Services and Insurance	2,476	2,292	803	792	787	784	723	787
BNP Paribas Capital	(34)	(21)	(73)	(65)	(76)	(70)	496	611
Other business units	39	(90)	(139)	(194)	(94)	(216)	(160)	(262)
<b>Total</b>	<b>17,935</b>	<b>16,793</b>	<b>6,650</b>	<b>5,838</b>	<b>5,289</b>	<b>4,368</b>	<b>5,586</b>	<b>4,813</b>
France	9,891	9,018	3,303	2,828	2,522	2,333	2,886	2,895
Other European Economic Area countries	3,748	3,423	1,332	1,207	1,024	851	1,190	1,025
America and Asia	3,874	3,889	1,832	1,595	1,617	1,029	1,393	733
Other countries	422	463	183	208	126	155	117	160

• **Group Activity by Geographic Area**

In millions of euros at 31 December	Interbank and money market items		Customer items		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
France	68,501	49,465	118,338	118,611	186,839	168,076
Other European Economic Area countries	91,665	81,647	53,593	51,803	145,258	133,450
America and Asia	112,463	106,742	45,518	50,259	157,981	157,001
Other countries	2,279	2,532	4,524	4,668	6,803	7,200
<b>Total assets (notes 3 et 4)</b>	<b>274,908</b>	<b>240,386</b>	<b>221,973</b>	<b>225,341</b>	<b>496,881</b>	<b>465,727</b>
<b>Liabilities</b>						
France	53,875	42,443	90,582	87,104	144,457	129,547
Other European Economic Area countries	84,622	78,012	74,172	60,876	158,794	138,888
America and Asia	50,633	55,602	40,113	41,648	90,746	97,250
Other countries	2,124	1,848	5,754	5,941	7,878	7,789
<b>Total liabilities (notes 14 et 15)</b>	<b>191,254</b>	<b>177,905</b>	<b>210,621</b>	<b>195,569</b>	<b>401,875</b>	<b>373,474</b>



In millions of euros	2003	2002	2001
Current taxes for the period	1,579	1,058	1,621
Deferred taxes for the period	(98)	117	196
<b>Income tax expenses</b>	<b>1,481</b>	<b>1,175</b>	<b>1,817</b>
• on recurring items	1,524	1,210	1,847
• on non-recurring items	(43)	(35)	(30)

A new tax regime has been 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 has elected for this regime, and in 2003 the Group recorded a EUR 104 million provision for the related taxes.

The income tax charge for the year ended 31 December 2003 is stated net of EUR 158 million in reversals of provisions for tax risks that are no longer required following the application, by the French tax authorities, of the case law established by a

Conseil d'Etat ruling concerning Article 209 B of the General Tax Code. In addition, taxes payable by the Group in France were adjusted by EUR 136 million through the recording of a provision for deferred taxes in respect of tax losses generated in prior years by "Economic Interest Groupings" owned by certain companies in the BNP Paribas tax group.

Tax savings realised by the Group in 2003 from the recognition of tax loss carryforwards or the deduction of expenses accounted for in prior years amounted to EUR 51 million (EUR 40 million in 2002 and EUR 209 million in 2001). Unrecognised deferred tax assets at 31 December 2003 amounted to EUR 370 million (EUR 321 million at 31 December 2002 and EUR 334 million at 31 December 2001).

Analysis of the effective rate of tax:

In %	2003	2002	2001
Standard tax rate in France	33.3	33.3	33.3
Impact of long-term capital gains taxed at a reduced rate in France	(1.4)	(0.6)	(2.2)
Share of earnings of companies carried under the equity method	(0.8)	(0.6)	(1.2)
Permanent differences added back to taxable income in France	(2.0)	(3.1)	(1.8)
Differences in foreign tax rates	(6.8)	(8.0)	(4.1)
Effect of losses deducted from net income	3.3	2.9	2.5
Other	0.9	0.5	2.7
<b>Effective rate of tax</b>	<b>26.5</b>	<b>24.4</b>	<b>29.2</b>

Deferred taxes break down as follows:

In millions of euros, at 31 December		2003	2002	2001
	Companies included in the (BNP Paribas SA) tax group (note 22)	Other companies	Total	Total
Deferred tax assets <sup>(1)</sup>	1,188	762	1,950	1,664
Deferred tax liabilities	1,431	1,083	2,514	2,374
<b>Net deferred tax liabilities</b>	<b>243</b>	<b>321</b>	<b>564</b>	<b>702</b>

(1) Deferred tax assets include tax loss carryforwards of EUR 156 million in 2003 (EUR 134 million in 2002 and EUR 100 million in 2001).

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 196 million at 31 December 2003.





## 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)

## Note 42

### NUMBER OF EMPLOYEES AT YEAR-END

The number of employees of the BNP Paribas Group (fully and proportionately consolidated companies) breaks down as follows:

	31/12/2003	31/12/2002	31/12/2001
BNP Paribas mainland France	37,200	37,335	37,545
<i>including executives</i>	<i>14,066</i>	<i>13,368</i>	<i>12,648</i>
Subsidiaries in mainland France	13,844	14,065	13,051
Total mainland France	51,044	51,400	50,596
Total outside mainland France	38,027	36,285	34,598
<b>Total BNP Paribas Group</b>	<b>89,071</b>	<b>87,685</b>	<b>85,194</b>
BNP Paribas SA	44,060	44,908	45,870
Subsidiaries	45,011	42,777	39,324



# STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

Barbier Frinault & Autres  
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PricewaterhouseCoopers Audit  
32. rue Guersant  
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92075 Paris La Défense

*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 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, 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  
BNP Paribas  
16. boulevard des Italiens  
75009 Paris

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 2003.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as evaluating the overall 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 2003 and the consolidated results of operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to Note 1 to the consolidated financial statements which describes the changes in accounting methods resulting from the application of Comité de la Réglementation Comptable standard CRC 2002-03 relating to accounting for credit risks and standard CRC 2002-10 relating to depreciation and amortisation of assets.

## Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, which came into effect for the first time this year, 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 organised

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.

At 31 December 2003, BNP Paribas recorded a provision to cover the consequences of the French Pensions Reform Act (Act no. 2003-775) dated 21 August 2003 relating to the benefits due on retirement (note 38 to the consolidated financial statements). As part of our assessment of this estimate, we examined the assumptions applied and calculation methods used. We also examined whether the accounting treatment applied is in accordance with the options set out by the Comité d'Urgence du Conseil National de la Comptabilité (French National Accounting Board Urgent issues Taskforce) on 21 January 2004.

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, 16 March 2004

### The Statutory Auditors

Barbier Frinault & Autres  
Ernst & Young

PricewaterhouseCoopers Audit

Mazars & Guérard  
Mazars

Christian Chiarasini  
Radwan Hoteit

Étienne Boris

Hervé Hélias



# STATUTORY AUDITORS' REPORT ON THE INTERNAL CONTROL REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Statutory Auditors' Report, prepared in accordance with the last paragraph of article L.225-235 of the French Commercial Code, relating to the report of the Chairman of the Board of Directors of BNP Paribas concerning internal control procedures used for the preparation and processing of accounting and financial information.

Year ended 31 December 2003

Barbier Frinault & Autres  
Ernst & Young  
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92576 Neuilly-sur-Seine Cedex

PricewaterhouseCoopers Audit  
32, rue Guersant  
75017 Paris

Mazars & Guérard  
Mazars  
Le Vinci - 4, allée de l'Arche  
92075 Paris La Défense

To the shareholders  
BNP Paribas  
16, boulevard des Italiens  
75009 Paris

Our responsibility is to provide you with our comments on the information and disclosures contained in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

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

In accordance with the professional guidelines applicable in France, we have read the information relating to the objectives and the general organisation of the company's internal controls and the internal control procedures relating to the preparation and processing of accounting and financial information, as described in the Chairman's report.

In our capacity as Statutory Auditors of BNP Paribas and in accordance with the last paragraph of article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of the Board of Directors of your company in accordance with article L.225-37 of the Commercial Code for the year ended 31 December 2003.

Based on our procedures referred to above, we have nothing to report on the description of the company's internal control procedures relating to the preparation and processing of accounting and financial information, as described in the report of the Chairman of the Board of Directors, prepared in accordance with the last paragraph of article L.225-37 of the Commercial Code.

Under the responsibility of the Board of Directors, the company's management must define and implement adequate and effective internal control procedures. In his report, the Chairman of the Board of Directors is required to report on the preparation and organisation of the work carried out by the Board of Directors and the internal control procedures implemented within the company.

formuler sur la description des procédures de contrôle interne de la société relatives à l'élaboration et au traitement de l'information comptable et financière, contenues dans le rapport du Président du Conseil d'administration, établi en application des dispositions du dernier alinéa de l'article L 225-37 du Code de Commerce.

Neuilly-sur-Seine, Paris and La Défense, 16 March 2004

The Statutory Auditors

Barbier Frinault & Autres  
Ernst & Young  
Christian Chiarasini  
Radwan Hoteit

PricewaterhouseCoopers Audit  
Étienne Boris

Mazars & Guérard  
Mazars  
Hervé Hélias



# PARENT COMPANY FINANCIAL STATEMENTS

## Balance sheet of BNP Paribas SA

### ASSETS

In millions of euros, at 31 December	2003	2002	2001
<b>Interbank and money market items:</b>			
Cash and amounts due from central banks and post office banks	3,081	8,093	2,057
Treasury bills and money market instruments	69,541	48,572	43,636
Due from credit institutions	204,851	188,120	212,493
<b>Total interbank and money market items</b>	<b>277,473</b>	<b>244,785</b>	<b>258,186</b>
<b>Customer items:</b>			
Due from customers	181,350	164,573	187,485
Leasing receivables	111	151	242
<b>Total customer items</b>	<b>181,461</b>	<b>164,724</b>	<b>187,727</b>
<b>Bonds and other fixed income instruments</b>	<b>41,890</b>	<b>31,057</b>	<b>48,023</b>
<b>Equities and other variable income instruments</b>	<b>4,452</b>	<b>2,938</b>	<b>8,857</b>
<b>Investments in subsidiaries and affiliates and equity securities held for long-term investment:</b>			
Investments in subsidiaries and affiliates	27,486	31,082	25,946
Equity securities held for long-term investment	1,998	2,132	2,281
<b>Total investments in subsidiaries and affiliates, and equity securities held for long-term investment</b>	<b>29,484</b>	<b>33,214</b>	<b>28,227</b>
<b>Tangible and intangible assets</b>	<b>3,618</b>	<b>3,498</b>	<b>3,189</b>
<b>Treasury shares</b>	<b>1,781</b>	<b>979</b>	<b>649</b>
<b>Accrued income and other assets</b>	<b>77,863</b>	<b>85,400</b>	<b>147,930</b>
<b>Total assets</b>	<b>618,022</b>	<b>566,595</b>	<b>682,788</b>
<b>COMMITMENTS GIVEN</b>			
Financing commitments given	126,688	103,340	104,693
Guarantees and endorsements given	58,010	62,493	84,636
Commitments related to securities <sup>(*)</sup>	5,233	4,693	9,672
Commitments incurred on forward and options contracts	18,450,640	13,533,521	10,998,805

<sup>(\*)</sup> In accordance with Appendix 1 of standard 91-01, commitments related to securities to be delivered must be disclosed as commitments given, while commitments related to securities to be received must be disclosed as commitments received. Consequently, securities to be delivered, amounting to EUR 4,693 million in 2002 and EUR 9,672 million in 2001, are now recorded under commitments given. On the other hand, securities to be received, amounting to EUR 4,905 million in 2002 and EUR 8,825 million in 2001, are now recorded under commitments received.





## LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2003	2002	2001
<b>Interbank and money market items:</b>			
Due to central banks and post office banks	17	98	92
Due to credit institutions	215,080	192,994	205,699
<b>Total interbank and money market items</b>	<b>215,097</b>	<b>193,092</b>	<b>205,791</b>
<b>Customer items</b>	<b>163,368</b>	<b>143,448</b>	<b>174,067</b>
<b>Debt securities:</b>			
Retail certificates of deposit	98	174	303
Interbank market securities	1,018	1,020	1,668
Negotiable certificates of deposit	73,561	68,521	75,554
Bonds, including short-term portion	7,427	8,709	13,633
Other debt instruments		108	26
<b>Total debt securities</b>	<b>82,104</b>	<b>78,532</b>	<b>91,184</b>
<b>Accrued expenses and other liabilities</b>	<b>111,888</b>	<b>106,074</b>	<b>170,493</b>
<b>Provisions for contingencies and charges</b>	<b>3,692</b>	<b>3,754</b>	<b>4,504</b>
<b>Subordinated debt</b>	<b>15,367</b>	<b>16,576</b>	<b>13,770</b>
<b>Reserve for general banking risks</b>	<b>759</b>	<b>908</b>	<b>914</b>
<b>Shareholders' equity:</b>			
Share capital	1,806	1,790	1,772
Additional paid-in capital in excess of par and premium on acquisition	7,110	6,881	6,553
Retained earnings	14,472	12,710	9,815
<b>Total shareholders' equity before net income</b>	<b>23,388</b>	<b>21,381</b>	<b>18,140</b>
<b>Net income</b>	<b>2,359</b>	<b>2,830</b>	<b>3,925</b>
<b>Total liabilities and shareholders' equity</b>	<b>618,022</b>	<b>566,595</b>	<b>682,788</b>
<b>COMMITMENTS RECEIVED</b>			
Financing commitments received	33,726	15,609	18,220
Guarantees and endorsements received	39,234	38,233	37,537
Commitments related to securities (*)	4,579	4,905	8,825



## PROFIT AND LOSS ACCOUNT OF BNP PARIBAS SA

In millions of euros	2003	2002	2001
<i>Interest income</i>	16,348	20,341	28,805
<i>Interest expense</i>	(13,690)	(18,086)	(27,037)
Net interest income	2,658	2,255	1,768,
Income on equities and other variable-income instruments	1,926	1,696	1,082
<i>Commission income</i>	3,319	3,624	3,509
<i>Commission expense</i>	(1,086)	(872)	(957)
Net commission income	2,233	2,752	2,552
Net gains on sales of trading account securities	2,408	2,377	3,194
Net gains on sales of securities available for sale	92	90	96
<i>Other banking income</i>	269	329	403
<i>Other banking expenses</i>	(364)	(487)	(357)
Net other banking income (expense)	(95)	(158)	46
<b>Net banking income</b>	<b>9,222</b>	<b>9,012</b>	<b>8,738</b>
Operating expense:			
Personnel costs	(3,757)	(3,627)	(3,803)
Other administrative expenses	(1,639)	(1,760)	(1,909)
Total operating expense	(5,396)	(5,387)	(5,712)
Depreciation, amortisation and provisions on tangible and intangible assets	(428)	(325)	(336)
<b>Gross operating income</b>	<b>3,398</b>	<b>3,300</b>	<b>2,690</b>
Net additions to provisions for credit risks and country risks	(715)	(820)	(622)
<b>Operating income</b>	<b>2,683</b>	<b>2,480</b>	<b>2,068</b>
Gains or losses on disposals of long-term investments	(70)	364	2,366
<b>Income before tax, non-recurring items and movements in the reserve for general banking risks</b>	<b>2,613</b>	<b>2,844</b>	<b>4,434</b>
Net non-recurring expense	(416)	(67)	(98)
Corporate income tax	(12)	66	(373)
Movements in the reserve for general banking risks and regulated provisions	174	(13)	(38)
<b>Net income</b>	<b>2,359</b>	<b>2,830</b>	<b>3,925</b>



The financial statements of BNP Paribas SA have been prepared in accordance with the generally accepted accounting principles applicable to the French banking industry

### YEAR-ON-YEAR COMPARISONS

The effect on opening shareholders' equity at 1 January 2002 of applying *Comité de la Réglementation Comptable* standard CRC 2000-06 concerning liabilities is not material. Application of the new standard does not affect comparisons of the three financial years presented in these financial statements.

Up until 30 September 2002, investments in subsidiaries and affiliates, 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.

Since that date, 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 analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities (see note below on securities). The effect of this change of method on 2001 net income would not have been material.

Standard CRC 2002-10 relating to the depreciation, amortisation and impairment of assets – amended by standard CRC 2003-07 dated 12 December 2003 – contains measures concerning the date and consequences of the standard's first-time application, which is compulsory from 1 January 2005. BNP Paribas SA has not opted for early application and is not affected by the applicable transitional measures relating to provisions for major repairs. Moreover, as BNP Paribas SA has not identified significant expenditure concerning multi-year programmes for maintenance or overhaul, these standards had no impact on 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 Opinion 2003-G issued by the *Comité d'Urgence du Conseil National de la Comptabilité* (French National

Accounting Board Urgent Issues Taskforce) on 18 December 2003 and the press release dated 21 November 2003 issued by the *Conseil National de la Comptabilité* (CNC). For BNP Paribas SA, application of this standard to restructured loans classified as sound carried in the balance sheet at 31 December 2002 led to the recognition of a EUR 51 million discount, recorded under provisions, corresponding to the difference between the new interest rate on restructured loans classified as sound 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 also 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 (note 6).

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. The actuarial assumptions used to calculate the related benefit obligation have been revised to take account of these changes, leading to an additional cost of EUR 199 million provided for in full in 2003, in accordance with BNP Paribas SA policies (note 29).



## INTERBANK AND MONEY MARKET ITEMS, CUSTOMER ITEMS (ASSETS)

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 analysed between sound loans – including sound restructured loans – and doubtful loans. The same analysis 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 past-due (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, in 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 expected future cash flows calculated at 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. 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. They also include 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, write-offs of bad debts, 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 subsidiaries and affiliates".

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 BNP Paribas SA'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 BNP Paribas SA'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 BNP Paribas SA 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 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.



#### • Investments in Subsidiaries and Affiliates

This category includes affiliates in which BNP Paribas SA exercises significant influence over management and investments considered strategic to the Bank's business development. This influence is deemed to exist when the Bank holds an ownership interest of at least 10%.

Investments in subsidiaries and affiliates 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 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.

#### **TREASURY SHARES HELD BY BNP PARIBAS SA**

Treasury shares held by BNP Paribas SA are classified and valued 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 that are intended to be cancelled or that are not being held for either of the above reasons are included in long-term investments. Shares intended to be cancelled are stated at cost. All other shares are stated at the lower of cost and fair value.

#### **FIXED ASSETS**

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, have been included in share capital. Assets leased by the Bank are recorded 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. The difference between tax depreciation (accelerated method) and book depreciation (generally straight-line method) is recorded under "Regulated deductions – Accelerated depreciation" in liabilities. No deferred income tax is calculated on the difference between book and tax depreciation.

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.

#### **INTERBANK AND MONEY-MARKET ITEMS AND CUSTOMER ITEMS (LIABILITIES)**

Amounts due to credit institutions are analysed between demand accounts and time deposits and borrowings. Customer deposits are analysed between 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 analysed between 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 risks 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 write-backs are reflected in the profit and loss account under "Net additions to provisions for credit risks and country risks".

### **PROVISIONS FOR UNFORESEEABLE INDUSTRY RISKS**

BNP Paribas SA 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**

BNP Paribas SA 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**

BNP Paribas SA records provisions for clearly identified contingencies 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 Bank 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.

- 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

BNP Paribas SA 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.

- Market Value of Financial Instruments

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.

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 SA recognises deferred taxes for all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method. Recognition of deferred tax assets depends on the probability of recovery.

## **CORPORATE INCOME TAX**

In France, the standard corporate income tax rate is 33 1/3%. Long-term capital gains are taxed at a rate of 19%. Gains and losses on securities in the portfolios are taxed at the standard corporate income tax rate of 33 1/3%, with the exception of gains and losses on disposals of investments in subsidiaries and affiliates which are taxed at the reduced rate applicable to long-term capital gains. Effective from 31 December 2000, dividends received from companies in which BNP Paribas SA has an ownership interest of more than 5% are non-taxable.

The French government imposed a 6% surtax on corporate income for 2001. The rate of this surtax was reduced to 3% from 2002. A further 3.3% surtax has been levied on corporate income as from 1 January 2000. The Bank has taken these surtaxes into account to determine current taxes for each period concerned, and has used the liability method to adjust the amount of deferred taxes in cases where the surtaxes are expected to apply when the timing differences reverse.



## PROFIT SHARING

As required by French law, BNP Paribas SA provides for profit sharing in the year in which the profit arises, and reports the provision under "Salaries" in the 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 SA employees receive pensions according to the laws and customs prevailing in the countries where the Bank operates.

In France, retired employees of BNP Paribas SA 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:

- retired employees 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.
- retired employees receive additional benefits from the BNP Paribas pension fund and the banking industry pension funds to which the Bank contributes, relative to services rendered prior to 1 January 1994. 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 proportion.

The contributions paid by BNP Paribas SA 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 SA and its employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, BNP Paribas SA 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, BNP Paribas SA records contributions as an expense in the period they are paid.





#### **OTHER EMPLOYEE BENEFITS**

Under various agreements, BNP Paribas SA is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees.

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.

#### **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.

#### **FOREIGN CURRENCY TRANSLATION**

Monetary and non-monetary foreign currency-denominated assets and liabilities of foreign branches have been translated into euros at the year-end exchange rate. Translation adjustments regarding the capital made available to BNP Paribas SA branches outside of France are included in "Accrued income" and "Accrued expense".



## BNP PARIBAS SA FIVE-YEAR FINANCIAL SUMMARY

	Banque Nationale de Paris SA		BNP Paribas SA		
	1999	2000	2001	2002	2003
<b>Capital at year-end</b>					
a) Share capital	1,798,666,976 <sup>(1)</sup>	1,792,258,860 <sup>(2)</sup>	1,771,942,784 <sup>(3)</sup>	1,790,347,678 <sup>(4)</sup>	1,806,343,230 <sup>(5)</sup>
b) Number of common shares issued and outstanding	449,666,744 <sup>(1)</sup>	448,064,715 <sup>(2)</sup>	442,985,696 <sup>(3)</sup>	895,173,839 <sup>(4)</sup>	903,171,615 <sup>(5)</sup>
c) Number of shares to be issued through the exercise of rights			17,704,434	18,372,079	23,734,549
<b>Results of operations for the year</b>					
a) Total revenues, excluding VAT	19,665,467,407	37,588,553,951	37,064,085,322	28,973,762,964	24,361,520,679
b) Income before tax, non-recurring items, profit sharing, depreciation and provisions	2,664,362,859	3,559,312,573	5,391,841,471	3,697,344,223	4,042,278,418
c) Income taxes	323,726,730	-,499,029,941	373,086,382	66,294,745	-,11,461,665
d) Profit sharing	100,825,427	90,116,125	72,950,531	46,156,022	73,664,330 <sup>(6)</sup>
e) Net income	971,519,141	3,386,203,219	3,925,144,188	2,830,067,503	2,358,756,302
f) Total dividends	787,726,615	1,008,463,624	1,063,947,593	1,075,055,789	1,310,242,626
<b>Earnings per share</b>					
a) Earnings after tax and profit-sharing but before non-recurring items, depreciation and provisions	5.04	8.81	11.12	4.12	4.41
b) Earnings per share	2.16	7.56	8.85	3.16	2.61
c) Dividend per share	1.75 <sup>(7)</sup>	2.25 <sup>(8)</sup>	1.20 <sup>(9)</sup>	1.20 <sup>(10)</sup>	1.45 <sup>(11)</sup>
<b>Employee data</b>					
a) Number of employees at year-end <sup>(12)</sup>	39,115	45,452	45,870	44,908	44,060
b) Total payroll	1,538,010,765	2,614,012,376	2,613,281,535	2,484,565,532	2,487,721,635
c) Total benefits	647,434,031	1,055,133,353	861,936,161	895,525,367	982,590,077

(1) The share capital was converted into euros on 6 January 1999 and the par value of the shares was rounded up to EUR 4 by increasing the capital to EUR 873,642,684. The capital was increased to EUR 1,798,666,976 from EUR 873,642,684 by the EUR 917,960,200 stock-for-stock public tender offer for Paribas, the EUR 6,029,996 private placement reserved for BNP staff members, and on exercise of employee stock options for EUR 1,034,096.

(2) The share capital was increased to EUR 1,800,517,976 from EUR 1,798,666,976 on exercise of employee stock options for EUR 1,851,000. Following these share issues, the Board of Directors used the authorisation given by the 23 May 2000 Annual General Meeting to cancel the 7,053,612 BNP shares held by Paribas for EUR 28,214,448, thereby reducing the capital from EUR 1,800,517,976 to EUR 1,772,303,528. The capital was then increased to EUR 1,792,258,860 from EUR 1,772,303,528 through the EUR 19,285,612 private placement reserved for BNP Paribas staff members, and on exercise of employee stock options for EUR 669,720.

(3) The share capital was increased to EUR 1,792,824,220 from EUR 1,792,258,860 on exercise of employee stock options for EUR 565,360. Following these share issues, the Board of Directors used the authorisation given by the 15 May 2001 Annual General Meeting to cancel the 9,000,000 shares for EUR 36,000,000, thereby reducing the capital from EUR 1,792,824,220 to EUR 1,756,824,220. The capital was then increased to EUR 1,771,942,784 from EUR 1,756,824,220 through the EUR 13,447,684 private placement reserved for BNP Paribas staff members, and on exercise of employee stock options for EUR 1,670,880.

(4) The share capital was increased to EUR 1,773,245,988 from EUR 1,771,942,784 on exercise of employee stock options for EUR 1,303,204. Following these share issues, the Board of Directors used the authorisation given by the 15 May 2001 Annual General Meeting (12<sup>th</sup> resolution) to carry out a two-for-one share-split and reduce the par value of the shares to EUR 2. The split shares have been traded on the Market since 20 February 2002. The capital was then increased to EUR 1,790,347,678 from EUR 1,773,245,988 through the EUR 15,247,598 private placement reserved for BNP Paribas staff members, and on exercise of employee stock options for EUR 1,854,092.

(5) The share capital was increased to EUR 1,791,759,648 from EUR 1,790,347,678 on exercise of employee stock options for EUR 1,411,970. The capital was then increased to EUR 1,806,343,230 from EUR 1,791,759,648 through the EUR 13,346,720 private placement reserved for BNP Paribas staff members, and on exercise of employee stock options for EUR 1,236,862.



- (6) Provision made during the year.
- (7) Paid to 450,129,494 shares, taking into account the 389,250 new shares with rights from 1 January 1999, created pursuant to the 1994-2001 stock option plan and the 18,000 new shares with rights from 1 January 1999 created pursuant to the 1995-2002 stock option plan, and the 55,500 new shares with rights from 1 January 1999 created pursuant to the 1996-2003 stock option plan, and recorded on 26 January 2000.
- (8) Paid to 448,206,055 shares, taking into account the 141,340 new shares with rights from 1 January 2000, recorded on 29 January 2001, including 27,450 shares issued in connection with former BNP stock option plans, and 113,890 shares issued in connection with former Paribas plans (Banque Paribas, Cardif, Cie Financière Paribas and Cie Bancaire).
- (9) Paid to 443,311,497 shares, taking into account the 325,801 new shares with rights from 1 January 2001, recorded on 17 January 2002, including 193,182 shares issued in connection with former BNP stock option plans, and 132,619 shares issued in connection with former Paribas plans (Banque Paribas, Cardif, Cie Financière Paribas and Cie Bancaire), as well as the two-for-one share-split of 20 February 2002 which increased the number of shares to 886,622,994.
- (10) Paid to 895,879,824 shares, taking into account the 705,985 new shares with rights from 1 January 2002, recorded on 23 January 2003, including 280,150 shares issued in connection with former BNP stock option plans, and 425,835 shares issued in connection with former Paribas plans (Banque Paribas, Cardif, Cie Financière Paribas and Cie Bancaire).
- (11) Paid to 903,615,604 shares, taking into account the 443,989 new shares with rights from 1 January 2003, recorded on 28 January 2004, including 169,545 shares issued in connection with former BNP stock option plans, and 274,444 shares issued in connection with former Paribas plans (Banque Paribas, Cardif, Cie Financière Paribas and Cie Bancaire).
- (12) For France, part-time employment is prorated according to the length of time worked.

# BNP PARIBAS SA SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries and affiliates	Currency	Exchange rate	Share capital	Reserves and retained earnings before income appropriation	Last published revenues
			(a)	(a)	(a)

## I – DETAILED INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATED COMPANIES WHOSE BOOK VALUE EXCEEDS 1% OF BNP PARIBAS SHARE CAPITAL

### 1. Subsidiaries (more than 50%-owned)

Antin Participation 4	EUR	1.00000	129,523	37,942	13,020
Antin Participation 5	EUR	1.00000	150,040	11	8,330
BNP Equities Asia Ltd (Labuan)	USD	1.25720	60,000	56	8,533
BNP Holding UK Ltd	GBP	0.70495	412,000	(1,245)	1,310
BNP Ireland	EUR	1.00000	427,813	76,767	9,426
BNP Mexico Holding *	USD	1.25720	30,000	(3,181)	0
BNP Paribas BK Polska	PLN	4.68810	193,400	105,582	122,716
BNP Paribas Brokerage Services Inc.	USD	1.25720	5	31,417	4,091
BNP Paribas Canada	CAD	1.62707	220,637	38,161	108,563
BNP Paribas China Limited	USD	1.25720	72,624	5,287	2,398
BNP Paribas Hungaria BK RT	HUF	261.59824	3,500,000	7,279,035	4,374,786
BNP Paribasimmobilier	EUR	1.00000	79,500	7,567	41,777
BNP Paribas Securities Ltd (Japan)	KJPY	0.13499	80,800	(6,948)	37,709
BNPParibas ZAO	USD	1.25720	16,975	4,926	7,638
BNP PUK Holding Ltd	GBP	0.70495	194,353	(5,106)	(1,654)
BNPP BDDI Participations,	EUR	1.00000	42,383	49,272	(218)
Cie Bancaire UK Fonds B	GBP	0.70495	1	42,109	42,800
CIP Cie Investissements Paris	EUR	1.00000	394,504	416,453	19,240
Cipango	JPY	134.98557	9,400,000	(68,838)	0
Financière BNP Paribas	EUR	1.00000	1,158,268	354,564	50,538
KLE 66	EUR	1.00000	2,174,364	1,676,505	34,962
Paribas do Brasil Empres Part.	BRL	3.64839	40,758	3,715	11,187
Paribas International	EUR	1.00000	371,790	1,163,161	2,204
BNP Paribas Private Bank	EUR	1.00000	68,672	40,932	12,386
BNP Intercontinentale	EUR	1.00000	30,523	8,815	2,652
BNP Paribas Réunion	EUR	1.00000	19,935	7,512	38,104
Paribas Dérivés Garantés PDG	EUR	1.00000	121,959	0	26,002
Antin Bail	EUR	1.00000	18,000	7,968	(3,635)
Banque de Bretagne	EUR	1.00000	52,921	14,068	75,451
BNP Paribas Asset Manag Group	EUR	1.00000	15,361	257,724	105,159
BPSS International Holding	EUR	1.00000	28,040	(6,548)	(5,945)
Financière du Marché St-Honoré	EUR	1.00000	22,500	8,773	649
BNP Andes	USD	1.25720	50,000	(40,234)	4,834
SFA (Sté Française Auxiliaire)	EUR	1.00000	5,926	1,925,951	25,072
Parilease SNC	EUR	1.00000	41,475	27,394	(4,058)
NH Guyomarc'h (formerly Siem)	EUR	1.00000	302,048	51,018	343,689
UCB (Union Crédit pour le Bâtiment)	EUR	1.00000	32,702	211,412	183,094
B*Capital	EUR	1.00000	4,152	7,641	29,983
BNP Paribas Equities France	EUR	1.00000	5,545	36,698	34,318
Cortal Consors	EUR	1.00000	51,211	628,747	47,106
Bancwest Corp.	USD	1.25720	858	3,825,450	1,524,500
Cetelem	EUR	1.00000	339,968	1,068,250	1,021,930
Antin Participation 7	EUR	1.00000	170,631	(397)	19,703
Kle 65	EUR	1.00000	578,133	95,275	48,941
Gestion et Location Holding	EUR	1.00000	265,651	914,131	6,894
BNP Paribas Securities Services	EUR	1.00000	165,280	480,119	241,942
Banco BNP Paribas Brasil	BRL	3.64839	190,311	(26,683)	372,929
Capstar Partners	EUR	1.00000	2,247	57,094	7,916
BPLG-BNP Paribas Lease Group	EUR	1.00000	284,756	91,551	(82,407)
FFTW (formerly Charter)	USD	1.25720	9,921	(5,955)	0
BNP Paribas Assurance (formerly Casano2)	EUR	1.00000	510,059	227,199	0

### TOTAL

\* Data at 30 September 2003

(a) In thousands of currency units ; (b) In thousands of euros.

The loss posted by Cortal Consors is primarily due to the launch of the new Consors Germany branches and the merger between Consors France and Cortal SA, which were recognised at book value. These intra-Group restructuring transactions had no impact on Cortal Consors' contribution to the Group's consolidated results.



Last published net income (loss) (a)	Per cent interest held by BNP Paribas SA in %	Book value of shares		Including revaluation difference (b)	Dividends received during the year (b)	Outstanding loans and advances granted by BNP Paribas SA (b)	Guarantees and endorsements given by BNP Paribas SA (b)
		Gross (b)	Net (b)				
13,002	100.00%	79,143	79,143	0	0	0	0
8,320	100.00%	150,060	150,051	0	0	0	0
18	100.00%	48,808	48,808	0	0	0	0
(57)	100.00%	554,094	554,094	16,180	0	0	0
42,663	100.00%	451,161	451,161	0	0	0	0
(81)	100.00%	23,863	21,267	0	0	0	0
46,455	100.00%	78,699	78,699	0	7,548	63,992	0
(2,300)	100.00%	18,100	18,100	0	0	0	0
19,002	100.00%	158,245	158,245	190	0	0	2,580
1,455	100.00%	63,450	63,450	0	0	8,597	0
1,063,471	100.00%	42,252	42,252	0	1,444	69,725	704
22,612	100.00%	261,602	87,026	0	20,670	0	0
10,764	100.00%	603,837	534,714	0	0	0	0
2,258	100.00%	20,000	20,000	0	0	0	0
(1,593)	100.00%	316,953	267,428	0	0	0	0
13,311	100.00%	104,870	104,870	0	0	0	0
42,800	100.00%	22,463	22,463	0	0	0	0
72,998	100.00%	597,982	597,982	0	0	0	0
0	100.00%	70,670	69,129	0	0	0	0
(52,774)	100.00%	1,638,253	1,413,475	0	0	0	0
(17,488)	100.00%	3,744,867	3,559,434	0	0	0	0
8,965	100.00%	20,643	20,643	0	0	0	0
16,685	100.00%	1,327,951	1,327,951	0	2,324	0	0
1,127	100.00%	124,706	120,177	279	0	12,290	0
14,371	100.00%	63,211	61,732	21,742	18,314	0	0
1,037	100.00%	25,246	25,246	0	3,588	14,500	0
7,747	100.00%	121,959	121,920	0	0	0	0
1,698	100.00%	27,380	25,908	0	2,640	0	1,030
14,778	100.00%	71,021	71,021	0	13,841	313,362	9
183,449	100.00%	247,267	247,267	13	170,510	0	0
(13,255)	100.00%	28,040	28,040	0	0	0	0
980	100.00%	25,492	25,492	0	0	0	0
(585)	100.00%	40,487	40,218	0	0	0	0
48,540	100.00%	442,098	442,098	0	3,726	106,612	0
1,298	100.00%	50,724	50,183	0	0	105,700	0
221,071	99.99%	373,020	373,020	0	508,182	0	0
110,405	99.93%	728,074	429,184	0	61,001	10,123,290	452,456
5,749	99.91%	50,804	50,804	0	0	0	0
1,071	99.87%	46,990	46,990	0	0	0	0
(352,877)	99.30%	692,022	692,022	0	0	50,000	0
436,564	98.74%	3,445,164	3,445,164	0	7,476	15,908	0
140,461	98.06%	2,373,625	2,373,625	0	333,125	12,376,517	0
327	95.50%	162,952	162,577	0	0	0	0
49,561	94.52%	640,810	640,810	0	21,016	0	0
(2,125)	94.22%	988,653	988,653	0	1,564	0	0
38,394	90.44%	1,287,632	1,287,632	2,171	135,606	822,271	0
183,365	83.73%	91,290	91,290	0	0	205,450	66
4,022	80.00%	47,437	47,437	0	2,337	0	0
129,904	74.63%	690,569	690,569	0	41,826	6,256,539	171,920
9,720	71.54%	76,635	72,757	0	0	0	0
(203)	65.56%	450,861	450,861	0	0	0	0
		<b>23,812,133</b>	<b>22,793,078</b>	<b>40,575</b>	<b>1,356,738</b>	<b>30,544,753</b>	<b>628,765</b>





## BNP PARIBAS SA SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

Subsidiaries and affiliates	Currency	Exchange rate	Share capital	Reserves and retained earnings before income appropriation	Last published revenues
			(a)	(a)	(a)

### I – DETAILED INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATED COMPANIES WHOSE BOOK VALUE EXCEEDS 1% OF BNP PARIBAS SHARE CAPITAL

#### 2. Associated companies (10% to 50% owned)

Banca UCB	EUR	1.00000	72,240	4,762	44,863
BNP Paribas Développement	EUR	1.00000	68,000	44,152	12,005
BNP Paribas Suisse	CHF	1.55931	320,271	1,141,481	269,283
Changjiang BNPP Peregrine Securitie ***	CNY	10.40547	600,000	ND	3,122
RIVP - Régie Immob. Ville Paris **	EUR	1.00000	31,474	16,986	284
Finaxa	EUR	1.00000	208,910	3,612,547	79,000
Axa RE Finance	EUR	1.00000	155,359	25,404	14,336
Ottomane Cie Financière	EUR	1.00000	8,500	137,867	1,403
Crédit Logement *	EUR	1.00000	1,123,981	42,508	71,771
SCI-Sté Centrale d'Investissement	EUR	1.00000	500,141	3,376,233	157,989
BNP Paribas Luxembourg	EUR	1.00000	100,000	565,933	180,129

#### TOTAL

\* Data at 30 September 2003 \*\* Data at 31 December 2002 \*\*\* Company created during the year  
(a) In thousands of currency units ; (b) In thousands of euros.

Subsidiaries and affiliates	Book value of shares		Including revaluation difference
	Gross	Net	

### II - GENERAL INFORMATION ABOUT OTHER SUBSIDIARIES AND AFFILIATES

#### 2. Associated companies (10% to 50% owned)

French subsidiaries	546,527	297,805	1,107
Foreign subsidiaries	1,665,043	1,458,892	4,361
French associated companies	1,897,228	1,849,842	62
Foreign associated companies	239,351	211,932	3,128



Last published net income (loss) (a)	Per cent interest held by BNP Paribas SA in %	Book value of shares		Including revaluation difference (b)	Dividends received during the year (b)	Outstanding loans and advances granted by BNP Paribas SA (b)	Guarantees and endorsements given by BNP Paribas SA
		Gross (b)	Net (b)				
9,397	49.00%	42,981	42,981	0	6,009	0	0
9,826	45.24%	29,586	29,586	0	1,121	10,000	0
51,274	43.15%	485,669	485,669	6,572	25,015	3,031,279	82,564
(15,608)	33.00%	20,688	20,688	0	0	0	0
10,639	30.79%	25,590	25,590	0	1,937	0	0
48,700	21.32%	437,212	437,212	0	19,829	0	0
22,639	21.00%	41,314	41,314	0	0	0	0
41	18.61%	29,034	29,034	0	501	0	0
51,690	16.50%	185,709	185,709	0	6,968	509,125	205,498
148,943	15.03%	671,655	671,550	3,825	16,956	0	0
99,109	13.21%	253,934	183,190	0	0	4,085,391	1,172
		<b>2,223,373</b>	<b>2,152,523</b>	<b>10,397</b>	<b>78,335</b>	<b>7,635,795</b>	<b>289,234</b>



## ACQUISITIONS OF EQUITY INTERESTS BY BNP PARIBAS SA

Changes in percent interests

### 5% disclosure threshold crossed

#### 10% disclosure threshold crossed

Listed	Alstom*
Unlisted	Carte Bleue SAS
Unlisted	GCPS
Unlisted	Mauboussin Joailliers
Unlisted	Société Centrale d'Investissement

### 20% disclosure threshold crossed

Unlisted	Changjiang BNPP Peregrine Securities
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### 33.33% disclosure threshold crossed

### 50% disclosure threshold crossed

Unlisted	BNP Paribas Assurance
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### 66.66% disclosure threshold crossed

Unlisted	Atelier Service
Unlisted	BNP Paribas China Limited
Unlisted	Mediha Informatique
Unlisted	Protection 24
Unlisted	Tuileries Financement 1
Unlisted	Tuileries Financement 2
Unlisted	Tuileries Financement 3
Unlisted	Tuileries Financement 4
Unlisted	Tuileries Financement 5
Unlisted	Tuileries Financement 6

\* Equity interest held temporarily as lead arranger for the company's capital increase. The corresponding shares were sold to investors at the beginning of 2004.



## PRINCIPAL ACQUISITIONS AND DISPOSALS IN FRANCE AND ABROAD

Threshold: EUR 20 million for listed equities and EUR 1 million for unlisted equities

### Acquisitions in France

#### New investments

	ABSA 1 TDF
	Alstom
	Alstom ORA 31/12/2008
	Mauboussin Joailliers
	Publicis
<i>Intra-group</i>	Société Centrale d'Investissement

#### Bolt-on investments

<i>Intra-group</i>	NH Guyomarc'h ex-Siem
	Protection 24
	Sagem
<i>Intra-group</i>	Sofinergie 5

#### Subscriptions to share issues

<i>Intra-group</i>	Axa Private Equity Fund II A
	Banque Cortal
	BMS Exploitation
<i>Intra-group</i>	BNP Paribas Arbitrage
<i>Intra-group</i>	BNP Paribas Asset Servicing
<i>Intra-group</i>	BNP Paribas Assurance
<i>Intra-group</i>	BNP Paribas e-Cube
	Crédit Logement (action B)
	Euromezzanine 4 (Part A1)
	Euromezzanine 4 (Part A2)
<i>Intra-group</i>	Parilease SNC
<i>Intra-group</i>	Protection 24
<i>Intra-group</i>	Singapore Emma Finance 1

### Acquisitions outside France

#### New investments

Changjiang BNPP Peregrine Securities (China)

#### Bolt-on investments

<i>Intra-group</i>	BNP Asset Finance NV (Netherlands)
	BNP Paribas China Ltd (China)
	Cobepa SA (Belgium)

#### Subscriptions to share issues

<i>Intra-group</i>	Alfieri Associated Investors (Italy)
<i>Intra-group</i>	BNP Corporate Finance Polska (Poland)
<i>Intra-group</i>	BNP Ireland (Ireland)
<i>Intra-group</i>	BNP Paribas China Ltd (China)
<i>Intra-group</i>	BNP Paribas Le Caire (Egypt)
<i>Intra-group</i>	BNP Paribas Securities Ltd (Japan/Hong Kong)
	Bridge Point Europe II Fund B (United Kingdom)
	CVC III (Fonds LBO) (United Kingdom)
	Electra European Fund Ltd (United Kingdom)
	Gilde Buy Out Fund II (Netherlands)
	Hermes UOB European Private Equity (United Kingdom)
	Nasdaq Europe NV (Belgium)
	Suala Capital Fund LP (Spain)

### Disposals in France

#### Total

<i>Intra-group</i>	Banexi Communication
<i>Intra-group</i>	Cardif SA
<i>Intra-group</i>	CEIC
	Coficem
	Crédit Lyonnais
	Cyber Comm
<i>Intra-group</i>	Natio Assurances SA
<i>Intra-group</i>	Natio Vie
	Novalliance SA
<i>Intra-group</i>	Parifici Nom
	Peugeot SA
	Somarel
<i>Intra-group</i>	SPS RE

#### Partial

Caisse Refin. de l'Habitat  
Renault  
Sofinergie 4 Prov. Regroup.

### Disposals outside France

#### Total

<i>Intra-group</i>	BNP Dresdner European Bank (Austria)
	BNP Finans (Norway)
<i>Intra-group</i>	BNP Private Bank and Trust Company (Bahamas)
<i>Intra-group</i>	Consors Discount Broker (Germany)
	Intercos (Italy)
	Natio Leasing Overseas FRF (Panama)
<i>Intra-group</i>	Parvest Horizon (Luxembourg)
	Site Jih Sun (Taiwan)

#### Partial

Baloise Holding R (Switzerland)



## NRE APPENDICES

### Summary table relating to the Social Chapter of the New Economic Regulations (NRE) Act

NRE indicator	2003 Comments
1. Remuneration and benefits paid to each corporate officer during the financial year	<i>See Annual Report – Remunerations.</i>
2. Remuneration and benefits paid during the financial year to each corporate officer by controlled companies as defined in article L 233-13 of the French Commercial Code	<i>See Annual Report – Remunerations.</i>
3. List of all directorships and positions held during the financial year in any company by each of the corporate officers	<i>See Annual Report – Corporate Governance</i>
4. Total number of employees including fixed-term contract employees	<p><i>See Annual Report – Human Resources Development – Group Employees.</i></p> <p>At 31 December 2003, the Group employed a total of 89,071 full time equivalent employees (FTE), representing an increase of 1,386 compared with 2002. Of the 52,260 FTEs employed by the Group in France 38,190.3 FTEs (including 461 on fixed-term contracts) work for BNP Paribas SA and 14,069.7 FTEs for subsidiaries. The proportion of executive to non-executive staff employed by BNP Paribas SA in France has increased steadily over the last three years: 32.7% in 2001; 35.7% in 2002; 37.7% in 2003</p>
5. Number of new permanent and fixed-term contract employees	<p>In 2003, 5,240 new employees were recruited by the Group worldwide. During the year, BNP Paribas SA added a total of 2,841.8 new FTEs in France: 1,840.8 women and 1,001 men. Of this total, 1,712.9 were employed on permanent contracts, 911.9 on fixed-term contracts and there were 217 conversions from fixed-term to permanent contracts.</p> <p><i>For further information, see Annual Report – Human Resources Development – Hiring.</i></p>
6. 6. Recruitment difficulties	In 2003, despite a large number of job openings, the retention rate for graduate recruits declined relative to the number of interviews held.
7. Number of and reasons for dismissals	<p>In 2003, the number of employees dismissed by BNP Paribas SA amounted to 165.2 FTEs.</p> <p>The principal reasons for dismissals were dismissal during the trial period and for professional shortcomings.</p>
8. Overtime hours	In 2003, BNP Paribas SA paid 61,893 hours of overtime in France. The number of overtime hours paid in 2002 was significantly higher due to the additional workload associated with the euro changeover in the banking network.





## NRE indicator

## 2003 Comments

9. Temporary staff	<p>Much fewer temporary workers were needed in 2003 due to the completion of large-scale projects such as the introduction of euro-denominated notes and coins in 2002. As a result, the average monthly number of temporary workers fell from 391 in 2002 to 160 in 2003 and the average length of temporary work contracts declined from 43 days to 30.</p> <p>Payments made by BNP Paribas SA to temporary staff agencies in France amounted to EUR 5.32 million in 2003, compared with EUR 10.99 million in 2002.</p>
10. Where relevant, information relating to headcount adjustments, redeployment and advice for finding new positions	<p>The voluntary separation programme completed at the end of 2003 has enabled the Group to steadily reduce the number of duplicate positions resulting from the merger of BNP and Paribas.</p> <p>Under this programme, opportunities and training for redeployment were offered to employees whose positions were eliminated.</p> <p>The programme was essential in providing the flexibility required to maintain high recruiting momentum and allow succession management.</p> <p>Of the 587 employees who accepted a voluntary separation package in 2003, 64 employees left to start up a business. Since its launch, the programme has helped to create an average of 2.7 jobs (including the founder) per project.</p> <p><i>See Annual Report – Human Resources Development – Recruitment Policy.</i></p>
11. Working hours	<p>The working week is 35 hours. Employees can choose to work 90, 80, 60 or 50% of the legal working week.</p> <p>BNP Paribas SA signed a master agreement in 2000 pertaining to the introduction of the 35-hour working week in France in order to allow operating units to negotiate conditions for application on a case-by-case basis according to their business and market strategy.</p> <p>The company agreement on night work signed in 2002 partially limited the scope of the master agreement. This agreement primarily concerned specific employees working at two client relations centres and at two printing sites in France.</p>
12. Working week for full time employees	<p>In France, the working week for a full time employee is generally considered to be 35 hours.</p> <p>By comparison the working week is 35 hours for Group business units in the United Kingdom, 35 or 40 hours, according to operations, in the United States and 40 hours in Switzerland.</p>
13. Working week for part time employees	<p>Within BNP Paribas SA in France in 2003, 12.6% of employees worked part time, with the majority of them working 80% of the legal working week. A smaller proportion work 50-60% of the working week and a marginal number are employed under other part time options. The average working week for part time employees is 72.4%.</p>
14. Absenteeism and reasons for absenteeism	<p>In 2003, the absentee rate for BNP Paribas SA in France was 4.5%. Maternity leave accounted for 1% of the total.</p> <p>After maternity leave, non-work related illnesses were the most common reason for long-term absences.</p> <p>158 employees took parental leave of more than 6 months; 286 employees took time off in lieu of overtime pay; and 11 took a sabbatical leave of more than 6 months.</p>



## NRE indicator

## 2003 Comments

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15. Remuneration	<p>The average monthly remuneration of BNP Paribas SA employees was EUR 2,758 in 2003.</p> <ul style="list-style-type: none"><li>• 88.5% of employees received a variable remuneration bonus</li><li>• 30.4% were awarded an increase in fixed remuneration</li><li>• 11.4% were promoted</li></ul>
16. Change in remuneration	<p>The outcome of annual negotiations on salaries resulted in the signing of an agreement on 25 January 2003 which covered:</p> <ul style="list-style-type: none"><li>• payment of an annual bonus equivalent to 17% of basic monthly salary, with a maximum limit of EUR 500;</li><li>• possibility offered to employees to contribute EUR 80 to the BNP Paribas employee share savings plan with a 250% matching contribution (EUR 200).</li></ul>
17. Payroll expenses	<p>Payroll expenses (social security and unemployment employer contributions): EUR 611.9 million. Pensions (employer contributions): EUR 201.8 million. Representing a total of EUR 813.7 million.</p>
18. Application of the laws of Titre IV Livre IV of the Labour Code (Incentive plans and profit sharing)	<p><i>See Annual Report – Human Resources Development - Employee Share Ownership and Employee Savings.</i></p> <p>At 31 December 2003, BNP Paribas' employee savings plans had total assets of EUR 2 billion and around 70,000 beneficiaries.</p> <p>Employees held 4.57% of the share capital either directly or through employee savings plans.</p>
19. Gender equality	<p><i>See Annual Report – Human Resources Development – Employee Diversity.</i></p> <p>The proportion of male to female FTE employees in the Group is 49.3% men to 50.7% women.</p> <p>The proportion for BNP Paribas SA in France is 17,994 men to 20,196 women.</p> <p>The proportion of males to females among recruits in 2003 was 1,001 men to 1,840.8 women.</p> <p>Proportion of female executives:</p> <ul style="list-style-type: none"><li>• 34% in 2001</li><li>• 35.7% in 2002</li><li>• 36.9% in 2003</li></ul> <p>Proportion of female employees receiving promotion:</p> <ul style="list-style-type: none"><li>• 51.6% in 2001</li><li>• 54.7% in 2002</li><li>• 55.6% in 2003</li></ul>
20. Employee relations and collective bargaining	<p><i>See Annual Report – Human Resources Development - Employee-employer Relations.</i></p>

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## NRE indicator

## 2003 Comments

### 21. Health and safety

A total of 18,000 people were examined by an occupational physician and received advice on maintaining a healthy lifestyle: nutritional advice, exercise, prevention of cancer, and personal assistance in stress management.

- *Cardiovascular risk screening*: 203 check-ups were performed by the occupational medicine department and necessitated 7 examinations in a hospital cardiology department.
- *Monitoring and scheduling of vaccinations*: 800 vaccinations and 2,500 flu vaccinations performed.
- *Tobacco withdrawal*: 10 people.
- Referrals: 3,500 employees were referred to a medical specialist following an occupational health check-up.
- *Healthcare programme for expatriate staff*: implementation of check-ups catering for employees in each age bracket and for specific health risks in concerned countries. 103 check-ups performed.
- *First aid training*:
  - Basic first aid training: 94
  - Recycling in 2003: 256
  - Emergency medicine training for medical staff: 13
- *Prevention of post-traumatic stress for staff having witnessed attacks* in tandem with the Paris emergency health services: psychological counselling was provided for 375 staff members at the place of work and 658 received occupational health examinations. Hospital care was provided for 35 employees suffering from post-traumatic disorder. Results from the prevention programme are encouraging, with a significant reduction in the number of definitive job transfers, a sharp drop in the number of lost work days due to post-traumatic stress and a reduction in the average length of sick leave. Eight nursing staff have been trained to deal with post-traumatic stress.

Action aimed at improving health and safety in the workplace has focused on the ergonomics of staff work stations, office lighting, thermal comfort, ventilation and hygiene in the workplace.

### 22. Training

*See Annual Report – Human Resources Development – Skills Building.*

In France, 1,282 million hours training were provided by BNP Paribas SA, with 90% of the workforce receiving an average of 36 hours of training.

The numbers of employees at Group units in France enrolled in training for a professional qualification were as follows:

- 996 for the Brevet Professionnel banking diploma
- 669 for the BTS banking qualification
- 229 for the Institut Technique de Banque



## NRE indicator

## 2003 Comments

### 23. Employment and integration of disabled employees

A study was conducted by the Handicoach association in July-August 2003 to assess the degree of integration of disabled employees in the company. This study confirmed the adequacy of the policies developed by BNP Paribas for recruiting and integrating disabled employees and included a variety of recommendations. The number of disabled employees, as measured in disability units, is not expected to change significantly in relation to the 2002 level of 1,025 units. A definitive figure will be provided in the 2003 Social Report.

### 24. Company benefit schemes

National-level social and cultural activities are administered by the Central Works Council. Other staff benefit schemes are coordinated by local works councils. Benefits offered to employees include children's summer camps and organised holidays for staff, contributions to meal expenses, family welfare, lending libraries for books, records, videos and other media, and concessions for theatres and cinemas. A sports and cultural society allows staff to take part in and attend a variety of team sports and cultural events. A breakdown of BNP Paribas' company welfare budget is provided in the 2003 Social Report.

### 25. Relations with the community, including associations to combat social exclusion, educational institutions, amenity and consumer associations, and local residents.

French retail banking entities have forged more than 800 formal and informal partnerships with local educational institutions. Partnerships with educational institutions primarily cover work experience schemes and apprenticeships. The Bank works in partnership with Greta adult education centres and with the *Centre de Formation de la Profession Bancaire*, a French training centre for banking skills. Within French Retail Banking, relations with consumer rights associations are coordinated by the Quality & Consumer Relations Department. The Fondation BNP Paribas develops partnerships in the fields of culture, medicine and humanitarian assistance. It has also forged close ties with Adie, a non-profit association providing micro loans for business projects, and with Afev, a voluntary student organisation which provides tutoring for children living in disadvantaged urban areas. *Institut des Cent Arpents*, a sheltered workshop established by BNP in 1981 and managed by Mutuelle BNP Paribas, employs 95 disabled people. Group entities outside France, such as in the United States, the United Kingdom and Switzerland, have also set up partnerships with voluntary groups working in a variety of areas.

### 26. Contribution to regional development and employment

In contrast to industrial companies which are often the largest employers in the communities where they are located, retail banking services are provided by a network of local branches. BNP Paribas' branch network is constantly being adapted in response to population and demographic trends in regions and urban areas, and enables the Bank to contribute to economic development by providing financing for clients.



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## NRE indicator

## 2003 Comments

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27. Outsourcing and the Bank's policy with subcontractors: steps to ensure that subcontractors comply with International Labour Organisation (ILO) standards.

The Global Procurement Group (GPG) manages all procurement contracts in excess of EUR 1 million. GPG does business only with suppliers who commit to complying with the standards set by the International Labour Organisation, notably regarding child labour, trade union rights, collective bargaining, forced labour, equal opportunities, working hours, and the minimum wage.

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28. Steps taken by the Bank to ensure that subsidiaries comply with ILO standards. Steps taken by foreign subsidiaries to address the impact of their business on regional development and the local community.

The Group's policy for human resources management is laid out in a series of reference documents: a code of guidelines for the HR function, a directives manual, a best practices guide and an audit methodology for HR administration. Group directives explicitly require compliance with ILO standards. Directives apply to all Group entities regardless of their business line or country of origin, and are available for consultation by employees on the Group's Intranet. In addition to management controls required by the Group's internal control system, internal audit and inspection teams are also responsible for ensuring compliance with HR directives.

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## Summary table relating to the Environment Chapter of the New Economic Regulations (NRE) Act

NRE indicator	2003 Comments
1. Water consumption	Total drinking water consumption for office locations in Paris and the inner suburbs (representing 600,000 sq.m of the 1.95 million sq.m of office space occupied by BNP Paribas SA in France) is estimated at 320,000 cubic metres. Estimated consumption of cooled water was 15.4 GWh in 2003; the increase in consumption caused by the summer heatwave was offset by upgrades made to air conditioning systems during the year.
2. Raw material consumption	E-procurement systems deployed in 2003 will allow data on worldwide consumption of raw materials to be compiled for comparison purposes. In 2003, estimated paper consumption by Group entities in France was on a par with 2002 at 800,000 reams of paper. In addition, 3,390 tonnes of roll paper and pre-printed paper were ordered in 2003 by BNP Paribas SA's information systems and printing centres in France.
3. Energy consumption	Group entities in France consumed 275 GWh of electricity in 2003. Procedures for the compilation of data on worldwide electricity consumption are being introduced in 2004.
4. Measures taken to improve energy efficiency	Since the decommissioning of electricity generators located in the Parisian inner suburbs, centralised technical management systems have been installed to enhance energy efficiency in France. Energy savings are also being achieved by making widespread use of long-life electric tubing systems.
5. Use of renewable energy sources	Under new electricity supply contracts which came into force in 2003, renewable energy serves as the source for 15% of the electricity supply used by six sites with the highest energy consumption in France, thus meeting national objectives for utilisation of renewable energy.
6. Land use	A building constructed by the Meunier Group was awarded The Building of the Year prize by a jury of judges at the second edition of the SIMI trade show.
7. Emissions to air, water and soil	Procedures for calculating CO2 emissions being deployed at a number of pilot sites are used to estimate emissions discharges at Group level, define priorities, and identify areas in which there are significant opportunities for improvement.
8. Noise and odour pollution	As part of refurbishment work for the BNP Paribas office building located on rue Sainte-Cécile in Paris, the contractor Meunier Promotion made a number of accommodations to satisfy local residents' demands: <ul style="list-style-type: none"><li>• Initial plans for the construction of cooling towers were discarded in favour of a more expensive alternative, the Cimespace cooling water network;</li><li>• Heavy construction equipment was only used during certain times of the day in order to limit noise disturbance.</li></ul>



## NRE indicator

## 2003 Comments

9. Waste processing	<p>Paper recycling rates were increased during the year, resulting in the recovery of 4,569 tonnes of paper. The Saran Centre collected 1,706 tonnes of this total. During the year, three pilot recovery schemes were organised for toner cartridges. The practice is to be extended throughout France in 2004 and will be subsequently replicated at major locations throughout the world.</p> <p>Supplier selection is based in part on compliance with environmental standards for end-of-life recovery and reprocessing of materials (toner cartridges, computer equipment, ATMs, printing materials, electric and optical fibre cables, batteries, fluorescent tubes and the use of environmentally friendly office supplies).</p>
10. Measures taken to avoid upsetting the biological balance	<p>BNP Paribas is taking steps for the progressive use of water for air conditioning in place of refrigerants.</p> <p>Evaporative room air conditioners have been prohibited by the Group and the final remaining systems are being swiftly decommissioned.</p>
11. Measures taken to ensure compliance with legal requirements	<p>The Corporate Facilities Management Department is responsible for establishing guidelines to ensure that energy management systems comply with regulations applicable in France.</p> <p>The Global Procurement Group (GPG) establishes property management guidelines based on the most stringent requirements in the countries where the Group operates. As part of its efforts to ensure that these guidelines are enforced by all international sites, GPG reviews all major construction projects within the Group and performs property audits for central office buildings in connection with acquisitions.</p>
12. Steps taken towards environmental evaluations and certifications	<p>BNP Paribas is included as a component in all four of the benchmark indices for socially responsible investment: Dow Jones SI World, Dow Jones SI Stoxx, FTSE4Good and Aspi Eurozone.</p> <p>The environmental performance rating assigned to the Group was upgraded by the advisory firm, Innovest, in 2003.</p>
13. Company expenditures for prevention of environmental impacts.	<p>As illustrated by the ten principles set out in the Group's Environmental Responsibility Charter, a systematic preventive approach is being taken across the Group. As such, it is not possible to provide individual accounting breakdowns.</p>
14. Internal department for environmental management	<p>Responsibility for mitigating direct impact to the environment lies with the corporate facilities management and global procurement functions. There are no plans to create a special-purpose corporate structure.</p>
15. Environmental training and information programmes for employees	<p>The 10 principles contained in the Group's Environmental Responsibility Charter apply to all employees and are published on the BNP Paribas Intranet.</p> <p>BNP Paribas' sustainable development policy, reference guidelines, news and environmental ratings can be accessed by staff via the Group's Intranet.</p> <p>Corporate facilities management guidelines are also available through the same channel. Cross-company seminars on environmental policy are organised by GPG for procurement managers.</p>



## NRE indicator

## 2003 Comments

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16. Efforts devoted to the reduction of environmental risks	<p>The Group Risk Management Department (GRM) is responsible for controlling and managing risk exposure within the Group. Credit risk and rating policies have been updated to provide a specific methodology for measuring environmental risks in lending. Corporate policies are translated into guidelines for operating units which address their individual risk exposure and outline procedures to be applied by employees who are directly concerned.</p> <p>The Group's global procurement and corporate facilities management departments also play a key role in controlling direct environmental risks</p>
17. Structures to deal with pollution caused by the company to the surrounding environment	<p>Crisis situations are managed by <i>ad hoc</i> committees constituted at senior executive level.</p> <p>As in previous years, the network of local banks in France came to the aid of victims of natural disasters in 2003. To assist victims of flooding in southern France, EUR 10 million was earmarked to provide cash advances on insurance coverage in the form of zero-rate revolving loans with no processing charges along with seven-year low-interest loans for household goods with zero processing charges. On this occasion, Cetelem reinstated its disaster response programme which had already been applied to assist storm victims in the winter of 1999, as well as for the victims of flooding in the Aude and Somme <i>départements</i> and the explosion at the AZF chemical facility in Toulouse.</p>
18. Amount of provisions and guarantees covering environmental risks	None
19. Amount of compensation paid following legal decisions relating to the environment	None.
20. Environmental objectives set for foreign subsidiaries (points 1 to 16)	<p>BNP Paribas' guiding principles, namely the Global Pact and the 10 principles contained in the Environmental Responsibility Charter, apply to all employees regardless of the business entity or country in which they are employed.</p> <p>Operating units are responsible for implementing the Group's guiding principles throughout their reporting organisations, including subsidiaries, in all territories.</p>

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## GENERAL INFORMATION

### LEGAL INFORMATION CONCERNING BNP PARIBAS

#### CORPORATE NAME AND REGISTERED OFFICE

BNP Paribas  
16. boulevard des Italiens  
75009 Paris

Legal documents concerning the Company are available for consultation at the Company's headquarters.

#### INCORPORATION DETAILS

Registered in Paris under No. 662 042 449  
APE business identifier code: 651 C.

#### INCORPORATION DATE AND FINANCIAL YEAR

The Company was incorporated on 17 September 1993 for a period of ninety-nine years. Each financial year begins on 1 January and ends on 31 December.

#### LEGAL STRUCTURE, REGULATORY FRAMEWORK AND CORPORATE PURPOSE

BNP Paribas is a French société anonyme (public limited company) licensed to conduct banking operations under the Monetary and Financial Code (*Code Monétaire et Financier, Livre V, Titre I<sup>er</sup>*). The Company was founded pursuant to a decree dated 26 May 1966.

BNP Paribas is governed by banking regulations, the provisions of the Commercial Code applicable to trading

companies and by its Articles of Association. The Company'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 and all investment services, any and all related investment operations, any and all banking services, any and all related banking operations, all equity investments, as defined in the Monetary and Financial Code (*Livre III, Titre I<sup>er</sup>* governing banking services and *Livre III Titre II* governing investment services).

BNP Paribas may also conduct any and all other businesses and any and all transactions in addition to those listed above, including any and all arbitrage, brokerage and fee-based transactions, subject to compliance with the regulations applicable to banks.

BNP Paribas may conduct for its own account and/or for the account of third parties, any and all financial, commercial, industrial, or agricultural activities as well as all activities concerning securities and real estate, that may be directly or indirectly related to the activities referred to above or that may facilitate their execution.

#### SOCIAL REPORT

A social report is published each year in April and is available on the website at [www.bnpparibas.com](http://www.bnpparibas.com) and on request.



# STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

YEAR ENDED 31 DECEMBER 2003

**Barbier Frinault & Autres**  
Ernst & Young  
41, rue Ybry  
92576 Neuilly-sur-Seine Cedex

**PricewaterhouseCoopers Audit**  
32, rue Guersant  
75017 Paris

**Mazars & Guérard**  
Mazars  
Le Vinci – 4. allée de l'Arche  
92075 Paris La Défense

To the shareholders  
BNP Paribas  
16. boulevard des Italiens  
75009 Paris

To the shareholders

In our capacity as Statutory Auditors', we hereby report to shareholders on regulated agreements.

Our responsibility does not include identifying any undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article 92 of the decree of 23 March 1967, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

## Agreements entered into during the year

We were not informed of any agreements entered into during the year that would be governed by article L.225-38 of the Commercial Code.

## Agreements entered into in prior years which remained in force during the year

In application of the decree of 23 March 1967, we were advised of the following agreements entered into in prior years, which remained in force during the year:

- Agreement with the Axa group

Axa and Finaxa

On 12 September 2001, the BNP Paribas and Axa groups signed a standstill agreement whereby Axa will not reduce its interest in BNP Paribas to below 4.9% and BNP Paribas will not reduce its interest in Finaxa to below 22.25%.

At the end of the period covered by the agreement, each partner will have a pre-emptive right to purchase the other partner's shares. In addition, the two partners have call options on the other's shareholdings, which are exercisable in the event of a change of control.

The Axa group has also given a commitment to maintain the liquidity of BNP Paribas' interest in Finaxa.

The agreement covers a period of three years from the date of signature. At the end of this initial period, it will be automatically renewable for successive three-year periods until terminated by either party with three months' notice.

- Guarantees given to directors

Insurance policies with Chubb.

BNP Paribas SA has taken out insurance policies with Chubb to cover any financial liability and defence costs of the directors and senior executives of its subsidiaries and branches in the case of any proceedings initiated against them that concern the normal exercise of their functions.

The principles and conditions of said agreements remained in force in 2003.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

Neuilly-sur-Seine, Paris and La Défense, 16 March 2004  
The Statutory Auditors

**Barbier Frinault & Autres**  
Ernst & Young  
Christian Chiarasini Radwan Hoteit

**PricewaterhouseCoopers Audit**  
Étienne Boris

**Mazars & Guérard**  
Mazars  
Hervé Hélias





## STATUTORY AUDITORS

### NAMES AND ADDRESSES OF THE AUDITORS

For the years 2001, 2002 and 2003

#### **Barbier Frinault & Autres**

Represented by Christian Chiarasini and Radwan Hoteit  
41, rue Ybry 92576 Neuilly-sur-Seine Cedex

#### **PricewaterhouseCoopers Audit** (formerly Befec-Price Waterhouse)

Represented by Etienne Boris  
32, rue Guersant - 75017 Paris

#### **Mazars & Guérard**

Represented by Hervé Hélias  
125, rue de Montreuil 75011 Paris

- Barbier Frinault & Autres was re-appointed as Auditor at the Annual General Meeting of 23 May 2000 for a six-year period expiring at the close of the Annual General Meeting to be called in 2006 to approve the financial statements for the year ending 31 December 2005. The firm was first appointed at the Annual General Meeting of 26 May 1988. Barbier Frinault & Autres, represented by Christian Charasini and Radwan Hoteit, has been a member of Ernst & Young since 5 September 2002.
- PricewaterhouseCoopers Audit (formerly Befec-Price Waterhouse) was re-appointed as Auditor at the Annual General Meeting of 23 May 2000 for a six-year period expiring at the close of the Annual General Meeting to be called in 2006 to approve the financial statements for the year ending 31 December 2005. The firm was first appointed at the Annual General Meeting of 26 May 1994. PricewaterhouseCoopers Audit (formerly Befec-Price Waterhouse), represented by Etienne Boris, is a member of PricewaterhouseCoopers.
- Mazars & Guérard was appointed as Auditor at the Annual General Meeting of 23 May 2000 for a six-year period expiring at the close of the Annual General Meeting to be called in 2006 to approve the financial statements for the year ending 31 December 2005. Mazars & Guérard was initially represented by the late Yves Bernheim and is now represented by Hervé Hélias.



# COMBINED ANNUAL AND EXTRAORDINARY GENERAL MEETING OF 28 MAY 2004

## PROPOSED RESOLUTIONS

### ANNUAL MEETING

- **First resolution** (*Approval of the balance sheet of the Group at 31 December 2003 and the profit and loss account for the year ended at that date*)

The Annual Meeting, having reviewed the reports of the Board of Directors and the Auditors on the consolidated financial statements for the year ended 31 December 2003, approves the balance sheet of the Group at 31 December 2003 and the profit and loss account for the year then ended.

- **Second resolution** (*Approval of the balance sheet of the Bank at 31 December 2003 and the profit and loss account for the year ended at that date*)

The Annual Meeting, having reviewed the reports of the Board of Directors and the Auditors on the financial statements for the year ended 31 December 2003, approves the balance sheet of the Bank at 31 December 2003 and the profit and loss account for the year then ended. The Annual Meeting notes that net income for the year amounted to EUR 2,358,756,301.88.

- **Third resolution** (*Appropriation of 2003 net income and dividend*)

The Annual meeting resolves to appropriate net income as follows:

In euros	
Net income for the year	2,358,756,301.88
Retained earnings brought forward from prior years	6,110,425,156.15
<b>Total to be appropriated</b>	<b>8,469,181,458.03</b>
In long-term capital gains, to the legal reserve	856,423.20
To the special long-term capital gains reserve	102,919,700.80
To the special Investment Reserve	36,193,223.00
To dividends	1,310,242,625.80
To unappropriated retained earnings	7,018,969,485.23
<b>Total</b>	<b>8,469,181,458.03</b>

The total dividend of EUR 1,310,242,625.80 to be paid to BNP Paribas SA shareholders, corresponds to a dividend of EUR 1.45 per share with a par value of EUR 2.00. The total amount paid to individual shareholders and corporate shareholders qualifying for the affiliation privilege will be EUR 2.175, including the EUR 0.725 *avoir fiscal* tax credit corresponding to tax already paid to the Treasury. Full powers are given to the Board of Directors to credit dividends payable on shares held in treasury stock to unappropriated retained earnings.

The 2003 dividend will be payable as from 11 June 2004, in cash.



As required under section 47 of the Act of 12 July 1995 (Act 65-566), the Board of Directors informs the Annual Meeting that dividends paid for the last three years were as follows:

In euros Year	Par value of shares	Number of shares	Total dividend	Dividends	"Avoir fiscal" tax credit <sup>(1)</sup>	Total payout
2000	4.00	448,206,055	1,008,463,623.75	2.25	1.125	3.375
2001	2.00	886,622,994	1,063,947,592.80	1.20	0.60	1.80
2002	2.00	895,879,824	1,075,055,788.80	1.20	0.60	1.80

<sup>(1)</sup> Corresponding to tax already paid to the Treasury.

The Annual Meeting authorises the Board of Directors to deduct from unappropriated retained earnings, the amounts necessary to pay the above dividend on shares issued on exercise of stock options prior to the ex-dividend date.

- **Fourth resolution** (*Auditors' special report on the transactions and agreements governed by section L. 225-38 of the Commercial Code approved in advance, including those between the Bank and its directors and officers*)

The Annual Meeting notes the terms of the Auditors' special report on transactions and agreements governed by section L. 225-38 of the Commercial Code and notes that no such agreements were entered into during the year.

- **Fifth resolution** (*Issuance of bonds and equivalents and other debt securities*)

The Annual Meeting authorises the Board of Directors to issue, in France and abroad, any and all types of debt securities, including subordinated notes, equity notes and perpetual bonds but excluding money market securities as defined in sections L. 213-1 et seq. of the Monetary and Financial Code, denominated in euro, in foreign currency or in any monetary unit determined by reference to a basket of currencies. The securities may be issued on one or several occasions, at the Board's discretion, provided that the aggregate face value of the issues does not exceed EUR 30 billion or the equivalent in foreign currency or monetary units. The securities may be secured by mortgage or other collateral or be unsecured.

The Board shall have full powers to determine the type of securities to be issued, the amounts and timing of the issues, the interest rate and other terms and conditions of issue and repayment. The Annual Meeting gives full powers to the Board of Directors and, by delegation, to the Chairman or one of the Directors, to carry out the above issues, to determine the terms and conditions thereof and the characteristics of the securities. Any bonds or equivalents issued under this authorisation may pay interest at a fixed or variable rate and may be redeemable at par or at a fixed or variable premium, in which case the premium will be in

addition to the ceiling specified above. Issues in foreign currencies will be converted into euro on the basis of the exchange rate prevailing on the date of issue for the purpose of determining whether they fall within the above ceiling. This authorisation is given for a period of twenty-six months from the date of this Annual Meeting.

This authorisation cancels and replaces the unused portion of any earlier authorisations to the same effect.

- **Sixth resolution** (*Share buybacks*)

The Annual Meeting, having reviewed the report of the Board of Directors and the information memorandum approved by the *Autorité des Marchés Financiers*, resolves, in accordance with section L. 225-209 of the Commercial Code, to authorise the Board of Directors to buy back up to 90,361,560 BNP Paribas SA shares, representing 10% of the issued capital of the Bank as of the date of this Meeting. The shares may be acquired in order to stabilise the share price, or to take advantage of market opportunities, or for remittance in exchange or payment for external growth transactions or on the issue of shares or share equivalents, for allocation or sale to employees in connection with the employee profit-sharing scheme, employee share ownership plans or corporate savings plans, or in connection with stock option plans set up in favour of officers and key employees of the Bank, or in order to be held in treasury stock, or for the purpose of being sold or exchanged or otherwise transferred on a regulated market or over-the-counter, or for the purpose of being cancelled at a later date, on a basis to be determined by the shareholders in Extraordinary Meeting, or in connection with the management of the Bank's assets and liabilities and its financial position. The shares may be purchased, sold or transferred at any time and by any appropriate method, including in the form of block sales or by means of derivative instruments traded on a regulated market or over-the-counter.



The price at which shares may be acquired under this authorisation may not exceed EUR 75 per share, representing a maximum purchase price of EUR 6,777,117,000 if the authorisation is used in full. The shares may not be sold at a price of less than EUR 35 per share. These maximum and minimum prices may be adjusted following any transactions that have the effect of altering the Bank's issued capital.

The Annual Meeting gives full powers to the Board of Directors and, by delegation, to any person duly authorised by the Board, to place any and all buy and sell orders, enter into any and all agreements, carry out any and all formalities and take any and all other action required to use this authorisation.

This authorisation is given for a period of eighteen months. The Board of Directors will be required to report to shareholders at each Annual Meeting on the share buybacks, transfers, sales and cancellations carried out under this authorisation.

This authorisation cancels and replaces the unused portion of any earlier authorisations to the same effect.

- **Seventh resolution** (*Renewal of the term of office of a director*)

The Annual Meeting resolves to renew the term of office as director of Louis Schweitzer for a period of three years, expiring at the close of the Annual Meeting to be called in 2007 to approve the 2006 financial statements.

- **Eighth resolution** (*Renewal of the term of office of a director*)

The Annual Meeting resolves to renew the term of office as director of Lindsay Owen-Jones for a period of three years, expiring at the close of the Annual Meeting to be called in 2007 to approve the 2006 financial statements.

- **Ninth resolution** (*Resignation of a director*)

The Annual Meeting notes that David Peake does not wish to renew his term of office as director, which expires at the close of this Annual Meeting, and resolves not to replace him.

- **Tenth resolution** (*Powers to carry out formalities*)

The General Meeting gives full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all legal or administrative formalities and to make all filings and publish all notices required by the applicable laws.

## EXTRAORDINARY MEETING

- **Eleventh resolution** (*Authorisation to be given to the Board of Directors to issue shares and share equivalents with pre-emptive rights for existing shareholders*).

The Extraordinary Meeting, having reviewed the report of the Board of Directors and the Auditors' special report, resolves, in accordance with paragraph 3 of section L. 225-129 III of the Commercial Code:

- to give the necessary powers to the Board of Directors to issue shares and share equivalents in France and abroad on one or several occasions, including debt securities and share equivalents issued in application of section L. 228-93 of the Commercial Code. The amounts and timing of such issues shall be decided by the Board at its discretion, subject to the limits specified herein;
- that the maximum aggregate par value of the shares issued under this authorisation, directly and/or on conversion, exchange, redemption or exercise of share equivalents, may not exceed EUR 1 billion. This ceiling shall not include the par value of any shares to be issued pursuant to the law to protect the rights of existing holders of share equivalents;
- that the maximum aggregate face value of debt securities issued under this authorisation may not exceed EUR 10 billion or the equivalent of this amount in the case of securities denominated in foreign currency or a monetary unit determined by reference to a basket of currencies;
- that shareholders will have a pre-emptive right to subscribe for the shares and/or share equivalents issued under this authorisation, as provided for by law, pro rata to their existing holdings. The Board of Directors may also give shareholders a pre-emptive right to subscribe for any shares and/or share equivalents not taken up by other shareholders. If the issue is oversubscribed, such additional pre-emptive right shall also be exercisable pro rata to the existing interest in the Bank's capital of the shareholders concerned;
- If the issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or other of the following courses of action, in the order of its choice:
  - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;
  - freely allocate all or some of the unsubscribed shares or share equivalents among shareholders;
  - offer all or some of the unsubscribed shares or share equivalents for subscription by the public.
- that in accordance with section L. 228-95 of the Commercial Code, share warrants may be offered for subscription as provided for above or allocated to existing shareholders without consideration;



- having noted that the above authorisation implicitly requires the waiver by shareholders, of their pre-emptive right to subscribe for shares to be issued on conversion, redemption, exchange or exercise of any share equivalents issued under this authorisation: to cancel shareholders' pre-emptive rights to subscribe for shares to be issued on conversion, redemption, exchange or exercise of said share equivalents;
- that the amount received by the Bank in respect of each of the shares issued under this authorisation, either directly or on conversion, redemption, exchange or exercise of share equivalents may not represent less than their par value. In the case of shares issued on exercise of warrants issued on a stand-alone basis, the amount received by the Bank shall be considered to include the issue price of the warrants;
- to give full powers to the Board of Directors and by delegation, to the Chairman, to use the above authorisation, subject to compliance with the law, and to determine the timing and conditions of the issues, the form and characteristics of the securities to be issued, the issue price and other conditions, the amount of each issue, the date from which the securities will carry dividend or interest rights, which may be set retroactively, the method by which the shares or share equivalents are to be paid up and, if appropriate, the conditions under which they may be bought back on the stock market. The Board of Directors may also decide to suspend the right to exercise the rights attached to the share equivalents, for a period not to exceed three months. The Board shall also have full powers to determine the method to be used to ensure that the rights of existing holders of shares and share equivalents are protected, in accordance with the applicable laws and regulations. The Board of Directors or the Chairman may charge the securities issuance costs and any other amounts against the related premium and take all necessary or useful measures, enter into any and all agreements, place on record any capital increases resulting from primary or secondary issues of shares carried out under this authorisation and amend the Articles of Association accordingly;
- in the case of issuance of debt securities, the Board of Directors and, by delegation, the Chairman, will have full powers to determine the securities' ranking for repayment purposes, to fix the interest rate, the life of the securities, the redemption price – which may be fixed or variable and may or may not include a premium – the terms and conditions of repayment, depending on conditions in the financial markets and the conditions of conversion, redemption, exchange or exercise of the securities for shares;
- that this authorisation cancels and replaces the unused portion of all earlier authorisations to issue shares and share equivalents with pre-emptive subscription rights.

This authorisation is given for twenty-six months as provided for in the third paragraph of section L. 225-129-III of the Commercial Code.

- **Twelfth resolution** *resolution (Authorisation to be given to the Board of Directors to issue a limited amount of shares and share equivalents without pre-emptive subscription rights).*

The Extraordinary Meeting, having reviewed the report of the Board of Directors and the Auditors' special report, resolves, in accordance with paragraph 3 of section L. 225-129 III of the Commercial Code:

- to give the necessary powers to the Board of Directors to issue shares and share equivalents in France and abroad on one or several occasions, including debt securities and share equivalents issued in application of section L. 228-93 of the Commercial Code. The amounts and timing of such issues shall be decided by the Board at its discretion, subject to the limits specified herein;
- that the maximum aggregate par value of the shares issued under this authorisation, directly and/or on conversion, exchange, redemption or exercise of share equivalents, may not exceed EUR 340 million. This ceiling shall include the par value of any shares to be issued pursuant to the law to protect the rights of existing holders of share equivalents;
- that the maximum aggregate face value of debt securities issued under this authorisation may not exceed EUR 8 billion or the equivalent of this amount in the case of securities denominated in foreign currency or a monetary unit determined by reference to a basket of currencies;
- to waive shareholders' pre-emptive rights to subscribe for the shares or share equivalents to be issued under this authorisation. The Board of Directors may, however, offer shareholders a priority right to subscribe for all or part of the issue, within a period and on terms to be decided by the Board. Said priority right shall be non-transferable but shareholders may, at the Board's discretion, be offered a secondary priority right to subscribe for any shares or share equivalents not taken up by other shareholders;
- that if the entire issue is not taken up by shareholders and the public, the Board of Directors may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue has been subscribed;
- having noted that the above authorisation implicitly requires the waiver by shareholders, of their pre-emptive right to subscribe for shares to be issued on conversion, redemption, exchange or exercise of any share equivalents issued under this authorisation, resolves: to cancel shareholders' pre-emptive rights to subscribe for shares to be issued on conversion, redemption, exchange or exercise of said share equivalents;





- that the amount received by the Bank in respect of each of the shares issued under this authorisation, either directly or on conversion, redemption, exchange or exercise of share equivalents may not represent less than the limit subscribed by law. In the case of shares issued on exercise of warrants issued on a stand-alone basis, the amount received by the Bank shall be considered to include the issue price of the warrants;

- to give full powers to the Board of Directors and by delegation, to the Chairman, to use the above authorisation, subject to compliance with the law, and to determine the timing and conditions of the issues, the form and characteristics of the securities to be issued, the issue price and other conditions, the amount of each issue, the date from which the securities will carry dividend or interest rights, which may be set retroactively, the method by which the shares or share equivalents are to be paid up and, if appropriate, the conditions under which they may be bought back on the stock market. The Board of Directors may also decide to suspend the right to exercise the rights attached to the share equivalents, for a period not to exceed three months. The Board shall also have full powers to determine the method to be used to ensure that the rights of existing holders of shares and share equivalents are protected, in accordance with the applicable laws and regulations. The Board of Directors or the Chairman may charge the securities issuance costs and any other amounts against the related premium and take all necessary or useful measures, enter into any and all agreements, place on record any capital increases resulting from primary or secondary issues of shares carried out under this authorisation and amend the Articles of Association accordingly;

- in the case of issuance of shares or share equivalents in payment for securities tendered under a public exchange offer made by the Bank, the Board of Directors shall have full powers to determine the exchange parity and any balance to be paid in cash; to place on record the number of securities tendered for exchange and the number of shares or share equivalents to be issued in payment therefor; to determine the dates and conditions of issue, including the price and the date from which new shares or share equivalents will carry dividend or interest rights; to credit the difference between the issue price of the new shares and their par value to additional paid-in capital, to which all shareholders shall have equivalent rights, and, if appropriate, to charge all costs and expenses incurred in connection with the authorised issue against additional paid-in capital.

- in the case of issuance of debt securities, the Board of Directors and, by delegation, the Chairman, will have full powers to determine the securities' ranking for repayment purposes, to fix the interest rate and the methods for payment thereof, the life of the securities, the redemption

price – which may be fixed or variable and may or may not include a premium – the terms and conditions of repayment, depending on conditions in the financial markets and the conditions of conversion, redemption, exchange or exercise of the securities for shares;

- that this authorisation cancels and replaces the unused portion of all earlier authorisations to issue shares and share equivalents without pre-emptive subscription rights.

This authorisation is given for twenty-six months as provided for in the third paragraph of section L. 225-129-III of the Commercial Code.

• **Thirteenth resolution** (*Issuance of shares to be paid up by capitalising income, retained earnings or additional paid-in capital*)

The Extraordinary Meeting, having reviewed the report of the Board of Directors, gives the Board of Directors full powers to increase the Bank's capital on one or several occasions, by an aggregate amount of EUR 1 billion by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalising income, retained earnings or additional paid-in capital.

Any rights to fractions of shares shall be non-transferable and the corresponding shares will be sold and the proceeds allocated among the holders of rights to fractions of shares within thirty days of the date on which the whole number of shares to which they are entitled are recorded in their share account.

The Extraordinary Meeting gives full powers to the Board of Directors and, by delegation, to the Chairman, subject to compliance with the law, to determine the dates and conditions of issuance of bonus shares, as well as the amounts of such issues, and to take all necessary measures to complete the issues, to carry out any and all formalities to effect the related capital increase or increases and to amend the Articles of Association accordingly.

This authorisation cancels and replaces the unused portion of any earlier authorisations to issue bonus shares or increase the par value of existing shares.

This authorisation is given for twenty-six months as provided for in the third paragraph of section L. 225-129-III of the Commercial Code.

• **Fourteenth resolution** (*Suspension of authorisations given to the Board of Directors to issue shares and share equivalents while the Bank is the target of a takeover bid, except for operations where the decision was approved in principle by the Board of Directors, and announced to the market prior to the bid being filed*)

The Extraordinary Meeting resolves, in accordance with the provisions of section L 255-129-IV of the Commercial Code,



that authorisations to issue shares and share equivalents given to the Board of Directors may not be used while a public tender or exchange offer for the Bank's shares is in progress, unless these issues concern operations where the decision was approved in principle by the Board of Directors, and announced to the market prior to the offer being filed.

This resolution will be valid for a period of one year, expiring at the Annual Meeting to be called to approve the 2004 financial statements.

- **Fifteenth resolution** (*Amendment of the ceiling and expiry date set out in the authorisation given to the Board of Directors at the Extraordinary Meeting of 14 May 2003 to issue shares for subscription by participants in the Corporate Savings Plan, without pre-emptive subscription rights for existing shareholders*)

– Having noted that in its sixteenth resolution the Extraordinary Meeting of 14 May 2003 granted the Board of Directors a five-year authorisation in accordance with paragraph 4 of section L. 225-129 III and section L. 225-138 of the Commercial Code and section L. 443-5 of the Labour Code, to issue shares for subscription by participants in the BNP Paribas Group Corporate Savings Plan. One or several share issues may be carried out under this authorisation, at the Board's discretion, provided that the aggregate par value of the shares issued does not exceed EUR 60,000,000,

– Having reviewed the provisions of paragraph 1 of section L. 225-129 VII of the Commercial Code,

– And having reviewed the report of the Board of Directors and the Auditors' special report;

The Extraordinary Meeting resolves:

- that the above-mentioned authorisation shall be valid for 26 months from the date of this Meeting,
- to reduce the ceiling under the authorisation to - EUR20,000,000 as from the date of this Meeting.

The Extraordinary Meeting notes that all of the other terms and conditions of the authorisation given to the Board of Directors in the sixteenth resolution of the Extraordinary Meeting of 14 May 2003 to issue shares for subscription by participants in the Corporate Savings Plan, without pre-emptive subscription rights for existing shareholders, remain unchanged.

- **Sixteenth resolution** (*Authorisation to be given to the Board to cancel shares and reduce the capital*)

The Extraordinary Meeting, having reviewed the report of the Board of Directors and the Auditors' special report, authorises the Board of Directors to cancel shares acquired under the authorisation given in the sixth resolution of this Meeting – provided that the number of shares cancelled

does not exceed 10% of the Bank's issued capital – and to reduce the capital accordingly, and to debit any difference between the price paid for the cancelled shares and their par value against additional paid-in capital or revenue reserves. The Extraordinary Meeting gives full powers to the Board of Directors to use this authorisation, including by delegation to the Chairman, to amend the Articles of Association to reflect the new capital and to carry out any and all publication and other formalities.

This authorisation is given for a period of eighteen months. *The following resolution reflects amendments introduced by the Financial Security Act (Act no. 2003-706 of 1 August 2003) and decree no. 2002-803 of 3 May 2002 issued in accordance the "New Economic Regulations" Act (Act no. 2001-420 of 15 May 2001).*

- **Seventeenth resolution** (*Amendments to the Articles of Association relating to information provided to directors, representation of the Board of Directors, the terms and conditions applicable to calling Board Meetings and the persons authorised to sign copies or extracts of the minutes of said meetings*)

Having heard the report of the Board of Directors, the Extraordinary Meeting resolves:

- to amend the last sentence of the first paragraph of article 12 of Chapter IV of the Articles of Association relating to information to be provided to the Board of Directors by the Chairman or the Chief Executive Officer.
  - New wording of the last sentence of the first paragraph of article 12: "The Board of Directors shall receive from the Chairman or the Chief Executive Officer, all of the documents and information required to fulfil its duties".
- to amend the first paragraph of article 13 of Chapter IV of the Articles of Association and to delete the first sentence relating to the representation of the Board of Directors by its Chairman.
  - New wording of the first paragraph of article 13: "The Chairman shall organise and manage the work carried out by the Board of Directors and shall report thereon to the shareholders in General Meetings. The Chairman shall also oversee the proper operation of BNP Paribas's management bodies and ensure that the directors are in a position to fulfil their duties."
- to insert a new paragraph between the current paragraphs 2 and 3 of article 15 of Chapter IV of the Articles of Association relating to internal control.
  - New wording of paragraph 3 of article 15: "The Chief Executive Officer shall be responsible for the organisation of internal controls, internal control procedures and all information required by law for the purposes of the Report on Internal Controls".



- to amend the first paragraph of article 9 of Chapter III of the Articles of Association relating to calling Board meetings.
  - New wording of the first paragraph of article 9:  
"The Board of Directors shall meet as often as required for the best interests of the Company. Board Meetings are called by the Chairman. Where requested by at least one third of the directors, the Chairman may call a Board Meeting to discuss a specified agenda, even if the last meeting was held less than two months ago. The Chief Executive Officer may also request the Chairman to call a Board Meeting to discuss a specified agenda."
- to amend the last paragraph of article 10 of Chapter III of the Articles of Association, relating to persons authorised to sign copies or extracts of the minutes of Board Meetings.
  - New wording of the last paragraph of article 10:  
"Copies or extracts of the minutes of Board Meetings may be signed by the Chairman, the Chief Executive Officer, the Chief Operating Officers or persons specifically authorised for that purpose".
- **Eighteenth resolution** (*Powers to carry out formalities*)  
The General Meeting gives full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all legal or administrative formalities and to make all filings and publish all notices required by the applicable laws..



## Glossary

<b>Accretion</b>	Reverse of dilution. Accretion is where a corporate action (share buyback or issue of shares in a smaller proportion than the increase in income following a merger or public tender offer, for example) leads to an increase in earnings per share.
<b>ADR : American Depositary Receipt</b>	Negotiable certificates representing one or several shares. Their face value is stated in dollars and interest is also payable in dollars. ADRs allow American investors to buy shares in foreign-based companies that are not quoted on an American Stock Exchange.
<b>AMS</b>	Asset Management and Services
<b>Arbitrage</b>	Activity that consists of attempting to profit by price differences on the same or similar financial assets. For example, in the case of a takeover bid, where the predator offers a price that exceeds the price at which the target's shares are trading.
<b>Attribution right</b>	Right to receive bonus shares issued in connection with a capital increase paid up by capitalising retained earnings. Attribution rights are quoted.
<b>Avoir fiscal</b>	Dividend tax credit available to individual shareholders resident in France on the dividends distributed by French companies. The purpose of the tax credit is to avoid double taxation of distributed earnings, in the hands of the company and the shareholder. The avoir fiscal granted to individual shareholders resident in France is equal to one half of the net dividend. It is deductible from personal income tax. If the avoir fiscal cannot be set off against taxable income it is refunded by the French Treasury.
<b>B2B or BtoB</b>	Business to Business : sales of products or services by one company to another.
<b>B2C or BtoC</b>	Business to Consumer: sales of products or services by a company to a consumer.
<b>B2E portal</b>	Intranet site for Group employees. The home page includes a browser, links to services and a wealth of information concerning the various functions within the Group, practical information for employees and career information.
<b>Back office</b>	Department responsible for all administrative processing.
<b>Bond/debenture</b>	Debt security whereby the issuer undertakes to pay the lender a fixed capital sum at a specific future date, plus twice-yearly or annual interest payments. Interest payments - generally at fixed rates - may vary over the life of the bond. Debentures are unsecured bonds.
<b>Capital</b>	Amount of cash or assets contributed by shareholders, plus any profits, retained earnings or premiums transferred to the capital account. The capital may be increased or reduced during the life of the company.
<b>Capital increase</b>	A method of increasing a company's shareholders' equity. The capital may be increased by issuing new shares for cash or in exchange for assets, such as shares in another company. Alternatively, it may be increased by capitalising additional paid-in capital, retained earnings or profits and either raising the par value of existing shares or issuing new shares without consideration. Existing shareholders may have a pre-emptive right to subscribe for the new shares or this right may be cancelled. A capital increase may be carried out to give new investors an opportunity to become shareholders. All capital increases must be authorised in advance by the shareholders, in Extraordinary General Meeting.



<b>Cash flow</b>	Cash generated by operations that can be used to finance investment without raising equity or debt capital.
<b>CECEI</b>	Comité des Établissements de Crédit et des Entreprises d'Investissement: committee headed by the Governor of the Banque de France responsible for monitoring the proper operation of the French financial and banking system.
<b>CIB</b>	Corporate and Investment Banking, one of the BNP Paribas Group's core businesses.
<b>Comité Consultatif des Actionnaires</b>	Shareholder Consultation Committee. A group of individual shareholders selected to advise the company on its communications targeted at individual shareholders. The BNP Paribas Comité Consultatif des Actionnaires was set up in the first half of 2000, at the time of the merger.
<b>Consolidated net income</b>	Net income of the Group after deducting the portion of the profits of subsidiaries attributable to minority shareholders.
<b>Convertible bond</b>	Bond convertible into the issuer's shares on terms set at the time of issue.
<b>Corporate governance</b>	Series of principles and recommendations to be followed by the management of listed companies.
<b>Coupon</b>	The coupon represents the right of the holder of a security to collect an amount corresponding to the revenue distributed on the security for a given year.
<b>Custody fee</b>	Fee received by a bank or broker to hold and service securities recorded in a securities account. Custody fees are payable annually in advance. They are not refunded if the securities are sold during the year, but no fees are payable on securities deposited during the year until the beginning of the next year.
<b>CVR (Contingent Value Rights Certificate)</b>	Financial instrument generally issued in connection with the acquisition of a listed company, guaranteeing the value of the underlying security at a pre-determined date. The CVR entitles the shareholder of the target to receive an amount equal to the positive difference between the offer price and a "reference" price.
<b>Derivatives</b>	Contract whose value is based on the performance of an underlying financial asset, index or other investment, used to hedge or profit from future changes in the value of the underlying.
<b>Dilution</b>	Impact on the rights attached to a share of the issue of securities (in connection with a capital increase, a merger, a stock-for-stock tender offer or the exercise of rights), assuming that there is no change in the total income of the issuer.
<b>Dividend</b>	Portion of net profit that the Annual General Meeting decides to distribute to shareholders. The amount of the dividend is recommended by the Board of Directors. It represents the revenue on the share and the amount can vary from one year to the next depending on the company's results and policy.
<b>EONIA</b>	Euro OverNight Index Average.
<b>EUREX</b>	Frankfurt-based derivatives market.





<b>EURIBOR (EUROpean InterBank Offered Rate)</b>	The most commonly used money market rate in the euro zone.
<b>Euroclear</b>	Formerly Sicovam. Clearing house for securities transactions.
<b>Euronext SA</b>	Company that operates the Paris, Brussels and Amsterdam stock exchanges. Euronext SA establishes market rules, decides to accept or reject listing applications and manages all trading technologies.
<b>FCP (Fonds Commun de Placement)</b>	Fund invested in stocks, bonds and/or money market securities. An FCP is similar to a SICAV, but is not a separate legal entity. FCPs are generally smaller than SICAVs and are easier to manage. They are subject to less restrictive regulations and can be more specialised.
<b>Free Cash Flow</b>	Cash available after financing operations and investments, available to pay down debt.
<b>Gain/loss on securities</b>	Positive/negative difference between the sale price of a security and the purchase price.
<b>Goodwill</b>	Difference between the cost of shares and the Group's equity in the fair value of the underlying net assets.
<b>Hedge funds</b>	Funds that take both long and short positions, use leverage and derivatives and invest in many markets.
<b>IFU (Imprimé Fiscal Unique)</b>	French tax return issued by a bank or broker, listing all the securities transactions carried out on behalf of the taxpayer and all the coupon payments made to the tax payer.
<b>Institutional investor</b>	Financial institution which, by definition or by virtue of its articles of association, is required to hold a certain proportion of its assets in stocks and shares. Examples include insurance companies and pension funds.
<b>IRB</b>	International Retail Banking, one of the BNP Paribas Group's core businesses.
<b>IRFS</b>	International Retail Banking and Financial Services.
<b>LBO</b>	Leveraged Buy Out. Company acquisition financed primarily by debt. In practice, a holding company is set up to take on the debt used to finance the acquisition of the target. The interest payments due by the holding company are covered by ordinary or exceptional dividends received from the acquired target.
<b>LIFFE</b>	London International Financial Futures and Options Exchange.
<b>Liquidity</b>	Ratio between the volume of shares traded and the total number of shares in issue.
<b>LME</b>	London Metal Exchange.
<b>M &amp; A</b>	Mergers & Acquisitions
<b>Market capitalisation</b>	Value attributed to a company by the stock market. Market capitalisation corresponds to the share price multiplied by the number of shares outstanding.



<b>Market-maker/Market-Making Contract</b>	Market-makers commit to maintaining firm bid and offer prices in a given security by standing ready to buy round lots at publicly-quoted prices. Market-making contracts generally concern mid-cap stocks and are intended to enhance the stocks' liquidity. In France, market-making contracts ("contrats d'animation") are entered into between Euronext, the issuer and a securities dealer.
<b>MONEP (Marché d'Options Négociables de Paris)</b>	Paris traded options market, including Cac 40 index options and equity options.
<b>OAT (Obligation Assimilable du Trésor)</b>	French government bonds.
<b>OCEANE (Obligation Convertible En Actions Nouvelles ou Existantes )</b>	Bond convertible for new shares or exchangeable for existing shares of the issuer.
<b>OPA (Offre Publique d'Achat)</b>	French acronym for a public tender offer for cash.
<b>OPE (Offre Publique d'Échange)</b>	French acronym for a public stock-for-stock tender offer.
<b>OPF (Offre à Prix Fixe)</b>	French acronym for a public offering of securities at a set price.
<b>OPR (Offre Publique de Retrait)</b>	French acronym for a compulsory buyout offer (final stage in a squeeze-out).
<b>OPRA (Offre Publique de Rachat d'Actions)</b>	French acronym for an offer to buy out the minority shareholders of a company that is already largely controlled (first stage in a squeeze-out).
<b>Option</b>	Contract giving the buyer the right (but not the obligation), to purchase or sell a security at a future date, at a price fixed when the option is written (exercise price), in exchange for a premium paid when the option is purchased. Options to purchase a security are known as calls and options to sell a security are known as puts.
<b>OPV (Offre Publique de Vente)</b>	French acronym for a public offering of securities at a set price.
<b>ORA (Obligation Remboursable en Actions)</b>	French acronym for equity notes, representing bonds redeemable for shares.
<b>P/E</b>	Price/Earnings ratio. Ratio between the share price and earnings per share. The P/E serves to determine the multiple of earnings per share represented by the share price.
<b>Par value</b>	The par value of a share is the portion of capital represented by the share.
<b>PEA (Plan d'Épargne en Actions)</b>	French name for personal equity plans. Savings products designed to promote private share ownership, invested in shares of companies that have their headquarters in a European Union country or in units in qualifying unit trusts, revenues and capital gains are exempt from personal income tax and capital gains tax provided that the savings are left in the plan for at least five years. Investments in PEAs are capped at EUR 120,000 per individual.
<b>PEE (Plan d'Épargne Entreprise)</b>	French name for employee share ownership plans. Payments into the plan and reinvested interest are exempt from personal income tax provided that they are left in the plan for at least five years (with early withdrawal allowed in certain specific cases). Surrender gains are also exempt from personal income tax.



<b>Pre-emptive subscription rights</b>	When a company issues shares for cash, each shareholder has a pre-emptive right to subscribe for a number of new shares pro rata to the number of shares already held. The right can be traded on the stock market. Companies can ask the General Meeting to cancel shareholders' pre-emptive subscription rights to facilitate certain operations or allow the company to open up its capital to new investors. .
<b>Preference shares</b>	Preference shares are shares that pay dividends at a specified rate and have a preference over ordinary shares in the payment of dividends and the liquidation of assets. They do not carry voting rights.
<b>Price guarantee</b>	When a company acquires control of a listed target, it is required to offer the target's minority shareholders the opportunity to sell their shares at the same price as that received by the sellers of the controlling interest. The offer must remain open for at least fifteen trading days.
<b>Primary market</b>	Market where newly-issued securities are bought and sold
<b>Prime brokerage</b>	Activity consisting of providing a wide range of services to hedge funds, including financing, securities settlement/delivery, custody, securities lending/borrowing, etc.
<b>Public tender offer</b>	Offer to buy shares of a company, usually at a premium above the shares' market price, for cash or securities or a combination of both. Where only a small proportion of the company's shares are traded on the market and the offer is followed by a compulsory buyout, the process is known as a "squeeze-out".
<b>Quorum</b>	General Meetings can take place only if there is a quorum. For Ordinary General Meetings, on first call there is a quorum if the shareholders present and represented hold at least 1/4 of the voting rights. There is no quorum requirement on second call. For Extraordinary General Meetings, the quorum corresponds to 1/3 of the voting rights on first call and 1/4 on second call. For combined meetings, the quorum requirements depend on whether the resolutions are "ordinary" or "extraordinary".
<b>Quotation</b>	The quotation determines the price of a security on the market at a given point in time. Prices are generally quoted on a continuous basis throughout the day (from 9:00 a.m. to 5:30 p.m.), providing a real-time indication of the prices at which the security concerned is changing hands. Continuous quotation allows market players to closely track market trends. Quotations for securities with a low trading volume are made once a day.
<b>Rating/rating agencies</b>	A rating represents an assessment of the default risk on debt securities. The rating awarded to an issuer has a direct impact on the issuer's borrowing costs. Changes in ratings also have a significant impact on the issuer's share price. The main rating agencies are Standard & Poor's, Moody's and Fitch.
<b>RBF</b>	Retail Banking in France.
<b>RELIT</b>	Euronext Paris settlement-delivery system.
<b>Report</b>	On the Euronext Paris market, transaction allowing an investor to carry forward a buy or sell position from one deferred settlement date to the next.
<b>ROE</b>	Return on Equity. Ratio between consolidated net income and consolidated shareholders' equity.



<b>Secondary market</b>	Market where securities are bought and sold subsequent to their issue.
<b>Share</b>	A share is a transferable security representing a portion of the capital of a limited company or a partnership limited by shares. Ownership of shares is evidenced by an entry in the issuer's share register (registered shares) or in a securities account kept in the holder's name by a bank, stock-broker or other accredited intermediary (bearer shares). Shares quoted on the stock exchange are also referred to as "equities".
<b>SICAV (Société d'Investissement à Capital Variable)</b>	Variable capital investment company that manages a portfolio of securities on behalf of its share holders. Shares may be purchased or redeemed at any time. The shares are not listed but their value (corresponding to the company's net asset value per share) varies each day based on changes in the value of the securities held in the portfolio.
<b>SICOVAM</b>	Société Interprofessionnelle pour la Compensation des Valeurs Mobilières, now renamed Euroclear France. Organisation responsible for clearing securities trades, centralising all stock market transactions and facilitating the transfer of securities between member institutions.
<b>SPVT (Spécialiste en Pension des Valeurs du Trésor)</b>	Primary dealer in French government bond repos.
<b>SRD (Service de Règlement Différé)</b>	French market where the main French and foreign equities are traded. Equities or bonds purchased with deferred settlement are purchased on credit. The buyer is required to settle the purchase price and the seller is required to deliver the securities on the next settlement date, unless one or other of the parties asks for the transaction to be carried over the to next settlement date ("report").
<b>Subscription right</b>	Right to participate in a share issue for cash.
<b>TBB (Taux de Base Bancaire)</b>	Interest Base rate.
<b>TMO (Taux Mensuel de rendement des emprunts Obligataires)TPI</b>	Interest rate corresponding to the monthly bond yield. Titre au Porteur Identifiable. Procedure allowing issuers to obtain information about the identity of holders of bearer shares from Euroclear.
<b>Trade Centre</b>	Specialised sales force set up by BNP Paribas to partner its corporate customers' international development. The Trade Centers offer importers and exporters a wide range of customised services based on the "one-stop-shopping" principle.
<b>Treasury shares</b>	Shares held by the issuer. Treasury shares are stripped of voting and dividend rights and are not taken into account in the calculation of earnings per share.
<b>TSDI (Titre Subordonné à Durée Indéterminée)</b>	French acronym for perpetual subordinated notes.
<b>TSR</b>	Total Shareholder Return: corresponding to return on the capital invested by shareholders, including dividends and unrealised gains on the shares.
<b>UCITS</b>	Undertaking for Collective Investment in Transferable Securities. Term covering unit trusts and variable capital investment companies.
<b>Voting right</b>	Right of a shareholder to vote in person or by proxy at General Meetings.



### Warrant

Certificate issued on a stand-alone basis or strippable from another security (share, bond) giving the holder the right to acquire securities (share, bond). Warrants issued by financial institutions acting as market-maker give the holder the right to purchase (call warrant) or sell (put warrant) various underlyings (interest rate, index, currency, equities) at a fixed exercise price during a fixed exercise period. Although these warrants constitute options, they cannot be sold short.

### Work Flow

Process automation technology allowing the sequential transmission of digital documents and files to the various people responsible for processing the data.

### Yield

Indicator of the return on an investment, expressed in percent. For shares, the yield corresponds to the ratio between the last dividend paid and the last share price.



# BNP Paribas

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Paris trade and companies register  
RCS Paris 662 042 449  
*Société Anonyme* (Public Limited Company)  
with capital of: EUR 1 807 231 208

## SHAREHOLDERS' RELATIONS

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This English-language version  
of the BNP Paribas Annual Report 2003  
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In the event of a conflict in interpretation,  
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reports apply to the French version  
of the financial review and financial statements.

