



**BNP PARIBAS**

(incorporated in France)

**€50,000,000,000**

**PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS**

Under a €50,000,000,000 programme for the issuance of debt instruments (the “**Programme**”), BNP Paribas (the “**Issuer**” or the “**Bank**”) may from time to time issue Notes in bearer or registered form (respectively, “**Bearer Notes**” and “**Registered Notes**” and, together, the “**Notes**”) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined below). This Debt Issuance Prospectus (“**Debt Issuance Prospectus**” or “**this Document**”) supersedes and replaces all previous offering circulars prepared in connection with the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Document are issued subject to the provisions described herein. This does not affect any Notes already in issue.

The Notes will be issued to one or more of the Dealers specified below (each a “**Dealer**” and together the “**Dealers**”, which expression shall include any additional Dealer appointed under the Programme from time to time) on a continuing basis by way of private or syndicated placements.

Application may be made for Notes issued under the Programme to be listed on the Regulated Market or the EuroMTF Market (in each case, as defined below) operated by the Luxembourg Stock Exchange. References in this Document to the “**Luxembourg Stock Exchange**” (and all related references) shall include the Regulated Market and/or the EuroMTF Market, as the case may be (as specified in the applicable Final Terms). In addition, references in this Document to Notes being “**listed**” (and all related references) shall mean that such Notes have been listed on the Luxembourg Stock Exchange or, as the case may be, an ISD Regulated Market (as defined below). The Luxembourg Stock Exchange’s Regulated Market is a regulated market for the purposes of the Investment Services Directive 93/22/EC (each such regulated market being an “**ISD Regulated Market**”). This Document may be used to list Notes on the regulated market “**Bourse de Luxembourg**” (the “**Regulated Market**”) or the EuroMTF exchange regulated market (the “**EuroMTF Market**”), in each case of the Luxembourg Stock Exchange, pursuant to the Programme. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes.

Each issue of Registered Notes will initially be represented by one or more registered global Notes which will be deposited on the issue date thereof with, and registered in the name of a nominee of, a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream Luxembourg**”), as further described in “**Form of the Notes**” herein. Each issue of Bearer Notes will initially be represented by one or more bearer temporary global Notes which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg, as further described in “**Form of the Notes**” herein.

Arranger for the Programme

**BNP PARIBAS**

*Dealers*

**BNP PARIBAS UK LIMITED**

**BARCLAYS CAPITAL**

**CITIGROUP**

**CREDIT SUISSE FIRST BOSTON**

**GOLDMAN SACHS INTERNATIONAL**

**JPMORGAN**

**LEHMAN BROTHERS**

**MERRILL LYNCH INTERNATIONAL**

**MORGAN STANLEY**

**UBS INVESTMENT BANK**

The date of this Debt Issuance Prospectus is 30 June 2005.

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

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

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

*This Document (together with supplements to this Document from time to time (each a “**Supplement**” and together the “**Supplements**”) comprises a base prospectus for the purposes of (i) Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”) and (ii) the relevant implementing measures in the Grand Duchy of Luxembourg and, in each case, for the purpose of giving information with regard to the Issuer. In relation to each separate issue of Notes, the final offer price and the amount of such Notes will be determined by the Issuer and the relevant Dealers in accordance with prevailing market conditions at the time of the issue of the Notes and will be set out in the relevant Final Terms.*

*The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in this Document or any other information provided by the Issuer in connection with the Programme or the Notes. The Dealers accept no liability in relation to the information contained in this Document or any other information provided by the Issuer in connection with the Programme or the Notes.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with this Document or any further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.*

*Neither this Document nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as recommendations by the Issuer or any of the Dealers that any recipient of this Document or any other information supplied in connection with the Programme should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Document nor any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any of the Notes.*

*The delivery of this Document does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date of this Document or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuer when deciding whether or not to purchase any of the Notes.*

*This Document does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such offer or a solicitation by anyone not authorised so to act.*

*The distribution of this Document and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Document or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Document and the offer or sale of the Notes in the European Economic Area (“EEA”) (and certain member states thereof), Japan and the United States (see “Subscription and Sale” below).*

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale” below).*

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED IN “TERMS AND CONDITIONS OF THE NOTES” BELOW) OF NOTES, THE DEALER (IF ANY) NAMED AS THE STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (PROVIDED THAT, IN THE CASE OF ANY TRANCHE TO BE ADMITTED TO TRADING ON ANY ISD REGULATED MARKET, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT TRANCHE IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE.**

In this Document, references to “euro”, “EURO”, “Euro”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to “\$”, “U.S.\$” and “U.S. dollars” are to United States dollars, references to “cents” are to United States cents, references to “yen” and “¥” are to Japanese yen, references to “sterling” and “£” are to pounds sterling and references to “CHF” are to Swiss francs.

## **FORWARD-LOOKING STATEMENTS**

The sections of this Document from, and including “BNP Paribas Group” to, but excluding, “Clearing Systems” below (such sections being the “BNP Paribas Disclosure”) contain forward-looking statements. BNP Paribas and the BNP Paribas Group (being BNP Paribas together with its consolidated subsidiaries, the “Group”) may also make written or oral forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Bank’s and/or Group’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Bank and the Group undertake no obligation to update publicly any of them in light of new information or future events.

## PRESENTATION OF FINANCIAL INFORMATION

Most of the financial data presented in the BNP Paribas Disclosure are presented in euros. The Group began presenting its financial information in euros as of the advent of the euro on 1 January 1999.

Any reference in the BNP Paribas Disclosure to the “*Financial Statements*” is to the consolidated financial statements, including the notes thereto, of the Bank and its consolidated subsidiaries as of and for the years ended 31 December 2004, 2003 and 2002. The Financial Statements are prepared in accordance with generally accepted accounting principles in France (“**French GAAP**”). The Group’s fiscal year ends on 31 December, and references in the BNP Paribas Disclosure to any specific fiscal year are to the twelve-month period ended 31 December of such year.

The Group, like all companies with securities listed on European securities exchanges, is required by European Union directives to adopt international financial reporting standards (“**IFRS**”) as of 1 January 2005, with retroactive effect to 1 January 2004. The Group has prepared and published financial statements with respect to the year ended 31 December 2004 in accordance with IFRS then in effect, and has published a simulation of the effect on its 2004 financial statements of the application of IFRS as endorsed by the European Union (which applies to financial statements for periods subsequent to 1 January 2005). For a summary of these financial statements and a discussion of the Group’s transition to IFRS, investors should refer to the section entitled “*Transition to International Financial Reporting Standards*”.

In the BNP Paribas Disclosure, all references to “billions” are references to one thousand million. Due to rounding, the numbers presented throughout the BNP Paribas Disclosure may not add up precisely, and percentages may not reflect precisely absolute figures.

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## SUMMARY

*This summary must be read as an introduction to this Document. Any decision to invest in any Notes should be based on a consideration of this Document as a whole, including the documents incorporated by reference, by any investor. The Issuer may have civil liability in respect of this summary, if it is misleading, inaccurate or inconsistent when read together with the other parts of this Document. Where a claim relating to information contained in this Document is brought before a court in a European Economic Area State (an “**EEA State**”), the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating this Document before the legal proceedings are initiated.*

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below and in the applicable Final Terms shall have the same meanings in this summary.*

### **Issuer**

BNP Paribas

### **Description of Issuer**

The Group is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialised and other financial activities throughout the world. According to rankings published in July 2004 by “The Banker” (based on 2003 figures):

- based on total assets, the Group was the second largest banking group in France, the fifth largest in Europe, and the seventh largest in the world; and
- based on Tier 1 capital, the Group was the second, fourth and tenth largest banking group in France, Europe and the world, respectively.

The Group is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers throughout the world, in particular in Europe and the western United States.

The Group has offices in more than 85 countries. At 31 December 2004, the Group had consolidated assets of €905.9 billion (compared to €783.1 billion at 31 December 2003), consolidated gross total customer items of €266.9 billion (compared to €231.5 billion at 31 December 2003), consolidated customer deposits (including retail and negotiable certificates of deposit) of €328.3 billion (compared to €282.6 billion at 31 December 2003) and shareholders' equity (Group share including income for the 2004 fiscal year) of €30.2 billion (compared to €28.3 billion at 31 December 2003). Net income, before taxes, non-recurring items and amortisation of goodwill for the year ended 31 December 2004 was €7.6 billion (compared to €6.3 billion for the year ended 31 December 2003). Net

income, Group share, for the year ended 31 December 2004 was €4.7 billion (compared to €3.8 billion for the year ended 31 December 2003).

The Bank currently has long-term senior debt ratings of “Aa2” with stable outlook from Moody’s Investors Service, Inc. (“**Moody’s**”), “AA” with stable outlook from Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“**Standard & Poor’s**”) and “AA” with stable outlook from Fitch Ratings. Moody’s has also assigned the Bank a Bank Financial Strength rating of “B+” and Fitch Ratings has assigned the Bank an individual rating of “A/B”.

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking. Operationally, these divisions are organised into five core businesses (French Retail Banking, International Retail Banking and Financial Services, Asset Management and Services, Corporate and Investment Banking and BNP Paribas Capital), as summarised below.

Except where otherwise specified, all financial information and operating statistics are presented as of 31 December 2004.

## **Risk Factors**

There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “*Risk Factors*” below and include the following risk factors related to the Issuer, its operations and its industry:

- (i) Unforeseen events can interrupt the Bank’s operations and cause substantial losses and additional costs.
- (ii) Four main categories of risks are inherent to the Bank’s activities:
  - *Credit Risk*. Credit risk is the risk of financial loss relating to the failure of an obligor to honour its contractual obligations.
  - *Market and Liquidity Risk*. Market risk is the risk related to earnings, which arises primarily from adverse movements of trading and non-trading market parameters. Liquidity risk, which is also referred to as funding risk, is the inability of the Bank to meet its obligations at an acceptable cost in a given currency and location.
  - *Operational Risk*. Operational risk corresponds to the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences.

- *Insurance Risk.* Insurance risk is the risk to earnings due to mismatches between expected and actual claims.
- (iii) An interruption in or a breach of the Bank's information systems may result in lost business and other losses.
  - (iv) The Bank is subject to extensive supervisory and regulatory regimes in France, elsewhere in Europe, the US, the Asia Pacific region and in the many countries around the world in which it operates.
  - (v) The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various regulatory authorities of France, other European Union or foreign governments and international agencies. The nature and impact of future changes in such policies and regulatory action are not predictable and are beyond the Group's control.

In addition, there are certain factors which are material for the purpose of assessing the risks related to the Notes issued under the Programme, including the following:

- (i) The trading market for debt securities may be volatile and may be adversely impacted by many events;
- (ii) An active trading market for the Notes may not develop;
- (iii) The Notes may be redeemed prior to maturity;
- (iv) A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs;
- (v) A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes;
- (vi) Fixed Rate Notes may change in value due to changes in interest rates;
- (vii) Investors will not be able to calculate in advance their rate of return on Floating Rate Notes;
- (viii) Zero coupon bonds are subject to higher price fluctuations than non-discounted bonds;
- (ix) Foreign currency bonds expose investors to foreign-exchange risk as well as to issuer risk;
- (x) Holders of Subordinated Notes risk receiving payments on any outstanding Subordinated Notes only after senior Noteholders and other senior creditors have been repaid in full, if and to the extent that there is still cash available for those payments; and



- (xi) Investments in Index Linked Notes entail significant risks and may not be appropriate for investors lacking financial expertise.

Please see “*Risk Factors*” below for further details.

**Legal and regulatory requirements**

Notes may also be issued to third parties other than Dealers on the basis of enquiries made by such third parties to the Issuer, including Dealers appointed in relation to issues of Notes denominated in particular currencies in compliance with applicable regulations and guidelines from time to time. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”) including the following restrictions applicable at the date of this Document.

**Programme Amount**

Up to €50,000,000,000 (or its equivalent in other currencies calculated on the Agreement Date) outstanding at any one time. As provided in the Programme Agreement the nominal amount of Notes outstanding under the Programme may be further increased.

**Currencies**

Notes may be denominated in any currency or currencies agreed between the Issuer and the Dealer(s), subject to compliance with all applicable legal and/or regulatory restrictions. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Form of Notes**

Notes will be issued in either bearer form or registered form outside the United States in transactions not subject to the registration requirements of the Securities Act pursuant to Regulation S under the Securities Act.

**Fixed Rate Notes**

Fixed rate interest will be payable on such day(s) as specified in the applicable Final Terms and on redemption.

Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Final Terms.

**Floating Rate Notes**

Floating Rate Notes will bear interest calculated:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement in the form of either (a) an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or (b) the Master Agreement relating to foreign

exchange and derivative transactions published by the *Association Française des Banques/Fédération Bancaire Française* and evidenced by a Confirmation; or

- (ii) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed in writing between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes will be payable, and will be calculated as specified prior to issue in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes. Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms.

#### **Dual Currency Notes**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies and based upon such rates of exchange as are agreed between the Issuer and the relevant Dealer(s) prior to issue and set out in the applicable Final Terms.

#### **Index Linked Notes**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such Index and/or Formula as are agreed between the Issuer and the relevant Dealer(s) prior to issue and set out in the applicable Final Terms.

#### **Physical Delivery Notes**

Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Physical Delivery Notes and any delivery of any Underlying Asset(s) in respect of Physical Delivery Notes will be made in accordance with the terms of the applicable Final Terms.

In the case of Physical Delivery Notes and Index Linked Notes, the applicable Final Terms will (where applicable) contain provisions relating to adjustments with respect to Underlying Assets, any underlying index or indices, settlement disruption and market disruption (including, without limitation and where necessary, appropriate definitions of “**Potential Adjustment Events**”, “**Settlement Disruption Event**” and “**Market Disruption Event**” and details of the consequences of such events).

<b>Zero Coupon Notes</b>	Zero Coupon Notes will not bear interest other than in the case of late payment.
<b>Other Notes</b>	Terms applicable to any other type of Note which the Issuer and any Dealer or Dealers may agree from time to time to issue under the Programme will be set out in the relevant Final Terms.
<b>Denominations of Notes</b>	Notes will be issued in such denominations as may be specified in the applicable Final Terms save that: <ul style="list-style-type: none"> <li>(i) (as this Document has not been approved by the relevant competent authority of the Issuer's country of incorporation for the purposes of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg) in the case of any Notes admitted to trading on an ISD Regulated Market or offered to the public within the territory of any EEA State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, the minimum denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of those Notes); and</li> <li>(ii) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.</li> </ul>
<b>Taxation</b>	All payments in respect of the Notes will be made without deduction for or on account of the withholding tax on interest set out under article 125 A III of the <i>Code général des impôts</i> (general tax code) subject as provided in Condition 6, all as described in " <i>Terms and Conditions of the Notes</i> ".
<b>Status of the Senior Notes</b>	Senior Notes will constitute direct, unconditional, unsecured and un-subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and, subject as aforesaid, equally with all its other direct, unconditional, unsecured and unsubordinated indebtedness (save for statutorily preferred exceptions).
<b>Status of the Subordinated Notes</b>	The Issuer may issue Subordinated Notes which comprise Dated Ordinary Subordinated Notes, Undated Ordinary Subordinated Notes and Undated Deeply Subordinated Notes, each as further described in " <i>Terms and Conditions of the Notes</i> " below.
<b>Negative Pledge</b>	The terms of the Senior Notes will contain a negative pledge provision as described under Condition 2(c) of the Terms and Conditions of the relevant Notes.

**Rating**

Notes issued under the Programme may be rated or unrated. Details of the rating, if any, attributable to an issue of Notes will be set out in the applicable Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Listing and admission to trading**

Notes of a particular Series may be listed on the Luxembourg Stock Exchange or on such other or additional stock exchanges as may be specified in the applicable Final Terms and references to listing shall be construed accordingly.

**Governing Law**

English law, other than Condition 2(b) which, if applicable, will be governed by, and construed in accordance with, the laws of France.

**Selling Restrictions**

There are restrictions on the sale of Notes and the distribution of offering material — see “*Subscription and Sale*” below. United States: TEFRA D, Regulation S Category 2.

## RISK FACTORS

*Prospective purchasers of the Notes offered hereby should consider carefully, among other things and in light of their financial circumstances and investment objectives, all of the information in this Document and, in particular, the risk factors set forth below (which the Issuer, in its reasonable opinion, believes represents or may represent the risk factors known to it which may affect the Issuer's ability to fulfil its obligations under the Notes) in making an investment decision. Investors may lose the value of their entire investment in certain circumstances.*

### **Factors Relating to the Bank, its Operations and the Banking Industry**

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

Unforeseen events like severe natural catastrophes, terrorist attacks or other states of emergency can lead to an abrupt interruption of the Bank's operations, which can cause substantial losses. Such losses can relate to property, financial assets, trading positions and to key employees. Such unforeseen events can also lead to additional costs (such as relocation of employees affected) and increase the Bank's costs (such as insurance premiums). Such events may also make insurance coverage for certain risks unavailable and thus increase the Bank's risk.

*Four main categories of risks are inherent to the Bank's activities*

- *Credit Risk.* Credit risk is the risk of financial loss relating to the failure of an obligor to honour its contractual obligations. Credit risk arises in lending activities and also in various other activities where the Bank is exposed to the risk of counterparty default, such as its trading, capital markets and settlement activities.
- *Market and Liquidity Risk.* Market risk is the risk related to earnings, which arises primarily from adverse movements of trading and non-trading market parameters. Trading market parameters include, but are not limited to, foreign exchange rates, bond prices, security and commodity prices, derivatives prices and prices of other marketable assets such as real estate or cars. Trading market parameters also include derivations of the items previously mentioned, such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading market parameters include parameters based on assumptions or on statistical analysis, such as models and statistical correlation, respectively.

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

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

- The risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk is driven primarily by interest rate risk.
- The risk associated with investment activities, which is directly connected to changes in the value of invested assets within equity portfolios.
- The risk associated with certain other activities, such as real estate or car leasing, which is indirectly affected by changes in the value of negotiable assets held during the normal course of business.

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

- *Operational Risk.* Operational risk corresponds to the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources and information systems. External events include floods, fires, earthquakes or terrorist attacks.
- *Insurance Risk.* Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behaviour, changes in public health, pandemics and catastrophic events (earthquake, industrial disaster, terrorism, etc.).

It is important to distinguish between the different categories of risk because each category requires specific measuring and monitoring systems. Nevertheless, the growing complexity of the Group's businesses and products means that the categories of risk increasingly overlap.

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

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

*The Bank is subject to extensive supervisory and regulatory regimes in France, elsewhere in Europe, the US, the Asia Pacific region and in the many countries around the world in which it operates.*

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

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various regulatory authorities of France, other European Union or foreign governments and international agencies. The nature and impact of future changes in such policies and regulatory action are not predictable and are beyond the Group's control.

*Other areas where changes could have an impact include, inter alia:*

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirement, for example, prudential rules relating to the capital adequacy framework;
- changes in the competition and pricing environment;
- changes in the financial reporting environment;

- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Each of France's and the global financial services market remains highly competitive and innovative competition comes both from incumbent players and a steady stream of new markets entrants. The landscape is expected to remain highly competitive in all the Group's businesses, which could adversely affect the Group's profitability.

## **Factors Relating to the Notes**

*The trading market for debt securities may be volatile and may be adversely impacted by many events.*

The market for debt securities is influenced by the economic and market conditions, interest rates, currency exchange rates and inflation rates in Europe and other industrialised countries and areas. There can be no assurance that events in France, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

*An active trading market for the Notes may not develop.*

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

*The Notes may be redeemed prior to maturity.*

In the event that the Issuer would be required to pay additional amounts in respect of any Notes due to any withholding as provided in Condition 6 of the Terms and Conditions of the Notes, the Issuer may and, in certain circumstances, shall (subject, in the case of Subordinated Notes, to the prior written consent of the *Secrétariat général de la commission bancaire* in France) redeem all of the Notes then outstanding in accordance with the Terms and Conditions of the Notes.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer. Such right of termination is often provided for notes in periods of high interest rates. If the market interest rates decrease, the risk to Noteholders that the Issuer will exercise its right of termination increases. As a consequence, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a consequence, the Noteholder may not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes.

*A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.*

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

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

Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally in France is described under "Taxation" below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. BNP Paribas advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

#### *Change in value of Fixed Rate Notes*

Investors in Fixed Rate Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of the Notes.

*Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.*

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to issue both Fixed Rate Notes may affect the market value and secondary market (if any) of the Floating Rate Notes (and vice versa).

*Zero coupon bonds are subject to higher price fluctuations than non-discounted bonds.*

Changes in market interest rates generally have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

*Foreign currency bonds expose investors to foreign-exchange risk as well as to issuer risk.*

As purchasers of foreign currency bonds, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of Note being issued.

*Holders of Subordinated Notes generally face a higher performance risk than holders of senior Notes.*

In the event of any insolvency or liquidation of the Issuer, holders of Subordinated Notes would receive payments on any outstanding Subordinated Notes only after senior Noteholders and other senior creditors have been repaid in full, if and to the extent that there is still cash available for those payments. Thus, holders of Subordinated Notes generally face a higher performance risk than holders of senior Notes.

*Investments in Index Linked Notes entail significant risks and may not be appropriate for investors lacking financial expertise.*



Index Linked Notes are debt securities which do not provide for predetermined redemption amounts and/or interest payments but amounts due in respect of principal and/or interest will be dependent upon the performance of an index, which itself may contain substantial credit, interest rate or other risks.

An investment in Index Linked Notes therefore entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. These risks include, among other things, the possibility that:

- such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- the resulting interest rate will be less (or may be more) than that payable on a conventional debt security issued by the Issuer at the same time;
- the holder of an Index Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Index Linked Note;
- any Index Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes; and
- a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist.

In addition, the value of Index Linked Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Index Linked Notes will be affected by a number of factors, independent of the creditworthiness of the Issuer and the value of the applicable currency, commodity, stock, interest rate or other index, including the volatility of the applicable currency, commodity, stock, interest rate or other index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity, stock or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Index Linked Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, commodity, stock, interest rate or other index will be increased. The historical experience of the relevant currencies, commodities, stocks or interest rate indices should not be taken as an indication of future performance of such currencies, commodities, stock, interest rate or other indices during the term of any Index Linked Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Index Linked Notes.

Prospective investors should consult their own financial, tax and legal advisors as to the risks entailed by an investment in Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

The Issuer believes that Index Linked Notes should only be purchased by investors who are, or who are purchasing under the guidance of, financial institutions or other professional investors that are in a position to understand the special risks that an investment in these instruments involves.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated financial statements of BNP Paribas as at, and for the years ended, 31 December 2003 and 2004 (the “**2003 Financial Statements**” and the “**2004 Financial Statements**” respectively, such financial statements being available as part of the respective statutory auditors’ reports thereon (together, the “**Auditors’ Reports**”), and the related notes and the Auditors’ Reports; and
- (b) the “*Document de Référence*” filed with “*L’Autorité des Marchés Financiers*” (the “**AMF**”) under the number D.04-0263 dated 16 March 2004 and further updated under the number D.04-0263-A01 dated 7 May 2004, under the number D.04-0263-A02 dated 3 September 2004 and under the number D.04-0263-A03 dated 16 November 2004; and
- (c) the “*Document de Référence*” filed with the AMF under the number D.O5-0151 dated 25 February 2005 and further updated under the number D.O5-0151-A01 dated 24 March 2005 and under the number D.O5-0151-A02 dated 23 May 2005,

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

The information incorporated by reference above is available as follows:

Information Incorporated by Reference	Reference
<i>2003 Financial Statements</i>	
Consolidated Balance Sheet	Pages 178 & 179 of the 2003 Annual Report
Consolidated Profit & Loss Account	Page 180 of the 2003 Annual Report
Consolidated Statement of Cashflows	Page 181 of the 2003 Annual Report
Appendices/Notes	Pages 182 to 252 of the 2003 Annual Report
Statutory Auditor’s Report of the Consolidated Financial Statements	Pages 253 & 254 of the 2003 Annual Report
<i>2004 Financial Statements</i>	
Consolidated Balance Sheet	Pages 194 & 195 of the 2004 Annual Report
Consolidated Profit & Loss Account	Page 196 of the 2004 Annual Report
Consolidated Statement of Cashflows	Page 197 of the 2004 Annual Report
Appendices/Notes	Pages 198 to 266 of the 2004 Annual Report
Statutory Auditor’s Report of the Consolidated Financial Statements	Pages 267 & 268 of the 2004 Annual Report
Consolidated interim financial data of BNP Paribas	“ <i>Document de Référence</i> ” filed with the AMF under

as at, and for the three months ended, 31 March 2004 (in respect of which, no statutory auditors' report has been prepared)	the number D.04-0263-A01 dated 7 May 2004.
Consolidated interim financial data of BNP Paribas as at, and for the three months ended, 31 March 2005 (in respect of which, no statutory auditors' report has been prepared)	" <i>Document de Référence</i> " filed with the AMF under the number D.O5-0151-A02 dated 23 May 2005.

The Issuer will provide, without charge, to each person to whom a copy of this Document has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuer at its principal office set out at the end of this Document. In addition, such documents will be available free of charge from the specified office in Luxembourg of BNP Paribas Securities Services, Luxembourg Branch.

The Issuer has given an undertaking in connection with the listing of the Notes on the Luxembourg Stock Exchange to the effect that, so long as any Note remains outstanding and listed on such Exchange, in the event of any adverse change in the condition of the Issuer which is material in the context of the Programme and which is not reflected in this Document, the Issuer will prepare a further supplement to this Document or publish a new debt issuance prospectus for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange. If the terms of the Programme are modified or amended in a manner which would make this Document, as supplemented, inaccurate or misleading, a new debt issuance prospectus will be prepared.

In relation to any issue of Notes, the applicable Final Terms should be read in conjunction with this Document.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is qualified by the remainder of this Document and, in relation to the terms and conditions of any particular Series (as defined below in “Terms and Conditions of the Notes”) of Notes, the applicable Final Terms. Subject as provided in the Terms and Conditions of the Notes, any of the following (including, without limitation, the type of Notes which may be issued pursuant to the Programme) may be varied or supplemented as agreed between the Issuer, the relevant Dealer(s) and the Principal Paying Agent (if applicable). Words and expressions defined in “Form of the Notes” and the “Terms and Conditions of the Notes” shall have the same meaning in this overview:*

<b>Issuer</b>	BNP Paribas
<b>Arranger</b>	BNP Paribas
<b>Dealers</b>	BNP Paribas UK Limited Barclays Bank PLC Citigroup Global Markets Limited Credit Suisse First Boston (Europe) Limited Goldman Sachs International J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Morgan Stanley & Co. International Limited UBS Limited
<b>Legal and regulatory requirements</b>	Notes may also be issued to third parties other than Dealers on the basis of enquiries made by such third parties to the Issuer, including Dealers appointed in relation to issues of Notes denominated in particular currencies in compliance with applicable regulations and guidelines from time to time. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ” below) including the following restrictions applicable at the date of this Document.
<b>Distribution</b>	Notes may be distributed on a syndicated or a non-syndicated basis.
<b>Principal Paying Agent</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Registrar</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Programme Amount</b>	Up to €50,000,000,000 (or its equivalent in other currencies calculated on the Agreement Date) outstanding at any one time. As provided in the Programme Agreement the nominal amount of Notes outstanding under the Programme may be further increased.
<b>Description</b>	Programme for the Issuance of Debt Instruments.
<b>Currencies</b>	Notes may be denominated in any currency or currencies agreed between the Issuer and the Dealer(s), subject to

compliance with all applicable legal and/or regulatory restrictions. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Redenomination**

The applicable Final Terms may provide that certain Notes may be redenominated in euro.

**Maturities**

Any maturity in excess of one day (except in the case of Subordinated Notes when the minimum maturity will be five years or, in any case, such other minimum maturity as may be required from time to time by the relevant monetary authority). No maximum maturity is contemplated and Notes may be issued with no specified maturity dates provided, however, that Notes will only be issued in compliance with all applicable legal and/or regulatory requirements.

**Issue Price**

Notes may be issued at par or at a discount to, or premium over, par and either on a fully paid or partly paid basis.

**Form of Notes**

Notes will be issued in either bearer form or registered form outside the United States in transactions not subject to the registration requirements of the Securities Act pursuant to Regulation S under the Securities Act. Bearer Notes will initially be represented by one or more temporary Bearer Global Notes which will be deposited with a depositary or, as the case may be, common depositary for Euroclear and Clearstream, Luxembourg or any other agreed clearing system (including Euroclear France (as defined herein)) and which will be exchanged for one or more permanent Bearer Global Notes or for definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period (if any) as is specified in the applicable Final Terms) in each case not earlier than the Exchange Date (as defined in "*Form of the Notes*" below) upon certification of non-U.S. beneficial ownership. A permanent Bearer Global Note may be exchanged in whole (but not in part) for definitive Bearer Notes only in the limited circumstances described in "*Form of the Notes*" below except where the applicable Final Terms and permanent Bearer Global Note specify that definitive Bearer Notes shall be available upon request (notwithstanding the absence of such limited circumstances). Interests in a temporary or permanent Bearer Global Note will be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, or any other agreed clearing system (including Euroclear France (as defined herein)).

One or more Registered Global Notes which will be delivered to a common depositary for Euroclear and

Clearstream, Luxembourg for, and registered in the name of, a nominee of a common depository for Euroclear and Clearstream, Luxembourg. Registered Notes will not be exchangeable for Bearer Notes and vice versa. A Registered Global Note will be exchangeable for definitive Registered Notes in certain limited circumstances specified in “*Form of the Notes*” below.

Notes to be issued under the Programme will be either Unsubordinated Notes or Subordinated Notes (as described below).

#### **Fixed Rate Notes**

Fixed rate interest will be payable on such day(s) as specified in the applicable Final Terms and on redemption.

Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Final Terms.

#### **Floating Rate Notes**

Floating Rate Notes will bear interest calculated:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement in the form of either (a) an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or (b) the Master Agreement relating to foreign exchange and derivative transactions published by the *Association Française des Banques/Fédération Bancaire Française* and evidenced by a Confirmation; or
- (ii) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed in writing between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes will be payable, and will be calculated as specified prior to issue in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes. Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms.

<b>Dual Currency Notes</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies and based upon such rates of exchange as are agreed between the Issuer and the relevant Dealer(s) prior to issue and set out in the applicable Final Terms.
<b>Index Linked Notes</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such Index and/or Formula as are agreed between the Issuer and the relevant Dealer(s) prior to issue and set out in the applicable Final Terms.
<b>Physical Delivery Notes</b>	<p>Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Physical Delivery Notes and any delivery of any Underlying Asset(s) in respect of Physical Delivery Notes will be made in accordance with the terms of the applicable Final Terms.</p> <p>In the case of Physical Delivery Notes and Index Linked Notes, the applicable Final Terms will (where applicable) contain provisions relating to adjustments with respect to Underlying Assets, any underlying index or indices, settlement disruption and market disruption (including, without limitation and where necessary, appropriate definitions of “<b>Potential Adjustment Events</b>”, “<b>Settlement Disruption Event</b>” and “<b>Market Disruption Event</b>” and details of the consequences of such events).</p>
<b>Zero Coupon Notes</b>	Zero Coupon Notes will not bear interest other than in the case of late payment.
<b>Other Notes</b>	Terms applicable to any other type of Note which the Issuer and any Dealer or Dealers may agree from time to time to issue under the Programme will be set out in the relevant Final Terms.
<b>Redemption and Purchase</b>	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Final Terms.

N.B. Other than for taxation reasons or following an Event of Default, no part of Subordinated Notes may be redeemed prior to five years (or in any case, such other minimum period as may be required from time to time by the relevant monetary authority) from the relevant Issue Date and no part of any Notes denominated in any other Specified Currency may be redeemed prior to such other minimum time as may be required by the relevant monetary authority.

Any early redemption of Subordinated Notes under Condition 5(b) or (c) of the terms and conditions of the relevant Notes will be subject to the prior approval of the *Secrétariat général de la commission bancaire* in France.

Any early redemption or purchase (in the open market) by the Issuer of more than 10 per cent. of the nominal amount of any issue of Subordinated Notes (either individually or when aggregated with any previous redemption or purchase) will be subject to the prior approval of the *Secrétariat général de la commission bancaire* in France.

In the case of Subordinated Notes, no redemption of the Notes at the option of the Noteholders is permitted.

Notes will be issued in such denominations as may be specified in the applicable Final Terms save that:

- (i) (as this Document has not been approved by the relevant competent authority of the Issuer's country of incorporation for the purposes of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg) in the case of any Notes admitted to trading on an ISD Regulated Market or offered to the public within the territory of any EEA State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, the minimum denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of those Notes); and
- (ii) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

## **Denominations of Notes**

## **Taxation**

All payments in respect of the Notes will be made without deduction for or on account of the withholding tax on interest set out under article 125 A III of the *Code général des impôts* (general tax code) subject as provided in Condition 6, all as described in "*Terms and Conditions of the Notes*".



### **Status of the Senior Notes**

Senior Notes will constitute direct, unconditional, unsecured and un-subordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and, subject as aforesaid, equally with all its other direct, unconditional, unsecured and un-subordinated indebtedness (save for statutorily preferred exceptions).

### **Status of the Subordinated Notes**

The Issuer may issue Subordinated Notes which comprise Dated Ordinary Subordinated Notes, Undated Ordinary Subordinated Notes and Undated Deeply Subordinated Notes:

Dated Ordinary Subordinated Notes will constitute direct, unconditional, unsecured and ordinary subordinated obligations of the Issuer and will rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and ordinary subordinated indebtedness of the Issuer and will have a fixed maturity date. Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of the Noteholders and (if so specified in the applicable Final Terms) the Couponholders to payment under the Dated Ordinary Subordinated Notes and (if applicable) relative Coupons will be subordinated to the full payment of the unsubordinated creditors (including depositors) of the Issuer and, subject to such payment in full, such Noteholders and (if so specified in the applicable Final Terms) Couponholders will be paid in priority to *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer and Undated Deeply Subordinated Notes. The relative Coupons will not be subordinated (unless otherwise specified in the applicable Final Terms).

Undated Ordinary Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and ordinary subordinated indebtedness of the Issuer and will have no fixed maturity date. Payment of interest in respect of Undated Ordinary Subordinated Notes may be deferred in accordance with the provisions of Condition 3(g). Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of Noteholders and Couponholders to payment under the Undated Ordinary Subordinated Notes and relative Coupons will be subordinated to the full payment of the unsubordinated creditors (including depositors) of the Issuer but, subject to such payment in full, such Noteholders and Couponholders will be paid in priority to *prêts participatifs* granted to the

Issuer and *titres participatifs* issued by the Issuer and Undated Deeply Subordinated Notes.

The proceeds of issues of Undated Ordinary Subordinated Notes may be used for offsetting losses of the Issuer and, thereafter, to allow it to continue its activities in accordance with French banking regulations. The proceeds of such issues will be classed amongst the funds of the Issuer in accordance with Article 4(c) of *Règlement* No. 90-02 of the *Comité de la réglementation bancaire et financière*. This provision does not in any way affect any French law applicable to accounting principles relating to allocation of losses nor the duties of the shareholders and does not in any way affect the rights of the Noteholders and Couponholders to receive payment of principal and interest under the Undated Ordinary Subordinated Notes and Coupons in accordance with the terms and conditions of the relevant Notes.

Undated Deeply Subordinated Notes, will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and deeply subordinated indebtedness of the Issuer and will have no fixed maturity date. Payment of interest in respect of Undated Deeply Subordinated Notes may be deferred in accordance with the provisions set out in the applicable Final Terms. The proceeds of issues of Undated Deeply Subordinated Notes may be used for off-setting losses of the Issuer and, thereafter, to allow it to continue its activities in accordance with French banking regulations.

Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of Noteholders and Couponholders to payment under the Undated Deeply Subordinated Notes and relative Coupons will be subordinated to the full payment of the unsubordinated creditors (including depositors) of the Issuer and, subject to such payment in full, such Noteholders and Couponholders will be paid after *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer and Ordinary Subordinated Notes.

#### **Negative Pledge**

The terms of the Senior Notes will contain a negative pledge provision as described under Condition 2(c) of the Terms and Conditions of the relevant Notes.

#### **Rating**

Notes issued under the Programme may be rated or unrated. Details of the rating, if any, attributable to an issue of Notes will be set out in the applicable Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Listing and admission to trading**

Notes of a particular Series may be listed on the Luxembourg Stock Exchange or on such other or additional stock exchanges as may be specified in the applicable Final Terms and references to listing shall be construed accordingly. The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Governing Law**

The Notes will be governed by, and construed in accordance with, English law, other than Condition 2(b) in relation to Subordinated Notes which, if applicable, will be governed by the laws of France.

**Selling Restrictions**

There are restrictions on the sale of Notes and the distribution of offering material — see “*Subscription and Sale*” below. United States: TEFRA D, Regulation S Category 2.

**Final Terms/Prospectuses/  
Supplements**

The Final Terms will contain the information items permitted under Article 22.4 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Regulation**”). A Prospectus may be used for any Tranche of Notes under the Programme, and such prospectus will include the final terms and conditions for such Notes and, *inter alia*, incorporate by reference all or any part of this Document. A Supplement shall mention every significant new factor, material mistake or inaccuracy relating to the information included in this Document which is capable of affecting the assessment of the Notes and which arises or is noted between the time when this Document is approved by the CSSF and the final closing of any offer to the public or, as the case may be, the time when trading on an ISD Regulated Market begins.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the “**Terms and Conditions**” or the “**Conditions**”) which will be attached to or incorporated by reference into each global Note and which will be endorsed upon each definitive Note. The applicable Final Terms prepared by, or on behalf of, the Issuer in relation to any Notes may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of a specific issue of Notes. The applicable Final Terms will be incorporated into, or attached to, each global Note and endorsed upon each definitive Note. Reference should be made to “Form of the Notes” below for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series of the Notes (“**Notes**”, which expression shall mean (i) in relation to any Notes represented by a Note in global form (a “**Global Note**”, which term shall include any Bearer Global Note or Registered Global Note), units of the lowest Specified Denomination (as specified in the applicable Final Terms) in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange (or part exchange) for a Global Note and (iii) any Global Note) issued subject to, and with the benefit of, an amended and restated agency agreement (the “**Agency Agreement**”, which expression includes the same as it may be updated or supplemented from time to time) dated 30 June 2005 and made between BNP Paribas as issuer (the “**Issuer**”), BNP Paribas Securities Services, Luxembourg Branch as Luxembourg listing agent, issuing agent, principal paying agent, exchange agent and, unless otherwise specified in the applicable Final Terms, calculation agent (the “**Principal Paying Agent**”, “**Exchange Agent**” and “**Calculation Agent**” which expressions shall include any successor as principal paying agent, exchange agent or any other calculation agent specified in the applicable Final Terms), BNP Paribas Securities Services, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any successor registrar) and the other paying agents and transfer agents named therein (together with the Principal Paying Agent, the “**Paying Agents**” and “**Transfer Agents**” which expressions shall include any additional or successor paying agents or transfer agents). The Principal Paying Agent, Registrar, Transfer Agents and Exchange Agent are referred to together as the “**Agents**”.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means each original issue of Notes together with any further issues expressed to form a single series with the original issue which are denominated in the same Specified Currency and which have the same Maturity Date or Redemption Month (as the case may be), Interest Basis and Interest Payment Dates (if any) and the terms of which (save for the Issue Date or Interest Commencement Date and the Issue Price) are otherwise identical (including whether or not the Notes are listed) and the expressions “**Notes of the relevant Series**” and “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly.

To the extent the Final Terms for the Series of Notes specifies other Terms and Conditions which are in addition to, or inconsistent with, these Terms and Conditions, such new Terms and Conditions shall apply to this Series of Notes.

The holders for the time being of the Notes (“**Noteholders**”), which expression shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1, the holders of the Coupons (as defined below) appertaining to interest-bearing definitive Bearer Notes (the “**Couponholders**”), the holders of the Talons (as defined below) and the holders of the Receipts (as defined below) (the “**Receiptholders**”) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms, which are binding on them. Certain statements in these Terms and Conditions are summaries of, and are subject to, the detailed provisions of the Agency Agreement. Copies of the Agency Agreement (which contains the form of Final

Terms) and the Final Terms for the Notes of this Series are available from the principal office of the Principal Paying Agent and the Paying Agents set out at the end of these Terms and Conditions.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the deed of covenant (the “**Deed of Covenant**”) dated 30 June 2005 and made by the Issuer. The original of the Deed of Covenant is held by a common depository on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”).

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including The Depository Trust Company and Euroclear France and the *Intermédiaires financiers habilités* authorised to maintain accounts therein (together, “**Euroclear France**”)) approved by the Issuer and the Principal Paying Agent.

Words and expressions defined in the Agency Agreement or defined or set out in the applicable Final Terms (which term, as used herein, means, in relation to this Note, the Final Terms attached hereto or endorsed hereon) shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1 Form, Denomination, Title and Transfer**

### **(a) Form, Denomination and Title**

The Notes are in bearer form (“**Bearer Notes**”) or registered form (“**Registered Notes**”) in the Specified Currency and Specified Denomination(s) and definitive Notes will be serially numbered. This Note is a Senior Note or a Subordinated Note as indicated in the applicable Final Terms. This Note is, to the extent specified in the applicable Final Terms, a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note, a Physical Delivery Note or a Dual Currency Note, or any appropriate combination thereof or, subject to all applicable laws and regulations, any other type of Note specified in the applicable Final Terms. If it is a definitive Bearer Note, it is issued with coupons for the payment of interest (“**Coupons**”) attached and, if applicable, talons for further Coupons (“**Talons**”) attached unless it is a Zero Coupon Note in which case references to interest (other than in the case of late payment) and Coupons in these Terms and Conditions are not applicable. If it is a definitive Bearer Note redeemable in instalments it is issued with receipts (“**Receipts**”) for the payment of instalments of principal prior to stated maturity attached. Wherever Dual Currency Notes or Index Linked Notes are issued to bear interest on a fixed or floating rate basis or on a non-interest-bearing basis, the provisions in these Terms and Conditions relating to Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes respectively shall, where the context so admits, apply to such Dual Currency Notes or Index Linked Notes. Any reference in these Terms and Conditions to Coupon(s), Couponholder(s) or coupon(s) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s), Talonholder(s) or talon(s). Any reference in these Terms and Conditions to Physical Delivery Notes shall mean Notes in respect of which either an amount of principal and/or interest is payable and/or (by reference to an underlying equity, bond, security or such other asset as may be specified in the applicable Final Terms (the “**Underlying Asset(s)**”) a Physical Delivery Amount (being the number of Underlying Assets plus/minus any amount due to/from the Noteholder in respect of each Note) is deliverable and/or payable, in each case, by reference to one or more Underlying Assets as the Issuer and the relevant Dealer(s) may agree and as set out in the applicable Final Terms.

Subject as set out below, title to the Bearer Notes, the Coupons and the Receipts will pass by delivery and title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to a Bearer Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. The Issuer and any Paying Agent, to the extent permitted by applicable law, may deem and treat the bearer of any Bearer Note, Coupon or Receipt as the absolute owner thereof (whether or not such Bearer Note, Coupon or Receipt shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Bearer Global Note, without prejudice to the provisions set out below.

The Issuer has appointed the Registrar at its office specified below to act as registrar of the Registered Notes. The Issuer shall cause to be kept at the specified office of the Registrar for the time being at 23 avenue de la Porte Neuve, L-2085 Luxembourg, a register (the “**Register**”) on which shall be entered, *inter alia*, the name and address of the holder of the Registered Notes and particulars of all transfers of title to the Registered Notes.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each as defined in (vi) below) held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

*Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.*

**(b) Transfers of Registered Notes**

**(i) Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement.

(ii) Transfers of Registered Notes in definitive form

Subject as provided in paragraph (v) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(iii) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 5, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(iv) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(v) Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time. Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Global Note may only be made to a transferee in the United States or who is a U.S. person pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "**Securities Act**").

(vi) Definitions

In this Condition, the following expressions shall have the following meanings:

“**Bearer Global Note**” means a global note (temporary or permanent) in bearer form;

“**Distribution Compliance Period**” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as determined and certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“**Registered Global Note**” means a global note in registered form; and

“**Regulation S**” means Regulation S under the Securities Act.

## 2 Status of the Notes and Negative Pledge

### (a) Status (Senior Notes)

If the Notes are “**Senior Notes**”, the Notes and (if applicable) the relative Coupons are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and at least *pari passu* with all other direct, unconditional, unsecured and unsubordinated indebtedness of the Issuer (save for statutorily preferred exceptions).

### (b) Status (Subordinated Notes)

“**Subordinated Notes**” comprise Dated Ordinary Subordinated Notes, Undated Ordinary Subordinated Notes, (together the “**Ordinary Subordinated Notes**”) and Undated Deeply Subordinated Notes.

#### (i) Dated Ordinary Subordinated Notes

If the Notes are “**Dated Ordinary Subordinated Notes**”, the Notes are direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and ordinary subordinated indebtedness of the Issuer and have a fixed maturity date. Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of the Noteholders and (if so specified in the applicable Final Terms) the Couponholders to payment under the Dated Ordinary Subordinated Notes and (if applicable) relative Coupons will be subordinated to the full payment of the unsubordinated creditors (including depositors) of the Issuer and, subject to such payment in full, such Noteholders and (if so specified in the applicable Final Terms) Couponholders will be paid in priority to *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer and Undated Deeply Subordinated Notes. The relative Coupons will not be subordinated (unless otherwise specified in the applicable Final Terms).

#### (ii) Undated Ordinary Subordinated Notes

If the Notes are “**Undated Ordinary Subordinated Notes**”, the Notes are direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and ordinary subordinated indebtedness of the Issuer and have no fixed maturity date. Payment of interest in respect of Undated Ordinary Subordinated Notes may be deferred in accordance with the provisions of Condition 3(g).

Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of Noteholders and Couponholders to payment under the Undated Ordinary Subordinated Notes and relative Coupons will be subordinated to the full payment of the unsubordinated creditors



(including depositors) of the Issuer and, subject to such payment in full, such Noteholders and Couponholders will be paid in priority to *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer and Undated Deeply Subordinated Notes.

The proceeds of issues of Undated Ordinary Subordinated Notes may be used for off-setting losses of the Issuer and, thereafter, to allow it to continue its activities in accordance with French banking regulations. The loss will be charged first against accumulated profits, then against reserves and capital, and finally, if needed, against the subordinated loans and unpaid interest thereon (including interest on the Notes) which include a clause providing for the absorption of the losses, in order to allow the Issuer to fulfil the regulatory requirements applicable to banks prevailing in France, especially those relating to solvency ratios, and in order to allow the Issuer to continue its activities. The proceeds of such issues will be classed amongst the funds of the Issuer in accordance with Article 4(c) of *Règlement* No. 90-02 of the *Comité de la réglementation bancaire et financière*. This provision does not in any way affect any French law applicable to accounting principles relating to allocation of losses nor the duties of the shareholders and does not in any way affect the rights of the Noteholders and Couponholders to receive payments of principal and interest under Undated Ordinary Subordinated Notes and relative Coupons in accordance with these Terms and Conditions.

(iii) Undated Deeply Subordinated Notes

If the Notes are “**Undated Deeply Subordinated Notes**”, the Notes are direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and *pari passu* with all other present and future direct, unconditional, unsecured and deeply subordinated indebtedness of the Issuer and have no fixed maturity date. Payment of interest in respect of Undated Deeply Subordinated Notes may be deferred in accordance with the provisions set out in the relevant Final Terms.

Subject to applicable law, in the event of the voluntary liquidation of the Issuer, bankruptcy proceedings, or any other similar proceedings affecting the Issuer, the rights of Noteholders and Couponholders to payment under the Undated Deeply Subordinated Notes and relative Coupons will be subordinated to the full payment of the unsubordinated creditors (including depositors) of the Issuer and, subject to such payment in full, such Noteholders and Couponholders will be paid after *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer and Ordinary Subordinated Notes.

The proceeds of issues of Undated Deeply Subordinated Notes may be used for off-setting losses of the Issuer and, thereafter, to allow it to continue its activities in accordance with French banking regulations.

(c) **Negative Pledge (Senior Notes)**

The Issuer undertakes that, so long as any of the Notes or Coupons shall remain outstanding, it will not create any lien, pledge or other charge upon any of its present or future property, rights and assets as security for any notes or bonds (*obligations*) which are for the time being, or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange unless the Notes are secured rateably by such lien, pledge or charge.

This paragraph (c) does not apply to Subordinated Notes.

### 3 Interest

#### (a) *Interest on Fixed Rate Notes*

- (i) Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, in accordance with Condition 3(e)) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of, or other relevant period following, the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Interest Commencement Date) to the Maturity Date will amount to the Final Broken Amount. Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount.
- (ii) If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination (or, if it is a Partly Paid Note, in accordance with Condition 3(e)), multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (A) if “**Actual/Actual (ISMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (B) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the

Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these conditions:

“**Determination Date(s)**” means the date(s) specified in the applicable Final Terms;

“**Determination Period**” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“**Fixed Interest Period**” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Notes**

Each Floating Rate Note and Index Linked Note bears interest on its nominal amount (or, if it is a Partly Paid Note, in accordance with Condition 3(e)) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest, payable in arrear on each Interest Payment Date and on the Maturity Date.

**(i) Interest Payment Dates**

The Final Terms in relation to each Series of Notes in relation to which this Condition 3(b) is specified as being applicable shall specify which of the following business day conventions shall be applicable, namely:

(A) the “FRN Convention”, in which case interest shall be payable in arrear on each date (each an “**Interest Payment Date**”) which numerically corresponds to their Issue Date or such other date as may be specified in the applicable Final Terms or, as the case may be, the preceding Interest Payment Date, in the calendar month which is the number of months specified in the applicable Final Terms after the month in which such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; provided that:

- (1) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined below) in that month;
- (2) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (3) if such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the month which is the

specified number of months after the month in which such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; or

- (B) the “Modified Following Business Day Convention”, in which case interest shall be payable in arrear on such dates (each an “**Interest Payment Date**”) as are specified in the applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (C) the “Following Business Day Convention”, in which case interest shall be payable in arrear on such dates (each an “**Interest Payment Date**”) as are specified in the applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day; or
- (D) the “Preceding Business Day Convention”, in which case interest shall be payable in arrear on such dates (each an “**Interest Payment Date**”) as are specified in the applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (E) such other convention as may be specified in the applicable Final Terms.

Notwithstanding the foregoing, where the applicable Final Terms specifies that the relevant business day convention is to be applied on an “unadjusted” basis, the Interest Amount payable on any date shall not be affected by the application of that business day convention.

Each period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an “**Interest Period**”.

In this Condition 3(b), “**Business Day**” means a day which is both:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (2) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (any such centre, an “**Additional Business Centre**” and which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “**TARGET System**”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Notes will be determined in the manner specified in the applicable Final Terms.

(iii) ISDA Determination

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (iii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(iv) AFB Determination

Where so specified in the applicable Final Terms, interest will be payable on such dates, at such a rate (the "**AFB Rate**") and in such amounts, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as would have been payable (regardless of any event of default or termination event thereunder) by the Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the Master Agreement relating to foreign exchange and derivatives transactions (an "**AFB Agreement**"), as in effect on the date of issue of the Notes, published by the *Association Française des Banques/Fédération Bancaire Française* and evidenced by a Confirmation (as defined in the AFB Agreement) with the holder of the relevant Note under which:

- (A) the Issuer was the Floating Amount Payer;
- (B) the Principal Paying Agent (as defined herein) was the Agent (as defined in the AFB Agreement) or as otherwise specified in the applicable Final Terms;
- (C) the Interest Commencement Date was the Transaction Date;
- (D) the lowest Specified Denomination was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Amount Payment Dates; and
- (F) all other terms were as specified in the applicable Final Terms.

When the preceding sentence applies, in respect of each relevant Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the relevant Interest Period for the purposes of these Terms and Conditions as though determined under sub-paragraph (vi) below;
- (2) the Rate of Interest for such Interest Period will be the Floating Rate (as defined in the AFB Agreement) determined by the Principal Paying Agent in accordance with the preceding sentence; and
- (3) the Principal Paying Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and the Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

(v) Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time indicated in the applicable Final Terms (which will be 11.00 a.m., London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time indicated above or in the applicable Final Terms. The applicable Final Terms may if agreed by the relevant Dealer(s) set out such provisions in full.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(vi) Determination of Rate of Interest and Calculation of Interest Amount

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Notes, will, on or as soon as practicable after each date on which the Rate of Interest is to be determined (the “**Interest Determination Date**”), determine the Rate of Interest (subject to any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms) and calculate the amount of interest (the “**Interest Amount**”) payable on the Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of

Interest to the Specified Denomination (or if there is more than one, the lowest Specified Denomination), multiplying such sum by the Day Count Fraction specified in the applicable Final Terms and rounding the resultant figure to the nearest sub-unit (defined above) of the relevant Specified Currency, one half of such a sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest for any Interest Period:

- (1) if “Actual/365” or “Actual/Actual ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (2) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (3) if “Actual/365 (sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (5) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (6) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(vii) **Minimum and/or Maximum Interest Rate**

If the applicable Final Terms specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii), (iii), (iv) or (v) above (as appropriate) is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii), (iii), (iv) or (v) above (as appropriate) is

greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(viii) **Notification of Rate of Interest and Interest Amount**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer (such notifications to occur no later than the first day of the Interest Period to which they shall apply), (in the case of Notes which are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require) the Luxembourg Stock Exchange and, if applicable, to any other stock exchange on which the relevant Notes are for the time being listed. In addition, the Principal Paying Agent (except where the relevant Notes are unlisted and are in global form and held in their entirety on behalf of Euroclear and Clearstream, Luxembourg in which event there may be substituted for such publication the delivery of such notice to Euroclear and Clearstream, Luxembourg for communication to the holders of the Notes) shall publish or cause to be published such Rate of Interest, Interest Amount and Interest Payment Date in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth Luxembourg Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of these Conditions, the expression “**Luxembourg Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are open for business in Luxembourg.

(ix) **Certificates to be Final**

All certificates, communications, determinations, calculations and decisions made for the purposes of the provisions of this paragraph (b), by the Principal Paying Agent or, if applicable, Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents, or, if applicable, the Calculation Agent and all Noteholders, and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Zero Coupon Notes**

Where a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the amount determined in accordance with Condition 5(e) at its Amortised Face Amount. As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield specified in the applicable Final Terms. Such interest shall continue to accrue (as well after as before any judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note. Such interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month the actual number of days elapsed in such incomplete month or on such other basis as may be specified in the applicable Final Terms.

**(d) Interest on Index Linked Notes, Physical Delivery Notes and Dual Currency Notes**

In the case of Index Linked Notes, Physical Delivery Notes and Dual Currency Notes, where the Rate of Interest and/or the Interest Amount (whether on any Interest Payment Date, early



redemption, maturity or otherwise) falls to be determined by reference to an Index, Formula, exchange rate (or any combination thereof) and/or otherwise, the Rate of Interest and/or the Interest Amount shall be determined in accordance with the Index, Formula, exchange rate (or any combination thereof) or otherwise, in all cases in the manner specified in the applicable Final Terms.

**(e) Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

**(f) Interest Payments**

Interest will be paid subject to and in accordance with the provisions of Condition 4. Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal or the payment, and/or delivery of the Physical Delivery Amount (if applicable), is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (ii) the day on which the Principal Paying Agent has notified the holder thereof (either in accordance with Condition 12 or individually) of receipt of all sums due in respect thereof up to that date.

**(g) Deferral of Interest – Undated Ordinary Subordinated Notes**

In the case of Undated Ordinary Subordinated Notes, and when so specified in the applicable Final Terms, the Board of Directors of the Issuer may decide, prior to any date for the payment of interest, to suspend payment of the interest accrued during any interest period if at the most recent Annual General Meeting of the shareholders of the Issuer which preceded the corresponding date for the payment of interest no dividend was declared, paid or set apart for payment on or with respect to any class of share capital of the Issuer provided that notice of such decision is given to the relevant Noteholders in accordance with Condition 12 as soon as reasonably practicable following the taking of such decision and in any event not later than seven days prior to any date for the payment of interest. In such a case, any interest so suspended shall constitute “**Arrears of Interest**” (which term shall include interest on such unpaid interest) the payment of which shall be deferred until the date for the payment of interest immediately following the date upon which any dividend has been declared, paid, or set aside for payment on or with respect to any class of share capital of the Issuer at the most recent Annual General Meeting of the shareholders of the Issuer. Arrears of Interest shall bear interest (which shall accrue on a daily basis) at the same rate of interest as the Notes to which they relate.

Arrears of Interest may at the option of the Issuer be paid in whole or in part at any time upon the expiry of not less than seven days’ notice to such effect given to the Noteholders in accordance with these Conditions, but all Arrears of Interest shall (subject to applicable laws and regulations) become due in full on whichever is the earliest of (i) the date for the payment of interest immediately following the date upon which a dividend is next declared, paid or set aside as aforesaid, or (ii) the date set for any redemption or purchase pursuant to Condition 5(b) or (c) (in the case of redemption) or 5(f) (in the case of purchase), provided all the Notes are so purchased, or (iii) the commencement of “*liquidation judiciaire*” or “*liquidation amiable*” procedures as contemplated by Condition 8(b).

If notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to applicable laws and regulations) to do so upon the expiry of such notice.

Where Arrears of Interest are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest accrued in respect of the earliest Interest Period in respect of which Arrears of Interest have accrued and have not been paid in full.

#### **4 Payments and Exchange of Talons**

For the purposes of this Condition 4, references to payment or repayment (as the case may be) of principal and/or interest and other similar expressions shall, where the context so admits, be deemed also to refer to delivery of any Physical Delivery Amount(s).

##### **(a) Method of Payment**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the “**Record Date**”). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or integral multiples of U.S.\$1,000 in excess thereof) (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

Neither the Issuer nor any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal and interest (if any) in respect of the definitive Bearer Notes will (subject as provided below) be made against presentation or surrender of such Bearer Notes or Coupons, as the case may be, at any specified office of any Paying Agent. Payments of principal in respect of instalments (if any), other than the last instalment, will (subject as provided below) be made against surrender of the relevant Receipt. Payment of the last instalment will be made against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of such instalment together with the relevant definitive Bearer Note against which the amount will be payable in respect of that instalment. If any definitive Bearer Notes are redeemed or become repayable prior to the Maturity Date in respect thereof (or the Interest Payment Date falling in the Redemption Month in respect thereof, as the case may be), principal will be payable on surrender of each such Note together with all unmatured Receipts appertaining thereto. Unmatured Receipts and Receipts presented without the definitive Bearer Notes to which they appertain do not constitute obligations of the Issuer. All payments of interest and principal with respect to Bearer Notes will be made only against presentation and surrender of the relevant Bearer Notes, Coupons or Receipts outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) except as otherwise provided in the third succeeding paragraph. No payments with respect to the Bearer Notes will be made by mail to an address in the United States or by transfer to an account maintained by the holder in the United States.

Subject as provided below and, in the case of Physical Delivery Notes, subject also as provided in the applicable Final Terms, payments in respect of definitive Notes (other than Dual Currency Notes) denominated in a Specified Currency (other than euro) or, in the case of Dual Currency Notes, payable in a Specified Currency (other than euro) will (subject as provided below) be made by a cheque in the Specified Currency drawn on, or, at the option of the holder and upon 15 days' prior notice to the Principal Paying Agent, by transfer to an account (in the case of payment in yen, to a non-resident of Japan, a non-resident account) in the Specified Currency maintained by the payee with, a bank in the principal financial centre of the country of the Specified Currency. Payments in euro will be made by credit or transfer to a euro account or any other account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by euro-cheque. The applicable Final Terms may also contain provisions for variation of settlement where, for reasons beyond the control of the Issuer or any Noteholder (including, without limitation, unlawfulness, illegality, impossibility, *force majeure*, non-transferability or the like, each a "**Payment Disruption Event**"), the Issuer is not able to make, or any Noteholder is not able to receive, as the case may be, payment on the due date and in the Specified Currency of any amount of principal or interest due under the Notes.

In the case of Physical Delivery Notes which are settled by way of delivery, on the due date for redemption, the Issuer shall deliver, or procure the delivery of, the documents evidencing the number of, and/or constituting the, Underlying Assets plus/minus any amount due to/from the

Noteholder deliverable in respect of each Note (the “**Physical Delivery Amount**”) to or to the order of the Noteholder in accordance with the instructions of the Noteholder contained in the Transfer Notice (as defined in (b) below). The Physical Delivery Amount shall be evidenced in the manner described in the applicable Final Terms. The applicable Final Terms may also contain provisions for variation of settlement pursuant to an option to such effect or where the Issuer or the holder of a Physical Delivery Note (as the case may be) is not able to deliver, or take delivery of (as the case may be), the Underlying Assets or where a Settlement Disruption Event (as described in the applicable Final Terms) has occurred, all as provided in the applicable Final Terms.

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will be made in the manner specified above and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside of the United States. A record of each payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which such Global Note is presented for the purpose of making such payment, and such record shall be prima facie evidence that the payment in question has been made.

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated and payable in U.S. dollars will be made at the specified office of any Paying Agent in the United States if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount due on the Bearer Notes in the manner provided above when due and (b) payment of the full amount due at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions.

The holder of the relevant Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the payment obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant Global Note. No person other than the holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

Fixed Rate Bearer Notes in definitive form should be presented for payment with all unmatured Coupons appertaining thereto (which expression shall include Coupons to be issued on exchange of Talons which will have matured on or before the relevant redemption date), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of 10 years from the Relevant Date (as defined in Condition 6) for the payment of such sum due for payment, whether or not such Coupon has become void pursuant to Condition 9 or, if later, five years from the due date for payment of such Coupon. Upon any Fixed Rate Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Dual Currency Note, Index Linked Note or Physical Delivery Note which is settled by way of cash in definitive bearer form, all

unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Floating Rate Note, Dual Currency Note, Index Linked Note or Physical Delivery Note which is settled by way of cash is presented for redemption without all unmaturing Coupons appertaining thereto, payment of all amounts due in relation to such Note shall be made only against the provision of such indemnity as the Issuer may decide.

If any date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, then the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (A) the relevant place of presentation;
- (B) any Additional Financial Centre specified in the applicable Final Terms; and

either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre, which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

If the due date for redemption of any interest bearing Note in definitive form is not a due date for the payment of interest relating thereto, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of interest (or from the Interest Commencement Date) will be paid against surrender of such Note.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

The names of the initial Principal Paying Agent and the other initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or to approve any change in the specified office of any Paying Agent, provided that:

- (i) so long as any Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent (in the case of Bearer Notes) and a Transfer Agent, which may be the Registrar (in the case of Registered Notes) with a specified office in the place required by the rules and regulations of the relevant stock exchange; and
- (ii) there will at all times be a Principal Paying Agent and a Registrar; and

- (iii) there will at all times be a Paying Agent in a jurisdiction within continental Europe other than the jurisdiction of the Issuer; and
- (iv) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4(a). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice shall have been given to the Noteholders in accordance with Condition 12.

Payments in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

**(b) *Physical Delivery Notes***

The applicable Final Terms will contain provisions relating to the procedure for the delivery of any Physical Delivery Amount in respect of Physical Delivery Notes (including, without limitation, liability for the costs of transfer of Underlying Assets).

The Underlying Assets will be delivered at the risk of the relevant Noteholder in such manner as may be specified in the transfer notice pursuant to which such Underlying Assets are delivered (the "**Transfer Notice**", the form of which is annexed to the Agency Agreement) and, notwithstanding Condition 3(f) above, no additional payment or delivery will be due to a Noteholder where any Underlying Assets are delivered after their due date in circumstances beyond the control of either the Issuer or the Settlement Agent.

## **5 Redemption and Purchase**

**(a) *Final Redemption***

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed by the Issuer at its Final Redemption Amount (or, in the case only of Physical Delivery Notes where the applicable Final Terms specifies that such Notes will be redeemed by payment and/or delivery of a Physical Delivery Amount, by the payment and the delivery of the Physical Delivery Amount) specified in, or determined in the manner specified in, the applicable Final Terms in the Specified Currency on the Maturity Date specified in the applicable Final Terms (if this Note is not a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the applicable Final Terms (if this Note is a Floating Rate Note). This Note may not be redeemed other than in accordance with these Conditions.

**(b) *Redemption for Taxation Reasons***

- (i) If in respect of the Notes the Issuer would, as a result of any change in, or in the official interpretation or administration of, any laws or regulations of France or any other authority thereof or therein be required to pay additional amounts as provided in Condition 6, the Issuer may at its option at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes) but subject, in the case of Subordinated Notes, to the prior approval of the *Secrétariat général de la commission bancaire* in France, on giving not more than 45 nor less than 30 days' notice to the

Noteholders (in accordance with Condition 12) which notice shall be irrevocable, redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined below) together with interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date upon which the Issuer could make payment without withholding for such taxes.

- (ii) If the Issuer would, on the next due date for payment of any amount in respect of the Notes, be prevented by French law from making such payment notwithstanding the undertaking to pay additional amounts as provided in Condition 6, then the Issuer shall forthwith give notice of such fact to the Principal Paying Agent and shall, subject in the case of Subordinated Notes, to the prior approval of the *Secrétariat général de la commission bancaire* in France, at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes) redeem all, but not some only, of the Notes then outstanding at their Early Redemption Amount (as defined below) together with interest accrued to the date fixed for redemption, upon giving not less than 7 nor more than 45 days' prior notice to the Noteholders (in accordance with Condition 12), provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of interest payable in respect of the Notes or, if such date is already past, as soon as practicable thereafter.

**(c) Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may subject in the case of Subordinated Notes, to the prior approval of the *Secrétariat général de la commission bancaire* in France, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any partial redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global

Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least five days prior to the Selection Date.

In the case of Subordinated Notes, no redemption at the option of the Issuer will be permitted prior to five years from the date of issue thereof.

**(d) Redemption at the Option of the Noteholders (Noteholder Put)**

In the case of Subordinated Notes, no redemption of the Notes at the option of the Noteholder is permitted. If Noteholder Put is specified in the applicable Final Terms and provided that this Note is not a Subordinated Note, upon the holder of any Note giving to the Issuer in accordance with Condition 12 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver at the specified office of the Registrar or, as the case may be, any Paying Agent at any time during normal business hours of such Registrar or Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of the Registrar or any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition, accompanied by this Note or evidence satisfactory to the Registrar or the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control in accordance with the Agency Agreement. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Registrar or Paying Agent concerned of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Registrar or Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 8.

**(e) Early Redemption Amounts**

For the purposes of paragraph (b) above and Condition 8, the Notes will be redeemed at an amount (the "**Early Redemption Amount**") calculated as follows, together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable:



- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be lesser or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is set out in the Final Terms, at their nominal amount; or
- (iii) in the case of Physical Delivery Notes, as determined in the manner specified in the applicable Final Terms; or
- (iv) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (A) the Reference Price specified in the applicable Final Terms; and
  - (B) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in such incomplete month or such other calculation basis as may be specified in the applicable Final Terms.

**(f) Purchases**

The Issuer may at any time purchase Notes (together with (in the case of definitive Bearer Notes of this Series) all unmatured Receipts or Coupons appertaining thereto) at any price in the open market or otherwise.

In the case of Subordinated Notes, where (i) the aggregate nominal amount of Notes remaining outstanding after such purchase is less than 90 per cent. of the total nominal amount of such Notes originally issued or (ii) in the case of an *Offre Publique d’Achat* (“Public Repurchase Offer”) or an *Offre Publique d’Echange* (“Public Exchange Offer”), such purchase can only be made with the prior written consent of the *Secrétariat général de la commission bancaire* in France.

**(g) Cancellation**

All Notes which are redeemed or purchased by the Issuer will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Receipts presented therewith) and accordingly may not be re-issued or resold.

**(h) Instalments**

Each Note in definitive form which is redeemable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. All instalments (other than the final instalment) will be paid by surrender of, in the case of a definitive Bearer Note, the relevant Receipt (which must be presented with the Note to which it appertains) and, in the case of a definitive Registered Note, the relevant Note and issue of a new Note in the nominal amount remaining outstanding, all as more fully described in Condition 4.

**(i) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (b), (c) or (d) above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iv) above as though the references therein to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (1) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (2) the date on which the full amount of the moneys payable has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

**(j) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition 5 as amended or varied by the information specified in the applicable Final Terms.

## **6 Taxation**

- (a) According to Article 131 *quater* of the *Code général des impôts* (general tax code), as construed by the French tax authorities, payments on, and other revenues in respect of Notes (and any Coupons appertaining thereto) that are issued (or deemed to be issued) outside France, are exempt of the withholding tax on interest set out under Article 125 A III of the *Code général des impôts* (general tax code). Accordingly, such payments do not give the right to any tax credit from any French source.
- (b) If French law should require that any payments in respect of the Notes or Coupons be subject to withholding with respect to any taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note or Coupon, after deduction of such taxes or duties, will receive the full amount then due and payable; provided, however, that the Issuer may, in that event, redeem all of the Notes then outstanding in accordance with the provisions of Condition 5(b) above, and provided further that no such additional amounts shall be payable with respect to any Note or Coupon:
  - (i) presented for payment by or on behalf of a holder who is subject to such taxes or duties in respect of such Note or Coupon by reason of his being connected with France otherwise than by reason only of the holding of such Note or Coupon; or
  - (ii) presented for payment more than 30 days after the relevant date, except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
  - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein the “**relevant date**” in relation to any Note or Coupon means whichever is the later of:

- (1) the date on which the payment in respect of such Note or Coupon, as the case may be, first became due and payable; or
- (2) if the full amount of the moneys payable on such a date in respect of such Note or Coupon, as the case may be, has not been received by the Principal Paying Agent on or prior to the due date, the date on which notice is duly given to the Noteholders or, as the case may be, Couponholders that such moneys have been so received.

References herein to principal and/or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition 6.

## 7 Redenomination

### (a) *Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the Noteholders in accordance with Condition 12, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that

date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on a Fixed Interest Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit (defined above) of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

**(b) Definitions**

In these Conditions, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 109I(4) of the Treaty;

“**euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

“**Treaty**” means the Treaty establishing the European Community, as amended by the Treaty on European Union as amended by the Treaty of Amsterdam.

## **8 Events of Default and Enforcement**

**(a) Events of Default**

In the case of Senior Notes, the holder of any such Note may give written notice to the Issuer and the Principal Paying Agent that the Senior Note is, and it shall accordingly forthwith become,

immediately due and repayable at its Early Redemption Amount, together, if appropriate, with interest accrued to the date of repayment, in any of the following events (“**Events of Default**”):

- (i) the Issuer fails to pay any amount payable in respect of the Senior Notes or any of them when due and payable and such default is not remedied within 30 days after the relevant due date; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Senior Notes and such default is not remedied within 45 days after notice of such default has been given to the Principal Paying Agent by any Noteholder; or
- (iii) the Issuer applies for the appointment of a conciliator (*conciliateur*), enters into an amicable settlement (*accord amiable*) with its creditors or ceases its payments, or a judgment is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or for a transfer of the whole of its business (*cession totale de l'entreprise*), or the Issuer is subject to similar proceedings, or, in the absence of legal proceedings, the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, or a resolution is passed by the Issuer for its winding-up or dissolution, except in connection with a merger or other reorganisation in which all of the Issuer's assets are transferred to, and all of the Issuer's debts and liabilities (including the Notes) are assumed by, another entity which continues the Issuer's activities.

**(b) Enforcement (Subordinated Notes – General)**

In the case of Subordinated Notes, the holder of any Subordinated Note may, upon written notice to the Principal Paying Agent given before all defaults have been cured, cause such Subordinated Note to become due and payable, together with accrued interest (and Arrears of Interest, if applicable) thereon, if any, as of the date on which said notice is received by the Principal Paying Agent, in the event that an order is made or an effective resolution is passed for the liquidation (*liquidation judiciaire* or *liquidation amiable*) of the Issuer.

## **9 Prescription**

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of 10 years from the due date thereof and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of five years, from the due date thereof. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 4 above.

## **10 Replacement of Notes, Receipts, Coupons and Talons**

If any Note (including any Global Note), Receipt, Coupon or Talon is mutilated, defaced, stolen, destroyed or lost it may be replaced at the specified office of the Principal Paying Agent or the Registrar, as the case may be, upon payment by the claimant of the costs incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued. Cancellation and replacement of Notes, Receipts, Coupons or Talons shall be subject to compliance with such procedures as may be required under any applicable law and subject to any applicable stock exchange requirements.

## **11 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to issue further notes, such further notes forming a single series with the Notes so that such further notes and the Notes carry rights identical in all respects (or in all respects save for their

Issue Date, Interest Commencement Date, Issue Price and/or the amount and date of the first payment of interest thereon). For the purposes of French law, such further notes shall be assimilated (*assimilables*) to the Notes as regards their financial service provided that the terms of such further notes provide for such assimilation.

## 12 Notices

- (a) All notices to the holders of Registered Notes will be valid if mailed to their registered addresses.
- (b) All notices regarding Notes, both Bearer and Registered, will be valid if published once (i) in a leading English language daily newspaper with general circulation in Europe (which is expected to be the *Financial Times*), and (ii) so long as the Notes of this Series are listed on the Luxembourg Stock Exchange and so long as the relevant rules applying to such listed Notes so require, in a daily newspaper with general circulation in Luxembourg (which is expected to be the *d'Wort* or the *Tageblatt*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first such publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of this Series in accordance with this Condition.
- (c) Until such time as any definitive Notes are issued, there may, so long as all the Global Note(s) for this Series (whether listed or not) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted, in relation only to such Series, for such publication as aforesaid in Condition 12(b), the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes except that if the Notes are listed on a stock exchange and the rules of that stock exchange so require, the relevant notice will in any event be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.
- (d) Notices to be given by any holder of any Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent. Whilst any Notes are represented by a Global Note, such notice may be given by a holder of any of the Notes so represented to the Principal Paying Agent via Euroclear and/or Clearstream, Luxembourg as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.
- (e) All notices given to Noteholders (irrespective of how given) shall also be delivered in writing to Euroclear and Clearstream, Luxembourg and, in the case of listed Notes, to the relevant stock exchange.

## 13 Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of

interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any such adjourned meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. In addition, in the case of an issue of Subordinated Notes, any proposed modification of any provision of the Notes (including a modification of the provisions as to subordination referred to in Condition 2(b) requiring a quorum of not less than two-thirds in nominal amount of the Notes for the time being outstanding can only be effected subject to the prior approval of the *Secrétariat général de la commission bancaire* in France. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

#### **14 Agents and Registrar**

In acting under the Agency Agreement, the Agents will act solely as agents of the Issuer and do not assume any obligations or relationship of agency or trust to or with the Noteholders, Receiptholders or Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders, to repay Notes and pay interest thereon) funds received by the Principal Paying Agent for the payment of the principal of or interest on the Notes shall be held by it in trust for the Noteholders and/or Receiptholders or Couponholders until the expiration of the relevant period of prescription under Condition 9. The Issuer will agree to perform and observe the obligations imposed upon it under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer and any of its subsidiaries without being liable to account to the Noteholders, Receiptholders or the Couponholders for any resulting profit.

#### **15 Contracts (Rights of Third Parties) Act 1999**

The Notes shall not confer any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

#### **16 Governing Law and submission to jurisdiction**

##### **(a) Governing law**

The Agency Agreement, the Deed of Covenant, the Notes (except for Condition 2(b), to the extent applicable, which is governed by, and shall be construed in accordance with French law), the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

**(b) *Submission to jurisdiction***

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

**(c) *Appointment of Process Agent***

The Issuer appoints BNP Paribas, London Branch, currently of 10 Harewood Avenue, London NW1 6AA (Attention: the Commercial Legal Banking Department) as its agent for service of process, and undertakes that, in the event of BNP Paribas, London Branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**(d) *Other documents***

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes by the Issuer will be applied for the general financing purposes of BNP Paribas.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest Coupons attached, or registered form, without Coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”).

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) which will be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a permanent bearer global note (a “**Permanent Bearer Global Note**”) of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, Receipts, Coupons and Talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 8) has occurred and is continuing, (ii) the Issuer has been notified that either Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the

instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent. In addition, where so specified in the applicable Final Terms, a Permanent Bearer Global Note will be exchangeable for security-printed Bearer Notes with, where applicable, Receipts, Coupons and/or Talons attached upon request of the Noteholders (and notwithstanding the absence of any of the circumstances referred to above) upon not less than 60 days' prior written notice to the Principal Paying Agent from Euroclear or Clearstream, Luxembourg (as the case may be) acting on the instructions of holders of beneficial interests in the Permanent Bearer Global Note.

In the event that the Permanent Bearer Global Note is exchanged for definitive Bearer Notes, such definitive Bearer Notes shall be issued in the minimum Specified Denomination only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of the Specified Denomination may need to purchase or sell, on or before the Exchange Date, a principal amount of Notes such that their holding is an integral multiple of the Specified Denomination.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

**“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”**

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

## **Registered Notes**

The Registered Notes offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form, without Receipts or Coupons, (a **“Registered Global Note”**) which will be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 1(b) and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount including, without limitation, any Physical Delivery Amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on

account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount including, without limitation, any Physical Delivery Amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without Receipts, Coupons or Talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

### **Tradable Amounts**

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit(s), the Notes shall be tradable in minimum principal amounts at least equal to the Specified Denomination provided hereon and integral multiples of Tradable Amounts provided hereon.

### **Applicable Final Terms**

*Set out below is the form of Final Terms.*

The Final Terms will contain the information items permitted under Article 22.4 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Regulation**”).

## FORM OF FINAL TERMS

*Final Terms dated [●]*

**BNP PARIBAS**

**€50,000,000,000**

**PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS  
(the Programme)**

***Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the Programme***

[Date]

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Debt Issuance Prospectus dated 30 June 2005 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC (the “**Prospectus Directive**”) and the relevant implementing measures in the Grand Duchy of Luxembourg. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, and must be read in conjunction with such Debt Issuance Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Prospectus. [The Debt Issuance Prospectus, [these Final Terms [and the supplemental Prospectus] [(in each case, together with any documents incorporated therein by reference)] [is] [are] available for viewing at, and copies may be obtained from, BNP Paribas Securities Services, Luxembourg Branch (in its capacity as Principal Paying Agent), 23, avenue de la Porte Neuve, L-2085 Luxembourg and will be available on the Luxembourg Stock Exchange website “www.bourse.lu”].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Debt Issuance Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Debt Issuance Prospectus dated [original date] [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and the relevant implementing measures in the Grand Duchy of Luxembourg, and must be read in conjunction with the Debt Issuance Prospectus dated [current date] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, save in respect of the Conditions which are extracted from the Debt Issuance Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [●] and [●]]. [The Debt Issuance Prospectuses, [these Final Terms [and the supplemental Prospectuses] [is] [are] available for viewing at, and copies may be obtained from, BNP Paribas Securities Services, Luxembourg Branch (in its capacity as Principal Paying Agent), 23, avenue de la Porte Neuve, L-2085 Luxembourg and will be available on the Luxembourg stock exchange website “www.bourse.lu”].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Debt Issuance Prospectus under Article 16 of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg.]*

1. (i) Series Number:
- (ii) Tranche Number:   
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
2. Specified Currency (or Currencies in the case of Dual Currency Notes):
3. Aggregate Nominal Amount:
  - Series:
  - Tranche:
4. [(i)] Issue Price of Tranche:  per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* *(in the case of fungible issues only if applicable)*]  
 [(ii)] Net Proceeds:  *(Required only for listed issues)*
5. (i) Specified Denominations:    
 (ii) Tradable Amounts:
6. [(i)] Issue Date [and Interest Commencement Date]:   
 [(ii)] Interest Commencement Date (if different from the Issue Date):
7. Maturity Date: *[Fixed Rate/Zero Coupon – specify date/Floating Rate – Interest Payment Date falling in or nearest to [specify Redemption Month] [In the case of Subordinated Notes, the minimum maturity will be five years]*
8. Form of Notes: [Bearer/Registered]
9. Type of Notes: [Fixed Rate/Floating Rate/Zero Coupon/Index Linked/Dual Currency/other]
10. Interest Basis:  per cent. Fixed Rate][LIBOR/EURIBOR] +/-  per cent. Floating Rate][Zero Coupon][Index Linked][*specify other*](further particulars specified below)
11. Redemption/Payment Basis: [Redemption at par][Index Linked Redemption][Dual Currency][Partly Paid][Instalment] [Physical Delivery][*specify other*]

12. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
13. Put/Call Options: [Noteholder Put][Issuer Call][(further particulars specified below)]
14. Status of the Notes: [Senior/[Dated/Undated] Ordinary Subordinated/Undated Deeply Subordinated] (if subordinated specify [[Unsubordinated/Subordinated] interest and insert applicable provisions])
15. Listing: [None/See "Listing Application" on page [ ] below]
16. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Fixed Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of Business Day]/not adjusted]
- (iii) Fixed Coupon Amount(s): [ ] per [ ] in nominal amount
- (iv) Broken Amount(s): [Insert particulars of any Initial or Final Broken Amounts of interest which do not correspond with the Fixed Coupon Amount(s)]
- (v) Day Count Fraction: [30/360/Actual/Actual (ISMA)] [specify other]
- (vi) Determination Date(s): [ ] in each year  
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon (NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
18. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [ ]
- (ii) Interest Payment Dates: [ ]
- (iii) Business Day Convention: [FRN Convention/Modified Following Business Day Convention/Following Business Day Convention/Preceding Business Day Convention/[specify other]] [Insert "(unadjusted)" if the

*application of the relevant business day convention is not intended to affect the Interest Amount: see Condition 3(b)(i)]*

- (iv) Additional Business Centre(s) (Condition 3(b)):
- (v) Manner in which the Rate of Interest and Interest Amount is to be determined:
- (vi) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):
- (vii) Screen Rate Determination:
  - Reference Rate:
  - Interest Determination Date(s):
  - Specified Time:
  - Relevant Screen Page:
- (viii) ISDA Determination:
  - Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (ix) Margin(s):
- (x) Minimum Interest Rate:
- (xi) Maximum Interest Rate:
- (xii) Day Count Fraction:
- (xiii) Fall back provisions, day count fraction, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

**19. Zero Coupon Note Provisions**

[Applicable/Not Applicable]



		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Accrual Yield:	[ ] per cent. per annum
(ii)	Reference Price:	[ ]
(iii)	Any other formula/basis of determining Amortised Face Amount payable:	[ ] <i>(Consider applicable Day Count Fraction if euro denominated)</i>
<b>20.</b>	<b>Index Linked Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Index/Formula:	<i>[give or annex details]</i>
(ii)	Calculation Agent responsible for calculating the redemption amount and/or interest due:	[ ]
(iii)	Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	<i>[Need to include a description of market disruption or settlement disruption events and adjustment provisions]</i>
(iv)	Interest Period(s):	[ ]
(v)	Interest Payment Dates:	[ ]
(vi)	Business Day Convention:	[ ]
(vii)	Additional Business Centre(s) (Condition 3(b)):	[ ]
(viii)	Day Count Fraction:	[ ]
<b>21.</b>	<b>Dual Currency Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Rate of Exchange/method of calculating Rate of Exchange:	<i>[give details]</i>
(ii)	Calculation Agent, if any, responsible for calculating the redemption amount and/or interest payable:	[ ]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]
<b>22.</b>	<b>Physical Delivery Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>  <i>[The provisions for Physical Delivery Notes may be set out below and/or in a Schedule to the Final Terms.]</i>

*Capitalised terms used below and not referred to in the Terms and Conditions shall be defined in a Schedule to the Final Terms]*

- (i) Underlying Assets<sup>1</sup> and/or Formula to be used to determine principal and/or interest or the Physical Delivery Amount: [ ]
- (ii) Settlement by way of cash and/or physical delivery: [ ]
- (iii) [Issuer/Noteholder] option to vary method of settlement and, if yes, method of election, and procedure, for variation of settlement: [Yes/No]
- (iv) If settlement is by way of physical delivery: [ ]
  - (a) method of delivery of Physical Delivery Amount [and consequences of a Settlement Disruption Event]: [ ]
  - (b) details of how entitlement to Physical Delivery Amount will be evidenced: [ ]
- (v) The party responsible for calculating the redemption amount and/or interest or the Physical Delivery Amount payable (if not the Principal Paying Agent): [ ]
- (vi) Provisions where calculation by reference to the Underlying Assets and/or Formula is impossible or impracticable: [ ]
- (vii) Details of any other relevant terms: [ ]
- (viii) Method of calculating Early Redemption Amount (if for reasons other than following a redemption for tax reasons or an Event of Default): [ ]
- (ix) Valuation Date(s): [ ]
- (x) Details of Stock Exchanges(s) and Related Exchange(s), if any: [ ]
- (xi) Such other additional terms or provisions as may be required (including, without limitation, [ ]

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<sup>1</sup> Underlying Assets may not be shares of the Issuer.

definitions of Settlement Disruption Event(s), Potential Adjustment Events and Market Disruption Events):

#### PROVISIONS RELATING TO REDEMPTION

23. **Issuer Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Note of [ ] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]
24. **Noteholder Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Note of [ ] specified denomination
- (iii) Notice period (if other than as set out in the Conditions): [ ]
25. **Final Redemption Amount** [ ] per Note of [ ] specified denomination/*specify other/see Appendix*
26. **Early Redemption Amount** [ ]  
Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 5(e)):

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes: [Bearer Notes:  
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event].  
[Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date.]]

- [Registered Notes:  
Registered Global Note (U.S.\$[ ] nominal amount)/Registered Notes in definitive form (*specify nominal amounts*)]
28. Additional Financial Centre(s) or other special provisions relating to Payment Dates for the purposes of Condition 4(a): [Not Applicable/*give details*] (*Note that this item relates to the place of payment and not interest period end dates to which items 18(iv) and 20 (vi) relate*)
29. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, if different from those specified in the Temporary Global Note, consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
31. Details relating to Notes redeemable in instalments: amount of each instalment, date on which each payment is to be made:
- [(i) Instalment Amounts: [ ]  
    (ii) Instalment Dates: [ ]]
32. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 7] [annexed to these Final Terms] apply]
33. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
34. Other terms or special conditions: [Not Applicable/*give details/specify rating, if applicable/specify any Payment Disruption Events and the consequences thereof, if applicable, for the purpose of Condition 4(a)*]

#### **DISTRIBUTION**

35. (i) If syndicated, names of Managers (specifying Lead Manager): [Not Applicable/*give names*]  
(ii) Date of [Subscription Agreement] [●]  
(iii) Stabilising Manager (if any): [Not Applicable/*give name*]
36. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
37. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
38. Additional selling restrictions: [Not Applicable/*give details*]

#### **OPERATIONAL INFORMATION**

39. ISIN Code: [ ]

40. Common Code:
41. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg approved by the Issuer and the Principal Paying Agent and the relevant identification number(s):  [Not Applicable/give name(s) and number(s)]
42. Delivery: Delivery  [against/free of] payment
43. Additional Paying Agent(s) (if any):  [Not Applicable/give name]

#### **[LISTING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €50,000,000,000 Programme for the Issuance of Debt Instruments of BNP Paribas.]

- (i) Listing:  [Luxembourg Stock Exchange's Regulated Market/Luxembourg Stock Exchange's EuroMTF Market/specify other/None]
- (ii) Admission to trading:  [Application has been made for the Notes to be admitted to trading on  with effect from .]  
 [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)*

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.  [●] has been extracted from  [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by  [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

## PART B – OTHER INFORMATION

### 1 Ratings

Ratings:

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider, for example:*

*“As defined by Standard & Poors, an [AA+] rating means that the Issuer’s capacity to meet its financial commitment under the Notes is very strong.”*

*“Obligations rated [Aa] by Moody’s are judged to be of high quality and are subject to very low credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.”*

*“As defined by Fitch an [AA] rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments. Such capacity is not significantly vulnerable to foreseeable events.”]*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 2 [Risk Factors

*[Include any product specific risk factors which are not covered under “Risk Factors” in the Debt Issuance Prospectus. If any such additional risk factors need to be included consideration should be given as to whether they constitute “significant new factors” and consequently trigger the need for either (i) a supplement to the Debt Issuance Prospectus under Article 16 of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48 hour time period or (ii) a Prospectus.]]*

*[Investors may lose the value of their entire investment or part of it, as the case may be, and/or, if the investor's liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.]<sup>2</sup>*

### 3 **[Notification]**

The *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purpose of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the *[include names of competent authorities of host Member States]* with a certificate of approval attesting that the Debt Issuance Prospectus has been drawn up in accordance with the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg.]

### 4 **[Interests of Natural and Legal Persons Involved in the [Issue/Offer]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in *[[SECTION]* in the Debt Issuance Prospectus], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

### 5 **[Reasons for the Offer, Estimated Net Proceeds and Total Expenses]<sup>3</sup>**

Reasons for the offer [•]  
*(See “Use of Proceeds” wording in Debt Issuance Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

Estimated net proceeds: [•]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

Estimated total expenses: [•] *[Include breakdown of expenses]*<sup>4</sup>

### 6 **[Fixed Rate Notes only – Yield]**

Indication of yield: [•]  
[Calculated as *[include details of method of calculation in*

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<sup>2</sup> Required for derivative securities.

<sup>3</sup> If the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, disclosure in respect of Estimated Net Proceeds and Total Expenses is only required if reasons for the offer are disclosed.

<sup>4</sup> Not required for debt securities with a denomination per unit of at least EUR 50,000.



*summary form*] on the Issue Date. ]<sup>5</sup>

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

7 **[Floating Rate Notes only – Historic Interest Rates**

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]<sup>6</sup>

8 **[Indexed Interest Notes only – Performance of Index/Formula/Other Variable, Explanation of Effect on Value of Investment and Associated Risks and Other Information concerning the Underlying**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*<sup>7</sup> [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]<sup>8</sup>

9 **[Derivatives only – Other Information concerning the Securities to be [offered]/[admitted to trading]]<sup>9</sup>**

Name of the issuer of the underlying security: [•]

ISIN Code: [•]

Underlying interest rate: [•]

Relevant weightings of each underlying in the basket: [•]

Adjustment rules with relation to events concerning the underlying: [•]

Source of information relating to the [Index]/[Indices] [•]

Place where information relating to the [Index]/[Indices] can be obtained [•]

10 **[Terms and Conditions of the Offer]**

The time period, including any possible amendments, during which the offer will be open and description of the application process: [•]

Details of the minimum and/or maximum amount of application:<sup>10</sup> [•]

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<sup>5</sup> Not required for debt securities with a denomination per unit of at least EUR 50,000.

<sup>6</sup> Not required for debt securities with a denomination per unit of at least EUR 50,000.

<sup>7</sup> Not required for debt securities with a denomination per unit of at least EUR 50,000.

<sup>8</sup> Required for derivative securities.

<sup>9</sup> Required for derivative securities.

<sup>10</sup> Whether in number of securities or aggregate amount to invest.

Manner and date in which results of the offer are to be made public: [●]

Categories of potential investors to which the securities are offered:<sup>11</sup> [●]

[For example:

*“Legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities.*

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

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made: [●]

11 **[Placing and Underwriting]<sup>12</sup>**

Name and address of the co-ordinator(s) of the global offer and of single parts of the offer:<sup>13</sup> [●]

Name and address of any paying agents and depository agents in each country (in addition to the Principal Paying Agent): [●]

Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under “best efforts” arrangements:<sup>14</sup> [●]

When the underwriting agreement has been or will be reached: [●]

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<sup>11</sup> If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.

<sup>12</sup> Required for derivative securities.

<sup>13</sup> To the extent known to the Issuer, of the placers in the various countries where the offer takes place.

<sup>14</sup> Where not all of the issue is underwritten, a statement of the portion not covered.

## BNP PARIBAS GROUP

### Legal Status and Form of BNP Paribas

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

### Business Overview

The Group (of which BNP Paribas is the parent company) is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialised and other financial activities throughout the world. According to rankings published in July 2004 by *The Banker* (based on 2003 figures):

- based on total assets, the Group was the second largest banking group in France, the fifth largest in Europe, and the seventh largest in the world; and
- based on Tier 1 capital, the Group was the second, fourth and tenth largest banking group in France, Europe and the world, respectively.

The Group is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers throughout the world, in particular in Europe and the western United States.

The Group has offices in more than 85 countries. At 31 December 2004, the Group had consolidated assets of €905.9 billion (compared to €783.1 billion at 31 December 2003), consolidated gross total customer items of €266.9 billion (compared to €231.5 billion at 31 December 2003), consolidated customer deposits (including retail and negotiable certificates of deposit) of €328.3 billion (compared to €282.6 billion at 31 December 2003) and shareholders' equity (Group share including income for the 2004 fiscal year) of €30.2 billion (compared to €28.3 billion at 31 December 2003). Net income, before taxes, non-recurring items and amortisation of goodwill for the year ended 31 December 2004 was €7.6 billion (compared to €6.3 billion for the year ended 31 December 2003). Net income, Group share, for the year ended 31 December 2004 was €4.7 billion (compared to €3.8 billion for the year ended 31 December 2003).

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

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking. Operationally, these divisions are organised into five core businesses (French Retail Banking, International Retail Banking and Financial Services, Asset Management and Services, Corporate and Investment Banking and BNP Paribas Capital), as summarised below.

Except where otherwise specified, all financial information and operating statistics are presented as of 31 December 2004.

### ***Retail Banking***

For the year ended 31 December 2004, Retail Banking contributed €3,796 million, or 52 per cent., of the Group's gross operating income (excluding BNP Paribas Capital and other miscellaneous business activities, which contributed €-26 million and €-47 million, respectively), compared to €3,625 million, or 53 per cent., for the year ended 31 December 2003.

#### ***French Retail Banking***

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

#### ***International Retail Banking and Financial Services***

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

- Consumer Financing (Cetelem): includes a complete portfolio of consumer credit and related financial services;
- Property Financing for Private Individuals (UCB): provides financing for residential real estate purchases by individuals;
- Corporate Capital Equipment Financing (BNP Paribas Lease Group): provides financing for capital goods leased by businesses;
- Contract Hire and Fleet Management (Arval, Artegy and Arius): provides outsourcing solutions on behalf of corporate customers for the management and financing of vehicle fleets and other logistical equipment;
- Retail Banking in the United States (BancWest): includes retail operations in the western United States, with a network of approximately 530 branches and 3.4 million client accounts; and
- Retail Banking in Emerging Markets and Overseas: includes networks totalling approximately 500 branches and serving approximately 1.5 million customers in five geographical areas (Africa—Indian Ocean, French overseas departments and territories, North Africa—Mediterranean, the Middle East and Europe—Near East).

### ***Asset Management and Services***

For the year ended 31 December 2004, Asset Management and Services contributed €1,066 million, or 15 per cent., of the Group's gross operating income (excluding BNP Paribas Capital and Other Activities), compared to €803 million, or 12 per cent., for the year ended 31 December 2003.

### *Wealth & Asset Management*

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

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

The Group's subsidiary Cortal Consors specialises in direct sales of personal savings products and on-line brokerage services. With over one million clients, Cortal Consors is the European leader in its sector based on number of customers according to a *Reuters* report published in October 2003 and the Group's own internal estimates.

Finally, through BNP Paribas Immobilier, the Group provides its clients with real estate investment services. These services include property development, real estate investments, commercial real estate advisory services, asset management, property management and residential sales. Following the Group's acquisition of Atis Real International as of 1 April 2004, this business line is now a European leader in real estate services, especially in the corporate real estate market (accounting for 80 per cent. of its revenues), with a 2,300-strong workforce in seven countries.

### *Insurance*

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

### *Securities Services*

BNP Paribas Securities Services provides securities services for financial and other institutions, including banks, brokerage houses, pension funds, mutual funds and insurance companies. In addition to clearing and custody services, it offers a wide range of related services, such as securities and cash position financing, collateral management, the outsourcing of middle- and back-office functions, fund administration and accounting, performance measurement and attribution, e-banking support services and transfer agent and issuer services. At 31 December 2004, assets under custody were €2,473 billion. BNP Paribas Securities Services handled 23.1 million transactions in 2004.

### **Corporate & Investment Banking**

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

For the year ended 31 December 2004, Corporate & Investment Banking contributed €2,442 million, or 33 per cent., of the Group's gross operating income (excluding BNP Paribas Capital and Other Activities), compared to €2,434 million, or 35 per cent., for the year ended 31 December 2003.

### *Advisory and Capital Markets*

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

Advisory and Capital Markets is a leader in France in several areas, in particular mergers and acquisitions advice. In 2004, BNP Paribas was ranked number one in France in mergers and acquisitions advice (source: *Fusions et acquisitions* magazine), and was among the leaders in Europe. The Group has also been one of the European leaders in equity derivatives for several years.

### *Financing businesses*

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

In 2004, the financing businesses received numerous honours in recognition of their excellence. In particular, BNP Paribas ranked first globally in Project Finance (source: *Dealogic*), in part because of its role as lead arranger for Quatargas II, the "Project Finance Deal of the Year" conducted on behalf of Exxon. The Group was also named "Aircraft Finance House of the Year" (source: *Jane's Transport Finance*).

### **BNP Paribas Capital**

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

For the year ended 31 December 2004, this core business contributed €-26 million to the Group's gross operating income (€-73 million for year ended 31 December 2003). However, gross operating income is not indicative of the earnings capacity of this core business, as it does not include capital gains. For the year ended 31 December 2004, pre-tax income amounted to €661 million, or 10 per cent., of the Group's pre-tax income, compared to €496 million, or 9 per cent., for the year ended 31 December 2003.

### **Strategy**

#### **"Vision 2007"<sup>15</sup>**

The Group is focusing on pursuing its development during 2005, within the context of an ambitious development strategy referred to as "Vision 2007". Vision 2007 sets forth the Group's objectives for the medium-term. For each of its four core divisions, the objectives are the following:

- French Retail Banking: the Group's objective is to grow faster than the market, by fully capitalising on the new commercial organisation that it has implemented;
- International Retail Banking and Financial Services: the Group's objectives are to bolster its leadership position in financial services in Europe, implement an aggressive sales and marketing strategy in France, and continue its expansion in the U.S. and in emerging countries;
  - At BancWest, the Group will seek to optimise its existing business organisation through selected branch openings. In addition, it intends to expand the geographic coverage of BancWest's specialty businesses. Moreover, the Group actively seeks opportunities for BancWest to expand its network through targeted acquisitions;
  - At Cetelem, the Group will focus in particular on capitalising on the latest innovations in various segments of the consumer lending market, and to grow its business generated through the Internet;

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<sup>15</sup> These prospects and objectives were determined based on a core scenario that includes a number of assumptions regarding the business and the regulatory environment; these assumptions do not include the occurrence of an economic recession or financial crisis. Under these circumstances, such prospects and objectives may not be considered as performance forecasts.

- At UCB, the Group will continue expanding its commercial network in France, Italy and Spain. It will work to integrate Abbey National France following its acquisition in 2004, by attempting to grow its debt consolidation business and its relationships with foreign clients;
- Regarding retail banking in Emerging Markets and Overseas, the Group will seek to capitalise on its recent acquisition of Turk Ekonomi Bankasi (TEB), which was finalised on 11 February 2005. It will also continue to implement its development plans in North Africa and the Middle East, in particular in Saudi Arabia and Kuwait;
- Asset Management and Services: the Group's objective is to grow its revenues faster than the market by strengthening its positions in France and throughout Europe and by pursuing selected business expansion in the rest of the world;
  - At BNP Paribas Private Banking, the Group's aim will be to strengthen its position as a global leader. It will seek to capitalise on its leading position in France, develop its services for ultra-high net worth clients and strengthen its position in developing markets, including Asia and continental Europe;
  - At BNP Paribas Asset Management, the Group will seek to grow total assets under management by €50 billion, capitalise on the trend toward open architecture (i.e., selling by the Group and its competitors of each others' products) to develop its external customer base and expand internationally;
  - At Cortal Consors, the Group will seek to strengthen its leading position in Europe and substantially increase assets under management. In addition, it will seek to develop its network of independent financial advisers in Europe;
  - At BNP Paribas Assurance, the Group will seek to grow its market share in savings in France, grow its offering of death and disability coverage and continue its international expansion;
  - At BNP Paribas Securities Services, the Group will seek to strengthen its leading position in Europe across the range of securities products, grow its market share among institutional clients in Europe and develop new client segments.
  - Regarding real estate investment services, the Group will aim to promote new real estate fund management services and develop its cross-selling efforts;
- Corporate and Investment Banking: the Group's objective is to achieve strong growth by expanding coverage in Europe, and by pursuing targeted business expansion in the U.S. and Asia. The Group will also seek to maintain a solid return on equity and a cost/income ratio that compares favourably with other market competitors.

In addition to the specific initiatives set forth above, the Group will continue to cross-sell its products and services so as to reinforce its efforts to outperform the market. The Group will also be rolling out a new visual branding program, which will be aimed at achieving a better balance between its strong Group brand name (according to *Fortune*, BNP Paribas already has the 6th strongest global banking brand name) and certain appealing local or specialty brand names.

#### ***Continued Productivity Improvement***

The Group will seek to further improve its cost/income ratio while maintaining the competitive position of each of its core businesses. In order to do so, the Group will undertake efforts to achieve new productivity gains, including initiatives aimed at growing revenues and reducing costs. The Group will also continue its efforts to streamline and pool its operational platforms and information systems.

### ***Risk Management***

In preparation for the entry into force of the new Basle 2 regulatory requirements, the Group will seek to apply the advanced methods set forth under such regulatory requirements as soon as they are effective, in particular with respect to operational risks. The Group will also seek to implement progressively the general use of economic capital as a management tool.

The Group will also focus its efforts on ensuring compliance with the highest ethical standards and regulatory requirements in an increasingly complex and demanding regulatory environment. The Group's newly created global corporate compliance department, led by a member of the Group's executive committee and to which the Group will allocate all necessary resources, will spearhead this effort.

### ***Capital Management***

The Group will optimally manage its capital in the following four ways:

- through organic growth, which is the Group's priority and is expected to result from the business objectives mentioned above;
- through external growth, by seizing acquisition opportunities based on clearly defined commercial (in particular retail banking and one-off acquisition opportunities in other areas of business) and geographic (in particular Europe and the U.S., particularly via BancWest) priorities. Thanks to the diversity and high quality of its franchises, the Group enjoys an array of acquisition opportunities. At the same time, any acquisition must meet the Group's strict acquisition criteria. Accordingly, the Group will seek acquisition opportunities that present low execution risk and that meet defined financial criteria (return on investment higher than cost of capital and near-term accretive effect). Upon any acquisition, the Group will seek to apply its expertise in the integration of newly acquired companies;
- through an active dividend distribution policy, reflected in the 37.9 per cent. increase in the dividend paid with respect to the 2004 fiscal year (as compared with the 2003 fiscal year); and
- through share buybacks, at a minimum so as to neutralise the dilutive effect of share issuances to employees. In May 2005, the Board of Directors launched a new share buyback program to repurchase approximately €600 million worth of shares during 2005. This €600 million targeted repurchase price is in addition to the amount required to buy back shares so as to neutralise the effect of share issuances to employees.

BNP Paribas' overall objective is therefore to focus on growing its revenues further, while maintaining an annual return on equity that exceeds 15 per cent.

### **Activities of the Group**

#### ***History***

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

The French government owned over 80 per cent. of the voting stock of BNP and its predecessor banks until 1982 and owned 100 per cent. of the voting stock of BNP from 1982 until 1993. In October 1993, BNP was privatised through the offering of shares to the public in France and internationally. During the



1990s, BNP launched new banking products and services and expanded its presence in France and internationally, while positioning itself to benefit fully from the introduction of the euro. Privatisation also significantly boosted BNP's profitability—in 1998, it led the French banking industry in terms of return on equity.

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

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

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

### **Organisation**

The BNP Paribas Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking. Operationally, these divisions are organised into five core businesses: French Retail Banking, International Retail Banking and Financial Services, Asset Management and Services, Corporate and Investment Banking and BNP Paribas Capital. The Group also has additional activities, including those of its listed real estate subsidiary, Klépierre, that are conducted outside of its five core businesses.

### **Retail Banking**

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

#### *French Retail Banking*

The French Retail Banking client base includes 5.7 million individual and private banking clients, 495,000 entrepreneurs and small business clients and 18,000 corporate and institutional clients. French Retail Banking offers a comprehensive line of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

French Retail Banking's network has been structured so as to enhance local coverage and client service. As of 31 December 2004, this network included 2,200 branches and 3,400 ATMs, in addition to a multi-channel banking structure. French Retail Banking focuses on servicing regions with high economic potential. For example, the Group estimates that it has a 15 per cent. share of the retail banking market in the greater Paris area. French Retail Banking also has a strong presence in the high net worth segments of the personal banking market—22 per cent. of French households with net annual revenues in excess of €82,000 have their primary bank account with BNP Paribas (source: *IPSOS*)—and a leading position in the corporate market.

French Retail Banking employs 30,000 people working in the BNP Paribas domestic branch network, Banque de Bretagne, BNP Paribas Factor (a factoring company) and BNP Paribas Développement, a provider of growth capital.

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

During 2004, French Retail Banking continued to actively expand its personal banking business, using its multi-channel banking system (branch, telephone and online banking) that was rolled out beginning in 2002. This system is designed to offer clients the highest standard of service and to enhance the role of client advisers in the branches. One of its cornerstones is the existence of client relationship centres to handle calls to the branches and client e-mails; a third client relationship centre was opened in Lille during 2004, which will supplement those existing in Paris and Orléans. The new workstations being operated by client advisers are geared towards managing client relations within a multi-channel banking system. As such, they represent the very hub of the system, whose worth and effectiveness have been demonstrated through two full years of use. French Retail Banking also has the largest network of private banking centres, with 200 centres across France ensuring extensive local coverage.

At the end of 2004, French Retail Banking also implemented a new business organisation specifically designed to serve the needs of corporate clients. This new organisation, which is unique in the French retail banking landscape, is based on 24 business centres located throughout France, as well as two professional assistance services—Service Assistance Entreprise (SAE) and Cash Customer Services (CCS). Major corporate accounts are overseen by high-level key account managers who are based at the Bank's main regional offices and who work in close collaboration with the business centres, the international network and the Group's specialised businesses to create customised solutions for each client.

French Retail Banking also includes a cash management unit that forms part of BNP Paribas Cash Management, one of the leading cash management operators in Europe. This business provides an array of domestic and international solutions for payment, collection and cash management, which are suited to companies of all sizes.

Finally, French Retail Banking is reorganising its back-offices into Production and Sales Support branches (PSSBs). Specialised by type of transaction, they span the whole of France and have fully integrated information systems. At the end of 2004, there were 57 PSSBs, which formed part of 12 different Production and Sales Support Groups.

#### *International Retail Banking and Financial Services*

The International Retail Banking and Financial Services core business consists of six business lines: Consumer Financing (Cetelem), Property Financing for Private Individuals (UCB), Corporate Capital Equipment Financing (BNP Paribas Lease Group), Contract Hire and Fleet Management, Retail Banking in the United States (BancWest) and Retail Banking in Emerging and Overseas Markets. The core business includes approximately 32,600 employees across 54 countries.

#### **Cetelem**

Cetelem is the leading supplier of consumer credit in continental Europe (source: the Group's calculation of the market share of market participants based on their outstanding loans as indicated in their published annual reports, compared with the entire European consumer credit market (source: *European Credit Research Institute*)), with €32.2 billion in outstanding loans as of 31 December 2004, of which 60 per cent. was in France and 40 per cent. was outside France. Cetelem has more than 10,000 staff throughout the world, and currently operates in 20 countries, including 13 in Europe. For the past fifty years, Cetelem has contributed to making consumer credit a modern and pragmatic solution to help consumers manage their household budgets.

The Group believes that Cetelem is the benchmark in the industry and that its Aurore card, held by 15 million consumers worldwide, demonstrates Cetelem's ability to innovate. Its high-quality service offerings – backed by strong technical expertise and tight risk control – meet most household financing needs, including personal loans, instalment sales and revolving credits. Cetelem has entered into distribution partnerships throughout the retail industry and has a long tradition of helping large retailers such as Carrefour, Conforama, Ikea and Dell achieve their development goals across the globe. Cetelem is also a preferred partner for banks and insurance companies which value its credit expertise – including AXA, Banques Populaires, Caisses d'Epargne, Dresdner and KBC – as well as for new providers of services to individual customers, such as Electricité de France (EDF). In 2004, Cetelem also assumed the management of the permanent credit card accounts offered by the Group's French retail banking network.

### **UCB**

UCB specialises in financing residential real estate purchases by individuals, for both personal and investment purposes. UCB is active in France and, through its subsidiaries, in Spain, Italy, Portugal, Greece and the Netherlands. UCB has also developed and manages a portfolio of mortgage loans on behalf of BNP Paribas in Norway. At 31 December 2004, UCB's managed outstanding loans totalled €20.2 billion.

UCB markets its products through a network of business referral partners in the real estate industry, such as estate agents, builders, and, in some countries, brokers, who refer prospective property 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 lend 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 information technology management services.

In November 2004, UCB acquired Abbey National France, which specialises in mortgage lending to private individuals. Abbey National France is also a major player in the debt consolidation market. In 2004, it generated €744 million in new business and had outstanding loans of €2.3 billion at 31 December 2004. This acquisition will allow the Group to bolster its mortgage loan assets and expand its capabilities.

### **BNP Paribas Lease Group (BPLG)**

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

A European leader, and number one in France with a market share of nearly 21 per cent. (source: *Association Française des Sociétés Financières*), BPLG works in partnership with equipment manufacturers, importers and distributors, with a view to helping them optimise their sales performance by integrating financing into their sales contracts. BPLG also provides and manages equipment and property financing, marketed by the BNP Paribas banking network to its clients.

### **Contract Hire and Fleet Management**

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

- Cars and light trucks: Arval

- Heavy goods vehicles: Artegy
- Information technology related assets: Arius

The flexible products and services offered are designed to assist clients' efforts to 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 is the business line's main company. It has direct operations in 17 countries and a leading European position in the long-term leasing and fleet management market, with 602,000 vehicles under its management at the end of 2004.

### **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. BancWest's branch network operates under two brand names: Bank of the West on the mainland and First Hawaiian Bank in Hawaii.

In November 2004, BancWest acquired Community First Bankshares and Union Safe Deposit Bank. At the date of the acquisition, Community First Bankshares, headquartered in Fargo, North Dakota, operated 155 branches in twelve U.S. states (mainly in the western U.S.) and had total assets of US\$ 5.5 billion. Union Safe Deposit Bank, with 19 branches in California's Central Valley, had total assets of US\$ 1 billion.

Bank of the West offers retail banking services to individuals and companies in 16 western U.S. states. It is California's fifth leading retail bank (source: *FDIC* 30 June 2004). It also has strong national positions in certain niche lending markets, such as Marine, Recreational Vehicles, Church and Small Business Administration.

With a 40 per cent. market share based on deposits (source: *FDIC* 30 June 2004), First Hawaiian Bank is Hawaii's leading bank, offering a broad array of products to a local clientele of private individuals and companies.

In total, as of 31 December 2004, BancWest had approximately 10,000 employees, 530 branches and 3.4 million client accounts. At the same date, it had total assets of US\$ 50 billion, making it the seventh largest bank in the western U.S. (source: *SNL*).

### **Emerging Markets and Overseas**

Emerging Markets and Overseas retail banking operations are organised around five geographical areas: Africa-Indian Ocean, French overseas departments and territories, North Africa-Mediterranean, the Middle East and Europe-Near East. The Group is leveraging the expertise it has acquired in running the branch network in mainland France to drive the development of its subsidiaries in these regions, which represent approximately 500 branches and 1.5 million clients.

The Group's operations in Africa are organised around the network of Banque Internationale pour le Commerce et l'Industrie (BICI). With approximately 100 branches distributed over six countries (Burkina Faso, Côte d'Ivoire, Gabon, Guinea Conakry, Mali and Senegal), the Group manages one of the largest banking networks in French-speaking Africa. The Group has operations in Djibouti (BCIMR) and in the Indian Ocean region, including Madagascar (BMOI) and the Comoro Islands (BIC).

In the North Africa-Mediterranean region, the Group has approximately 200 branches across Morocco (BMCI), Tunisia (UBCI) and Algeria (BNP Paribas El Djazaïr).

In the French overseas departments and territories (Martinique, Guadeloupe, French Guyana, New Caledonia, Reunion Island, Wallis and Fortuna), the Group has solid local positions where it operates through 49 branches.

In the Middle East, the Gulf states are served by the regional headquarters in Bahrain, responsible for four territories (Bahrain, Abu Dhabi, Dubai and Qatar). Two entities are currently being opened in Saudi Arabia and Kuwait. The Group also has an expanding network in Egypt (BNP Paribas Cairo).

In the Europe–Near East region, the Group has operations in Cyprus, Israel and Lebanon (BNPI) and, since February 2005, in Turkey.

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.

### ***Asset Management and Services (AMS)***

This core business and division comprises all of the Group's investor services businesses and leads the BNP Paribas asset gathering effort.

One of the foremost players in Europe, AMS offers fund management and discretionary asset management services, backed by a range of high value-added investor services. It is organised around three business lines:

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

Through all of these businesses, which include more than 15,000 employees across 40 countries, AMS offers a comprehensive range of products and services to a broad investor clientele, including institutional clients, corporations and private individuals. Each AMS business was among the leaders in its market in 2004. In 2004, AMS managed total assets of €292 billion and held €2,473 billion of assets in custody.

#### *Wealth & Asset Management*

##### **Private Banking**

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

BNP Paribas Private Banking is ranked number one in the French private banking market (source: 2005 *Euromoney* rankings), with €45 billion in assets under management and a network of more than 120 outlets nationwide. It ranks fourth in Western Europe, where it is fast broadening its reach in domestic markets, and seventh in Asia (source: 2005 *Euromoney* rankings). At year-end 2004, BNP Paribas Private Banking's overall client assets under management totalled more than €100 billion.

##### **Asset Management**

BNP Paribas Asset Management specialises in third party asset management services. With a view to combining solid performance with high service quality, teams have been organised into specialised units that cover separate asset classes. These dedicated and highly responsive teams offer investment

solutions that combine advisory services, innovation and risk management, in the areas of traditional active management and alternative and structured management.

Operating in over 20 countries across five continents, BNP Paribas Asset Management partners with clients around the world, while pursuing its development and expansion in developing markets, such as China and South Korea. By building on its local presence, it can offer clients customised and follow-up services.

With a franchise of over 400 institutional clients, BNP Paribas Asset Management had more than €196 billion worth of assets under management at 31 December 2004. It is a major player in the European investment fund market; as of 31 December 2004, it was Europe's ninth leading fund sponsor (source: *FERI*). It is rated "AM2+" by Fitch Ratings.

### **Cortal Consors**

Cortal Consors is Europe's leading personal investment management company and online broker (source: *Reuters* report published in October 2003 and the Group's own internal estimates). Cortal Consors offers clients its expertise and investor advisory experience through several distribution channels. It boasts a broad range of products including short-term investment products, mutual funds and life insurance policies, backed by cutting-edge online brokerage technologies.

Cortal Consors has an operating presence in six European countries – Germany, France, Spain, Belgium, Luxembourg and Italy. At 31 December 2004, it had over one million clients and €18.6 billion worth of managed assets, comprised of 44 per cent. equity, 48 per cent. savings products or mutual funds and 8 per cent. cash.

### **Real Estate Investment Services**

BNP Paribas Immobilier offers a comprehensive range of real estate products and services. Through its acquisition in 2004 of Atis Real International—a company that specialises in commercial real estate advisory services—BNP Paribas Immobilier has become the leading real estate company among French banks (source: internal estimates). Its service offering now covers every stage of a real estate project.

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

- property development (through Meunier, the third largest French property developer (source: *Classement des promoteurs 2004*));
- real estate investments and project financing (through BNP Paribas PFI); and
- real estate services, which include:
  - commercial real estate advisory services (including transactions, valuations and investments). BNP Paribas Immobilier holds a leading position in mainland Europe in this field through Atis Real, which has operations in seven countries;
  - asset management, through Antin Vendôme – the number two property fund manager in France (source: *IEIF – Institut de l'Épargne Immobilière et Foncière*);
  - property management: 11 million square meters of office space is managed in Europe, including 5.5 million square meters in France (through Comadim) and 16,500 French residential properties (through Gerer); and
  - sale of residential properties: through Espaces Immobiliers BNP Paribas, which managed 19 sites at the end of 2004.

### *Insurance*

BNP Paribas Assurance manages all of BNP Paribas' insurance companies, including Cardif, which sells products in 29 countries through a large number of partners. BNP Paribas Assurance is the fourth-leading life insurer in France (source: *FFSA*).

In 2004, BNP Paribas Assurance implemented a new organisational structure in order to help speed its expansion. It currently has two departments, one of which is dedicated to the sale of savings products and the other to sales of international personal insurance policies.

The department in charge of savings products offers life insurance policies to private individuals. In France, this department also offers group products to companies related to pensions, end-of-career bonuses and early retirement benefits. Through Cardif Asset Management, the department also offers a broad array of mutual funds to private individuals, institutional investors and major corporations.

The department in charge of personal insurance sells stand-alone policies as well as loan insurance. BNP Paribas Assurance also markets both standard and personalised group policies to all types of companies, large and small. In France, property and casualty insurance is offered through Natio Assurance, a company that is jointly owned with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance and legal protection coverage.

### *Securities Services*

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

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

- clearing and custody for all asset classes,
- fund administration (accounting, middle-office outsourcing, depository bank, performance measurement and attribution analysis),
- issuer services, and
- cash and securities financing.

At 31 December 2004, assets under custody totalled €2,473 billion, and an estimated 23.1 million transactions were handled over the course of the year.

BNP Paribas Securities Services is ranked number one among European custodians and is the 5th-largest global custodian worldwide (source: *Institutional Investor Magazine*, ranking published in September 2004 based on assets under custody at the end of March 2004). For the fifth consecutive year, the division won two key industry awards during 2004: "Best Regional Custodian – Europe" from *Global Investor Magazine* and "Best Overall Network" from *GSCS Benchmarks*.

Over half of BNP Paribas Securities Services' operations are outside of France. In addition to its head office in Paris, BNP Paribas Securities Services has branches, subsidiaries and offices in all of the main European financial centres – including Belgium, Germany, Greece, Ireland, Italy, Jersey, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom – 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.

### **Corporate & Investment Banking (CIB)**

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

Outside of Europe, the Coverage and Territories International (CTI) group covers corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, and leads operations in the corresponding Corporate and Investment Banking territories. The Financial Institutions Group (FIG), which is part of CTI, is the global 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. CTE and CTI banking advisers and client relationship managers have a keen understanding of their clients' financial and business strategies and day-to-day management concerns, making them the preferred partners of the Group's corporate and institutional clients. This understanding also enables them to effectively coordinate the activities of product specialists.

With a client base comprising some 11,000 corporations and institutions, the CTE and CTI groups have developed extensive knowledge of the specific features of the various markets and regions that they serve, which they deploy so as to promote revenue generation across all product lines.

Based in 20 countries worldwide, the 65-strong FIG team manages relationships with 600 institutional clients, including insurers, pension funds and asset managers, supranational organisations, banks and central banks.

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

#### *Advisory and Capital Markets*

### **Corporate Finance**

Corporate Finance offers advisory services for mergers and acquisitions and primary equity market transactions. The mergers and acquisitions teams advise both buyers and 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 an inter-disciplinary organisational structure 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 through BNP Paribas Peregrine.

In 2004, Thomson Financial ranked BNP Paribas fifth in Europe in terms of transaction volumes, and *Dealogic Equityware* ranked it within the top ten in Europe for the primary equity business.

### **Equities and Equity Derivatives**

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



In 2004, BNP Paribas confirmed its leading worldwide position in terms of volume of equities traded on all markets, and obtained high rankings in the large majority of equity derivatives markets and stock market indexes. BNP Paribas also won a number of prestigious awards in 2004, including:

- “**Equity Derivatives House of the Year**” (*Risk Magazine*),
- “**Best Equity Derivatives Provider in Europe**” (*Global Finance*),
- “**Mid Cap Equity House of The Year**” (*IFR Asia and Finance Asia*),
- “**Wealth Management Product House of the Year**” (*Asia Risk*), and
- “**Rising Star Equity House**” in Asia (*The Asset*).

### **Fixed Income**

Fixed Income’s product expertise and distribution capabilities have positioned BNP Paribas among the top three fixed income players in Europe (source: *IFR*), and have allowed it to build a strong client franchise in Asia, Japan and the United States. BNP Paribas Fixed Income employs close to 1,500 professionals around the world.

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

The Bank is a recognised leader in the interest rate, credit and foreign exchange markets. BNP Paribas’ broad range of Fixed Income products is provided through a strong sales and marketing platform. In addition, the Bank provides a full array of research products and services available for one-on-one client support and advice, as well as an extensive array of written reports through a variety of channels.

In 2004, BNP Paribas ranked second in Euro-denominated corporate bond issuances (source: *Thomson Financial* league tables). It was also designated “Euro Investment-Grade Corporate House of the Year” for the third consecutive year by *IFR*, as well as “Euro-MTN House of the Year” for the first time.

The Group conducted a review of Fixed Income’s organisation in 2004 in order to improve its coverage and better serve its clients, involving:

- the structuring of European marketing into two groups, focusing on financial institutions and investors on the one hand, and corporate clients on the other hand;
- expansion into new markets such as asset-backed securities, as well as mortgage-backed securities in the U.S.;
- expansion into new locations such as China, with the opening of a trading floor in Shanghai.

### *Financing Businesses*

#### **Energy, Commodities, Export and Project Finance (ECEP)**

By grouping together within one structure all of the Group’s expertise relating to energy, commodities, infrastructures and capital goods, 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 which, in addition to export pre-financing, includes 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, London and Singapore;
- export financing, with 15 export desks covering 28 public credit insurers, and some thirty correspondent banks in importing countries;
- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows; and
- global trade services, which offers a range of products and services, including e-banking and international guarantees for import-export trading.

In 2004, BNP Paribas' ECEP business line was a leader in its market. During the year, it was ranked "Best Commodity Bank" by *Euromoney*, "Best Institution for Oil Finance" by the *Trade & Forfeiting Review*, number one project financier worldwide by *Dealogic*, and "Best Arranger for Project Financing" by *EuroWeek*.

### **Structured Finance**

BNP Paribas' Structured Finance team designs and structures, on a worldwide basis, a broad range of complex and innovative financing arrangements, including syndicated loans, acquisition financing, leveraged buy-out financing, optimisation and asset financing, media and telecommunications financing, marine and aircraft financing and structured leasing. In 2004, BNP Paribas held sixth position as bookrunner and mandated lead arranger of syndicated loans worldwide and third position as bookrunner and mandated lead arranger of syndicated loans in the Europe – Middle East – Africa region (source: *International Financial Review*). Also in 2004, BNP Paribas ranked fifth as mandated arranger of leveraged loans in Europe (source: *International Financial Review*).

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

### **BNP Paribas Capital**

BNP Paribas Capital 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. As of 31 December 2004, BNP Paribas Capital managed a portfolio with a market value of €3.7 billion, including unrealised capital gains of €1.4 billion.

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

- advising the BNP Paribas Group on its proprietary portfolio; and
- managing or advising 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 leveraged buy-outs in Europe are handled by PAI partners. Dedicated funds managed or advised by Banexi Capital Partenaires, Banexi Venture Partners and BNP Private Equity handle medium-sized leveraged buy-outs 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 reducing its proprietary portfolio.

### **Klépierre**

Klépierre is continental Europe's second-leading listed property group specialised in shopping centres, with 850 employees and a market capitalisation of €3 billion at 31 December 2004. One third of its business is conducted outside of France. Klépierre's property assets totalled €5.9 billion at the end of 2004, 84 per cent. of which consisted of shopping centres located in nine continental European countries, and 16 per cent. of which consisted of Paris-based office properties. Klépierre has adopted a unique management approach structured around its 75 per cent.-owned subsidiary, Ségécé (also 15 per cent.-owned by BNP Paribas SA), which manages 344 shopping centres – of which 223 belong to Klépierre – through a network of seven subsidiaries operating in ten European countries.

### **Listed Investment and Sovereign Loan Management**

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.

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.

### **Litigation**

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

### **Main Shareholders of BNP Paribas**

At 31 December 2004, AXA, a French *société anonyme* (corporation), held 5.7 per cent. of the shares of BNP Paribas. At that date, to the knowledge of the Board of Directors of BNP Paribas, no other shareholder held more than 5 per cent. of the shares.

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group, like all companies with securities listed on European securities exchanges, is required by European Union directives to adopt international financial reporting standards (“IFRS”) as of 1 January 2005, with retroactive effect to 1 January 2004. As part of the transition to IFRS, the Group has prepared financial data for the fiscal year ended 31 December 2004 according to IFRS then in effect (the “**2004 IFRS financial data**”). In accordance with the Professional Practice Guide dated 9 December 2004 issued by the “Compagnie Nationale des Commissaires aux Comptes” (National Association of Statutory Auditors), the Group’s statutory auditors, Barbier Frinault & Autres, PricewaterhouseCoopers Audit and Mazars & Guérard, have performed certain audit procedures on the impact of IFRS as endorsed by the European Union (excluding IAS32/39 and IFRS4 that are to be applied by BNP Paribas from 1 January 2005) on the Group’s shareholders’ equity as at 1 January 2004 and the Group’s consolidated income statement for the year ended 31 December 2004.

As finally endorsed by the European Union, IFRS includes certain standards (specifically, IAS 32 (relating to financial instrument disclosure and presentation), IAS 39 (relating to financial instrument recognition and measurement) and IFRS 4 (relating to insurance contracts)) that apply to financial statements prepared under IFRS relating to financial statement periods subsequent to 1 January 2005. Accordingly, financial statements prepared under IFRS as in effect prior to such date will not be directly comparable to financial statements prepared under IFRS as in effect subsequent to such date. The Group has therefore prepared an unaudited quantified simulation of the effect of applying the IFRS as endorsed by the European Union on its 2004 IFRS financial data.

The following discussion summarises the Group’s first-time application of IFRS to its results. “**2004 IFRS**” refers to those accounting standards that are applicable in 2004, i.e., all IAS and IFRS excluding IAS 32/39 and IFRS 4. “**EU-IFRS**” refers to those accounting standards that are applicable in 2005 as endorsed by the European Union, and include IAS 32, IAS 39 and IFRS 4. The summary presentation is as follows: (i) the overall effect of application of 2004 IFRS and EU-IFRS, and (ii) the principal effects of specific IFRS standards.

There remains a degree of uncertainty regarding some IAS and IFRS standards and interpretations (fair value option, hedging rules, etc.), and the Group continues to finalise its detailed analyses and studies of various transactions. In addition, there may be future changes in capital adequacy and tax regulations that affect the Group’s application of IFRS. Accordingly, the definitive impact of IFRS on the Group’s shareholders’ equity and results is subject to change.

### Group income statement under IFRS

The following table presents the main items of the Group’s income statement prepared under French GAAP and IFRS (both 2004 IFRS and a simulation of EU-IFRS):

<b>2004</b> <i>(in millions of euros)</i>	<b>French GAAP</b>	<b>2004 IFRS</b>	<b>EU-IFRS Simulation</b>
Net Banking Income .....	18,823	19,369	19,150
Operating Expenses and Dep. ....	-11,592	-12,043	-12,030
Gross Operating Income .....	7,231	7,326	7,120
Provisions .....	-678	-685	-847
Operating Income .....	6,553	6,641	6,273
Amortisation of Goodwill .....	-384	0	0
Other Non Operating Items .....	736	478	477
Pre-Tax Income .....	6,905	7,119	6,750

<b>2004</b> <i>(in millions of euros)</i>	<b>French GAAP</b>	<b>2004 IFRS</b>	<b>EU-IFRS Simulation</b>
Tax Expense.....	-1,830	-1,764	-1,654
Minority Interests .....	-407	-416	-420
Net Income, Group Share.....	4,668	4,939	4,676

### Summary of effect on net income

In sum, under 2004 IFRS the Group recorded net income of €4,939 million in 2004 (+5.8 per cent. compared to €4,668 million under French GAAP). The positive difference of €271 million stems primarily from the elimination of goodwill amortisation under IFRS (+ €388 million) and from various one-off restatements (-€187 million). Given BNP Paribas' limited awards of stock options, the impact of their recognition as expenses under IFRS is not material (€23 million). With respect to EU-IFRS, the modifications introduced essentially result in timing differences in the recognition of some net banking income items in 2004. This would have almost offset the impacts of other IFRS standards and thus the Group's net income would have been close to the Group's net income under French GAAP.

The application of IFRS has three types of effects on Group net income:

- **“One-off”** restatements: this means that the difference between French GAAP and IFRS is a one-time occurrence in 2004 or will disappear in one or two year's time. An example is the charge to, or reversal of, the reserve for general banking risks;
- **“Timing”** differences: this means that the spreading over time of income or expenses is different under French GAAP than it is under IFRS. Examples are a different amortisation rate for leases and the amortisation of the commercial margin (day-one-profit) on structured trading derivatives. The differences resulting from the different accounting treatments can be either positive or negative; and
- **“Recurring”** impacts: this means that the different accounting treatments give rise to differences that recur over time. Examples are the elimination of goodwill amortisation and the recognition of stock options as expenses in the income statement.

The following table summarises the principal specific effects of application of the IFRS standards (both 2004 IFRS and a simulation of IAS 39) on the Group's 2004 income statement and classifies them by type (one-off, timing and recurring):

	<b>2004 IFRS impacts</b>	<b>IAS 39 simulation*</b>
		<i>(in millions of euros)</i>
IAS 37 – Reserve for general banking risks .....	-85	
IAS 19 – Mutual health insurance .....	+97	
IFRS 2 and IAS 19 – Deferral of 2002 and 2003 bonuses .....	-74	
IAS 27, 28 & 31 – Capital gains	-125	

\* Rounded and approximate figures

	<b>2004 IFRS impacts</b>	<b>IAS 39 simulation*</b>	
		<i>(in millions of euros)</i>	
private equity adjustment .....			
as at 1Q04			
<b>One-off</b>	<b>-187</b>		
IAS 17 – Leases	-15	Day-one profit	-90
IAS 19 – Retirement benefits	-53	change in PEL provision	-20
IAS 27, 28 & 31 – Reversal of provisions on companies accounted for by the equity method	+155	Securities available for sale	-120
Other	-13	Other	-20
<b>Timing</b>	<b>+74</b>		<b>-250</b>
IFRS 2 – Stock options	-23		
IAS 36 – Goodwill amortisation	+388		
IAS 36 – Restructuring costs	-16		
IAS 27, 28 & 31 – Net income from companies accounted for by the equity method	+58		
IAS 27, 28 & 31 – Less realised capital gains	-23		
<b>Recurring</b>	<b>+384</b>		
<b>Total</b>	<b>+271</b>		<b>-250</b>

\* Rounded and approximate figures

#### Summary of effect on shareholders' equity and Tier 1 ratio

As at 31 December 2004, shareholders' equity increased slightly under 2004 IFRS (+0.85 per cent., or +€243 million, as compared to French GAAP), and the Tier 1 ratio dropped slightly (8.0 per cent. compared to 8.1 per cent.). A principal reason for the inversion of the two trends is that under IFRS the reserve for general banking risks is no longer recorded as a liability (as under French GAAP) and is reversed (i.e., included) in equity, whereas it was already included as capital under French GAAP for purposes of the Tier 1 ratio calculation. The EU-IFRS impact on shareholders' equity as at 1 January 2005 is +€1,650 million, and the impact on Tier 1 capital is -€1,900 million, leading to a Tier 1 ratio of 7.5 per cent.

The following table summarises the effect of IFRS on the Group's shareholders' equity, under both 2004 IFRS and a simulation of EU-IFRS:

	<b>Group shareholders' equity</b>	<b>Tier 1</b>	
2004 IFRS			
Transition at 1 January 2004	-€91mn	-€284mn	-0.1%
2004 IFRS impact on 2004 net income	+€334mn*	+€84mn	
IAS 32/39			
Estimate of impact at 1 January 2005 (rounded and approximate figures)			
Permanent equity	-€1,700mn**	-€1,700mn	-0.5%
Valuation reserves	+€3,100mn***	—	
Total EU-IFRS: estimate	+€1,650mn	-€1,900	-0.6%

\* Excluding costs with no impact on equity and other changes during the period (+€63mn)

\*\* Excluding undated subordinated notes

\*\*\* Unrealised or deferred net capital gains are not included in the Group ROE calculation

The following tables breaks down the effect of the application of 2004 IFRS on the Group's shareholders' equity and Tier 1 capital as at 1 January 2004:

		<b>Group shareholders' equity</b>	<b>Tier 1 as at 1 January 2004</b>
<i>(in millions of euros)</i>			
IAS 16	Property, plant and equipment	-269	-18
	<i>Revaluation</i>	-312	-86
	<i>Component method</i>	+43	+68
IAS 17	Leases	-19	-23
IAS 19	Employee benefits	-481	-480
	<i>Health benefits</i>	-97	-97
	<i>Retirement benefits</i>	-384	-383
IAS 27, 28 31	Consolidation	+21	+30
IAS 37	RGBR	+838	-3
IAS 38	Intangible assets	-253	132
IFRS 2	Share-based payment	+89	+89
	<i>Stock-options</i>	0	0
	<i>Share incentive plan</i>	+89	+89
	Other elements	-17	-11
	<b>Total 2004 IFRS impact</b>	<b>-91</b>	<b>-284</b>

The following table summarised in further detail the estimate EU-IFRS impacts on Group shareholders' equity and Tier 1 capital as at 1 January 2005:

		<b>Group shareholders' equity</b>	<b>Tier 1</b>	
		<i>(in millions of euros)</i>		
<b>IFRS 2004</b>	2004 IFRS impact on permanent equity as at 1 January 2004	-91	-284	-0.1%
	2004 IFRS impact on 2004 net income	+334*	+84	
		<b>Group shareholders' equity</b>	<b>Tier 1</b>	
		<i>(in millions of euros)</i>		
<b>EU-IFRS Standards</b> <i>(rounded and approximate figures)</i>	<i>Impact on permanent equity</i>	-1,700**	1,700	
	Day-one profit	-500	-500	
	Provisions for incurred losses (discounting)	-450	-450	
	Portfolio provisions	-100	-100	
	Derivatives; hedging strategies not recognised under IFRS	-400	-400	
	Provisions for PEL-CEL contracts	-250	-250	
	<i>Impact on Valuation Reserves***</i>	+3,100	no impact	
	Securities available for sale	+2,700	no impact	
	Derivatives for cash flow hedges	+300	no impact	
	Insurance-Securities available for sale	+100	no impact	
	<b>Total IAS 39 impacts estimated as at 1 January 2005</b>	<b>+1,400</b>	<b>-1,700</b>	<b>-0.5%</b>
	<b>Total EU-IFRS impacts estimated as at 1 January 2005</b>		<b>+1,650</b>	<b>-1,900</b>

\* Excluding expenses with no impact on equity (+€63 mn)

\*\* Excluding undated subordinated notes

\*\*\* Unrealised or deferred net capital gains are not included in the Group ROE calculation



## **Main differences between IAS/IFRS and French GAAP**

The following discussion summarises the main differences between IAS/IFRS and French GAAP as they relate to the Group's 2004 results, and quantifies their effect on net income (after tax), shareholders' equity Tier 1 capital.

### ***Standards applicable as of 1 January 2004***

#### ***Reserve for General Banking Risks (IAS 37)***

Under French GAAP, this reserve is recorded as a liability that is intended to cover general risks, relating particularly to demographics. Under IFRS, this reserve does not comply with the definition of provisions contained in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – and has therefore been added to equity in the opening IFRS balance sheet at 1 January 2004. Movements on the reserve have been eliminated from the profit and loss account.

The effects under 2004 IFRS are a €838 million increase in shareholders' equity as at 1 January 2004 and a €85 million reduction in net income (one-off effect). The effect on Tier 1 capital is negligible, given that this reserve was already included under French GAAP for purposes of the Tier 1 ratio calculation.

#### ***Employee benefits (IAS 19)***

##### *Pensions*

The general risk arising from demographic changes affecting the retired and active employees of the Bank's French operations – which could have been covered, if necessary, since 1993 by a portion of the reserve for general banking risks – is covered by a specific provision charged against 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. Contributions to this scheme are in full discharge of the Bank's liability. Consequently, the obligations to be covered by the provision recorded in the opening IFRS balance sheet correspond solely to the residual obligations under the banking industry pension schemes that were closed to new entrants in September 1993. Future adjustments to the provision, including for gains and losses arising from periodic changes in actuarial assumptions, will be recognised in profit or loss.

Cumulative actuarial gains and losses on certain foreign defined benefit plans at 1 January 2004 have been recognised in the opening IFRS balance sheet, with a corresponding adjustment to equity, as allowed under IFRS 1. A single method of estimating projected benefit obligations is now applied to all plans, both in France and abroad. As allowed under IAS 19, recognition of actuarial gains and losses arising since 1 January 2004 is spread over the estimated remaining working lives of the employees concerned. The French accounting authorities (*Conseil National de la Comptabilité*) have ruled that the effect of the "Fillon Act" (legislation adopted in France in 2003) on retirement bonuses should be accounted for as a plan amendment. Consequently, the provision recorded in prior years has been written off against equity at 1 January 2004 and the past service cost is being recognised in profit or loss over the estimated remaining working lives of the employees concerned.

The effects under 2004 IFRS of the foregoing are a €53 million reduction in net income (timing effect), a €384 million reduction in shareholders' equity as at 1 January 2004 and a €383 million reduction in Tier 1 capital.

##### *Health Insurance*

A provision was recorded in the opening IFRS balance sheet, with a corresponding adjustment to equity, to cover the Group's obligations towards retired employees who receive supplementary healthcare benefits under the BNP Paribas mutual insurance plan. In 2004, the Group's obligations were extinguished through a lump-sum payment of an amount (€152 million pre-tax) that will cover all future

healthcare costs of retired employees, considering forecast trends in healthcare costs and increases in contributions payable by plan participants.

The effects under 2004 IFRS are a €97 million increase in net income after tax (one-off effect, resulting from the reversal of the provision) and corresponding €97 million reductions in shareholders' equity and Tier 1 capital as at 1 January 2004.

#### ***Share-based Payments—Stock Options (IFRS 2)***

Under French GAAP, the cost of stock options is not recognised on the grant date in the profit and loss account. Under IFRS, the cost of stock options granted to certain employees is recognised in the profit and loss account over the option vesting period (four years in the case of BNP Paribas), with a corresponding increase in equity. This accounting treatment has no effect on equity. Given the Group's limited annual awards of stock options representing on average less than 0.5% of share capital, the impact of this change is limited. The effect on net income, which is a recurring effect, was -€23 million and is expected to be approximately -€10 million in 2005 and again in 2006. There was no effect on shareholders' equity or on Tier 1 capital in the 2004 IFRS financial data.

#### ***Share-based Payments—Deferred Bonuses (IFRS 2 and IAS 19)***

Under French GAAP, the estimated expense of deferred bonuses paid in shares is fully recognised on the grant date (year n). Under IFRS, the expense of deferred bonuses paid in shares is deferred over the vesting period (3 years: years n+1, n+2 and n+3); conversely, the estimated expense of deferred bonuses paid in cash is fully recognised on the grant date (year n). The shares purchased for allocation to the beneficiaries are deducted from equity.

Beginning in 2004, the Group decided that deferred bonuses would be paid in cash, in order to achieve simultaneous recognition of Group annual performance and the payment of corresponding bonuses to employees. The application of 2004 IFRS accordingly has a one-off effect on 2004 net income (2004 share of 2002 and 2003 bonuses already recognised under French GAAP in those years) of -€74 million. Further, the application of 2004 IFRS had the effect of a €89 million increase in shareholders' equity as at 1 January 2004 and a €89 million increase in Tier 1 capital.

#### ***Property, Plant & Equipment (IAS 16, 36 and 40)***

Under French GAAP, property, plant and equipment is amortised at historical cost. Under IFRS, the Group has elected to measure operating assets according to the cost model and the effects of the revaluations performed in 1991, 1992 and 1995 have therefore been cancelled, leading to a corresponding adjustment of equity (a reduction of €312 million) and a €86 million reduction in Tier 1 capital. Investment properties held to earn rentals and for capital appreciation are also measured according to the cost model, except for those properties held by Group insurance companies in unit-linked portfolios which are measured using the fair value model in accordance with IAS 40. Under the new methodology, the Group had unrealised capital gains on property valued at approximately €2 billion as at 31 December 2004.

#### ***Depreciation of Buildings by Component (IAS 16, 36 and 40)***

Under French GAAP, buildings are depreciated as a whole over a single period per building. In the IFRS financial statements, properties measured according to the cost model are depreciated by the components method, which consists of depreciating individual components of assets separately over their respective useful lives. The resulting adjustments to accumulated depreciation at 1 January 2004 have been recognised in equity, resulting in a €43 million increase in shareholders' equity as at 1 January 2004 and a €68 million increase in Tier 1 capital. The change of method also affects annual depreciation expense. The effect on net income is negligible.

### ***Intangible Assets—Software (IAS 36 and 38)***

Under French GAAP, software developed by the Group is recorded in the balance sheet and amortised over five years. Under IFRS, the criteria for asset recognition are more restrictive. In addition, amortisation periods vary depending on the type of software involved (infrastructure or commercial applications). Software has been analysed by category, with each category amortised over a different useful life. The resulting adjustments to accumulated amortisation at 1 January 2004 have been recognised in equity. The effects under 2004 IFRS are a €253 million reduction in shareholders' equity as at January 1, 2004 and a €132 million increase in Tier 1 capital. The change of method also affects annual amortisation expense. The effect on net income is negligible.

### ***Goodwill (IAS 36 and IFRS 3)***

Under French GAAP, goodwill is amortised on a straight-line basis, and an exceptional depreciation is recorded when there is an indication of impairment. Under IFRS, goodwill is no longer amortised; instead, an annual impairment test is conducted at the level of "cash-generating units" using the methods prescribed in IAS 36 and IFRS 3. In addition, provisions for restructuring costs following an acquisition are recorded as an expense. The Group has chosen not to restate acquisitions prior to 1 January 2004. The effect under 2004 IFRS is a €372 million aggregate increase in net income (recurring effect), consisting of a €388 million increase corresponding to the cancellation of goodwill amortisation recorded in the 2004 accounts and a €16 million reduction relating to the expensing of restructuring costs for acquisitions made in 2004. There is no effect on shareholders' equity or on Tier 1 capital.

### ***Leases (IAS 17)***

Under French GAAP, all leases are recognised under the heading "Leasing receivables", and leased assets are amortised on an actuarial basis. In addition, the direct costs for negotiating and arranging a lease are recognised as an expense.

According to IAS 17, contracts sold by the vehicle leasing subsidiaries represent operating leases and the corresponding assets have therefore been reclassified under property and equipment. The vehicles are depreciated on a straight-line basis rather than using the interest method. Depreciation schedules have been adjusted to take into account changes in residual values, and initial direct costs incurred in negotiating and arranging the operating leases are added to the carrying amount of the leased vehicles. The effects of these changes of method have been recognised in equity in the opening IFRS balance sheet at 1 January 2004. The changes of method also affect annual depreciation expense.

The effects under 2004 IFRS are a €15 million reduction in net income (timing effect), a €19 million reduction in shareholders' equity as at 1 January 2004 and a €23 million reduction in Tier 1 capital.

### ***Consolidation (IAS 27, 28 and 31 and SIC 12)***

Under French GAAP, the Group consolidated entities that it either controlled (full or proportionate consolidation) or over which it had significant influence (equity method), other than private equity interests held for sale. Under IAS 28, investments in associates must be accounted for by the equity method even if they are being held for sale. Consequently, investments held in the private equity portfolio that fulfil the relevant criteria have been included in the IFRS scope of consolidation, mainly by the equity method. In addition, certain special purpose entities, set up mainly in connection with securitisation programs, have been consolidated in accordance with interpretation SIC 12.

Lastly, the accounts of associates already accounted for by the equity method in the French GAAP accounts have been restated in accordance with IAS/IFRS. The effect of the resulting changes of method has been recognised in equity in the opening IFRS balance sheet at 1 January 2004.

The application of 2004 IFRS has the following effects (classified by category) on net income:

- timing: an increase of €155 million related to reversals of provisions in companies accounted for under the equity method;
- one-off: a reduction of €125 million related to the cancellation of first quarter 2004 profit and the loss impact from the change in methodology to estimate the value of shares in funds;
- recurring: an increase of (i) €58 million related to profit or loss from companies accounted for under the equity method, and (ii) €23 million related to a decrease in capital gains.

Further, the application of 2004 IFRS had the effect of a €21 million increase in shareholders' equity as at 1 January 2004 and a €30 million increase in Tier 1 capital.

#### ***Standards applicable as of 1 January 2005\****

As noted above, the 2004 IFRS do not include IAS 39. To provide a framework of reference for purposes of comparing the Group's 2004 and 2005 results under IFRS, the following discussion of IAS 39 and related standards simulates the application of IAS 39 and these related standards on 2004. It should be noted that the Group applies European Commission regulation (EC) no. 2086/2004 dated 19 November 2004 endorsing IAS 39 minus the provisions on the fair value option and certain provisions relating to portfolio hedging.

#### ***Allowances for impairment losses on loans***

##### *Specific risks—Individual basis*

Under French GAAP, doubtful loans are valued at recoverable value. Restructured loans are valued at their recoverable value discounted at the market rate. Adoption of IAS 39 does not lead to any change in the criteria applied by the Group to identify impaired loans. However, the related provisions must take into account expected future cash flows from the loans, discounted at the loans' original effective interest rate. The resulting increase in provisions at 1 January 2005 will be charged to equity. The annual reduction in the discounting adjustment to reflect the passage of time will be added to net banking revenue in future years. The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income that is negligible, as a €150 million increase in net banking income is offset by a €150 million increase in provisions. The simulated effect on shareholders' equity as at 1 January 2005 is -€450 million, and the simulated effect on Tier 1 capital is -€450 million.

##### *Portfolio basis*

The provisions for country risks and industry risks and other general loan loss provisions carried in the French GAAP accounts do not comply with IFRS. However, IAS 39 requires an allowance to be booked on portfolios of loans with similar characteristics that have not been written down individually, when there is objective evidence that the loans have been impaired. The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income that is not material. The simulated effect on shareholders' equity as at 1 January 2005 is -€100 million, and the simulated effect on Tier 1 capital is -€100 million.

#### ***Fees and commissions (IAS 18 and IAS 39)***

The fees and commissions received or paid in connection with financing transactions carried out by the Corporate and Investment Banking business, are recognised in the French GAAP accounts when the loans are set up. In the IFRS accounts, they are included in the interest on the loans that is recognised in the profit and loss account by the effective interest method, in accordance with IAS 18. The revenues and expenses recognised when the loans were set up will therefore be reversed in the IFRS accounts and included in interest by the effective interest method. This change mainly concerns commissions paid to referral agents by the Specialized Financial Services business and participation fees received by the

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\* Rounded and approximate figures

Corporate and Investment Banking financing businesses. The simulated effect on shareholders' equity as at 1 January 2005 and on Tier 1 capital are negligible.

#### *Cash Flow Hedges*

Under French GAAP, there is no recognition of cash flow hedges in the balance sheet; instead, they are recorded as off-balance sheet commitments. Interest accrued on hedged transactions is recorded in the income statement symmetrically with the hedged transactions themselves. Under IFRS, cash flow hedges are recorded in the balance sheet at market value, with a corresponding entry under a specific equity heading labelled "Valuation Reserves". As under French GAAP, interest accrued on hedged transactions is recorded in the income statement symmetrically to hedged transactions. The application of EU-IFRS accordingly leads to a simulated effect on valuation reserves as at 1 January 2005 of +€300 million. There is no effect on 2004 net income or Tier 1 capital (based on simulations).

#### *Hedging Strategies Not Recognised under IAS*

Under French GAAP, there is no recognition of derivatives in the balance sheet; instead, they are recorded as off-balance sheet commitments. Interest accrued on hedged transactions or instruments (including investment securities) is recorded in the income statement symmetrically to the transactions.

Under IFRS, certain hedging transactions and instruments cannot be recognised, particularly for securities held until maturity. Hedging derivatives are reclassified as trading securities, while hedged instruments remain at accrued interest inducing an asymmetrical recognition in the profit and loss account. The Group will henceforth manage separately these securities and hedged instruments. The application of EU-IFRS accordingly leads to a simulated effect on shareholders' equity as at 1 January 2005 of -€400 million, and a simulated effect on Tier 1 capital of -€400 million. The simulated effect on 2004 net income is not relevant given the change of hedging technique.

#### *Macro Hedging*

Macro-hedging transactions, as defined in French GAAP, covering interest rate risks on loan portfolios and deposits, qualify for fair value hedge accounting of a portfolio hedge of interest rate risks under IAS 39 as endorsed by the European Union. Under French GAAP, there is no recognition of derivatives on the balance sheet; instead, they are recorded as off-balance sheet commitments. Interest accrued on hedged transactions (fixed rate loan or deposit portfolios, including sight deposits) is recorded in the income statement symmetrically to the transactions.

Under IFRS, gains and losses arising from remeasurement at fair value of the effective portion of fair value hedges are recognised on a symmetrical basis with losses and gains on the hedged portion of the underlying item. At 1 January 2005, the adjustments arising from the application of fair value hedge accounting will be recognised in equity. Any ineffective portion of the gains or losses on fair value hedges will be recognised in the profit and loss account.

The Group has elected to apply IAS 39 as endorsed by the European Union. Accordingly, the Group can continue to macro-hedge sight deposits with interest rate derivatives. As at 31 December 2004, the corresponding derivative portfolio showed an unrealised capital gain of approximately €1 billion, not included in equity.

#### ***Derivative Instruments—Day-one-profit (IAS 39)***

Under French GAAP, trading derivatives are valued and recorded either at market value or at a value derived from internal models.

Under IFRS, this approach continues to apply provided that the value of trading derivatives can be established based on observable market data. If not, the value of the instrument at the time of the transaction is deemed to be the transaction price and this value is recorded in the income statement. In practice, when a complex structured product is sold, the commercial margin (day-one-profit) is spread

over the life of the product. When the valuation parameters of the derivative become observable in the market, the remaining commercial margin is recognised immediately. The Group has elected to retrospectively restate all complex derivative contracts falling under the “day-one profit” rule. All things being equal, this option enables a faster reduction of the differences with the former methods.

The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income of -€90 million (timing effect). The simulated effect on shareholders’ equity as at 1 January 2005 is -€500 million, and the simulated effect on Tier 1 capital is -€500 million.

#### ***Home Ownership Savings Plans and Contracts (IAS 39 and 37)***

The Group offers customers savings products (such as home ownership savings products) at regulated interest rates, which entitle the customers to a loan at a regulated rate after a certain period. Under French GAAP, home ownership savings deposits are recorded at amortised cost.

Under IFRS, these deposits are still recorded at amortised cost. Provisions are made, however, for the negative consequences, if any, of the related commitments compared to market conditions, leading to an adjustment to equity at that date. The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income of -€20 million (timing effect). The simulated effect on shareholders’ equity as at 1 January 2005 is -€250 million, and the simulated effect on Tier 1 capital is -€250 million.

#### ***Available-for-sale Securities***

Under French GAAP, securities available for sale, participating interests and similar instruments are recorded at historical cost. When necessary, unrealised capital losses are recorded as provisions in the income statement. In the event of a subsequent revaluation of such capital losses, the provisions may be reversed in the income statement. The amount of unrealised capital gains is also disclosed on a quarterly basis.

Under IAS 39, hedge accounting cannot be applied to held-to-maturity assets. Consequently, certain assets classified in the French GAAP accounts as debt securities held to maturity will be reclassified as available-for-sale assets in the IFRS accounts. Investments in non-consolidated undertakings and other participating interests, equity securities held for long-term investment, portfolio securities and emerging country government debt securities will also be classified as available-for-sale. At each period-end, they will be remeasured at fair value and the gain or loss will be recognised in a separate component of equity (“valuation reserves”).

The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income of -€120 million (timing effect). The simulated effect on valuation reserves as at 1 January 2005 is +€2,700 million (based on simulations), and there is no effect on Tier 1 capital as valuation reserves are not recognized in Tier 1. Going forward, realized gains and losses on available-for-sale assets will be recognized in net banking revenue, together with any impairment losses on securities held in the portfolio. The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income of -€120 million (timing effect).

#### ***Insurance Contracts (IFRS 4 and IAS 39)***

Under French GAAP, all “general assets”, *i.e.*, all investments not backing unit-linked contracts, are valued, with interest rate instruments recorded at amortised cost and shares recorded at historical cost (less provisions if applicable).

Under phase 1 of IFRS 4, contracts qualified as insurance contracts under French GAAP fall into two categories:

- Contracts that give rise to an insurance risk, as defined in IFRS 4, which will continue to be accounted for in accordance with French GAAP pending phase II of IFRS 4.

- Investment contracts, such as savings products, that do not give rise to an insurance risk. The vast majority of investment contracts sold by BNP Paribas Assurance include a discretionary participation feature, making them eligible for continued application of French GAAP.

Under IFRS, “general assets” that are classified as available for sale are recorded in the balance sheet at their market price, under the heading “Valuation Reserves”. The impact on the balance sheet is largely offset by the recognition of a “profit sharing reserve for unrealised gains” (shadow accounting). The application of EU-IFRS accordingly leads to a simulated effect on valuation reserves as at 1 January 2005 of +€100 million. There is no effect on 2004 net income or Tier 1 capital (based on simulations).

## RECENT DEVELOPMENTS

### First Quarter 2005 Results

On 12 May 2005, BNP Paribas issued a press release announcing its results for the first quarter of 2005. Commenting on these results, Baudouin Prot, Chief Executive Officer of BNP Paribas, said, “The strong growth in BNP Paribas Group revenues during the course of the first quarter outperformed the market across many business lines. This is a translation of the healthy organic growth and successful targeted acquisition strategy which characterise the Group. Growth in profits even outpaced the growth in revenues. With highly motivated teams, leading market positions and growing market shares, BNP Paribas capitalised on its potential for development and value creation across the Group’s diverse array of business lines.”

As described in the preceding section entitled “*Transition to International Financial Reporting Standards*”, the Group is required by European Union directives to adopt international financial reporting standards (IFRS) as of 1 January 2005, with retroactive effect to 1 January 2004. Accordingly, its results for the first quarter of 2005 have been prepared in accordance with IFRS applicable in 2005 as endorsed by the European Union (“**EU-IFRS**”). EU-IFRS, however, includes certain standards (specifically, IAS 32 (relating to financial instrument disclosure and presentation), IAS 39 (relating to financial instrument recognition and measurement) and IFRS 4 (relating to insurance contracts)) that did not apply to financial statement periods prior to 1 January 2005. Accordingly, the Group’s results for the first quarter of 2004, which were prepared under IFRS applicable in 2004 (“**2004 IFRS**”), are not directly comparable to its results for the first quarter of 2005 prepared under EU-IFRS. In order to facilitate comparisons, the Group has therefore prepared an unaudited quantified simulation of the effect of applying EU-IFRS on its results for the first quarter of 2004, and all growth rates and comparisons indicated in the presentation below are made on this basis (i.e., using first quarter 2004 results prepared under EU-IFRS as the basis for comparison). Figures for the results of the first quarter of 2004 prepared under 2004 IFRS appear below as well, but are not directly comparable to 2005 first quarter results for the reasons stated above.

in millions of euros	<b>1Q05</b>	<b>1Q05 / 1Q04 EU-IFRS</b>	<b>1Q04 IFRS 2004</b>
Net Banking Income.....	5,603	+19.3%	4,807
Operating Expenses and Dep.....	-3,143	+8.6%	-2,894
Gross Operating Income.....	2,460	+36.5%	1,913
Provisions.....	-103	-62.4%	-246
Operating Income.....	2,357	+54.3%	1,667
Associated Companies.....	73	-14.1%	86
Extraordinary Items.....	13	-68.3%	40
Non Operating Items.....	86	-31.7%	126
Pre-Tax Income.....	2,443	+47.7%	1,793
Tax Expense.....	-619	+41.3%	-474
Minority Interests.....	-104	-10.3%	-116
Net Income, Group Share.....	1,720	+56.4%	1,203
Cost / Income.....	56.1%	-5.5 pt	60.2%
Cost / Income without BNP Paribas Capital.....	59.8%	-2.7 pt	
ROE after Tax.....	23.8%	+7.0 pt	17.1%



	<b>1Q05 / 1Q04</b>
	<b>EU-IFRS</b>
At constant scope and exchange rates	
Net Banking Income.....	+17.6%
Operating Expenses and Dep.....	+5.2%
Gross Operating Income.....	+37.9%
Provisions.....	-62.5%
Operating Income.....	+56.2%
Pre-Tax Income.....	+49.0%
Net Income, Group Share.....	+57.8%

***Strong growth in revenues and profits at Group level***

BNP Paribas recorded net banking income of €5,603 million in the first quarter 2005, up 19.3 per cent. from the first quarter 2004. Excluding BNP Paribas Capital<sup>1</sup>, net banking income grew 13.7 per cent. This strong growth is the result of a combination of strong organic growth (which began in 2004) and the targeted acquisition strategy implemented by the Group (acquisitions realised in 2004 contributed €140 million to revenues, accounting for three per cent of the growth).

Operating expenses and depreciation grew less quickly and were limited to a rise of 8.6 per cent. versus first quarter 2004 (+5.2 per cent. at constant scope and exchange rates). The increase was attributable in part to recruitments; since the start of 2005, the Group has recruited 2,400 employees worldwide, including 1,200 employees in France.

Gross operating income amounted to €2,460 million, a rise of 36.5 per cent. from the first quarter 2004 (+21.9 per cent. excluding BNP Paribas Capital<sup>1</sup>). The cost/income ratio, at 59.8 per cent. excluding BNP Paribas Capital<sup>1</sup>, also improved by 2.7 points, confirming the competitive position of the Group within the Euro zone.

Provisions, totalling €103 million, were down 62.4 per cent. from first quarter 2004 levels, within a still favourable credit risk context.

Net income group share rose 56.4 per cent. versus the first quarter 2004 (+57.8 per cent. at constant scope and exchange rates), to €1,720 million.

The annualised return on equity after-tax was 23.8 per cent. The Tier 1 core capital ratio was approximately 7.4 per cent. as at 31 March 2005.

All of the core businesses contributed to this healthy performance.

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<sup>1</sup> Under IFRS, capital gains realized on investments, in particular private equity investments, must be included in net banking income. Because BNP Paribas Capital recorded capital gains this quarter that were significantly higher than those recorded in Q1 2004, to facilitate comparison changes in net banking income, gross operating income and the cost/income ratio are presented excluding BNP Paribas Capital.

## Strong growth across all core businesses

### Retail Banking

#### French Retail Banking (FRB)\*

in millions of euros	1Q05	1Q05 / 1Q04 EU-IFRS	1Q04 IFRS 2004
Net Banking Income.....	1,350	+8.6%	1,258
Incl. Commissions.....	565	+6.0%	539
Incl. Interest Margin .....	785	+10.6%	719
Operating Expenses and Dep.....	-895	+3.4%	-866
Gross Operating Income.....	455	+20.4%	392
Provisions .....	-44	-33.3%	-55
Operating Income .....	411	+31.7%	337
Non Operating Items.....	0	n.s.	0
Pre-Tax Income .....	411	+31.7%	337
Income Attributable to AMS .....	-22	+15.8%	-19
Pre-Tax Income of French Retail Bkg.....	389	+32.8%	318
Cost/Income.....	66.3%	-3.3 pt	68.8%
Allocated Equity (Ebn) .....	5.0	+8.5%	4.6
Pre-Tax ROE .....	31%	+6 pt	28%

\* Figures in the table from net banking income to operating income include 100% of the results of French private banking.

Within the French retail banking network (including 100 per cent. of private banking in France), net banking income rose 8.6 per cent. versus the first quarter 2004. Net interest revenue rose 10.6 per cent. to €785 million. Fees climbed 6.0 per cent. to €565 million, due to an increase in fees collected on investment funds and transactions (+8.4 per cent.). Notwithstanding the increased volatility that IFRS accounting standards introduced to changes in net interest revenue, annual growth in net banking income within the French retail network is now trending towards 5 per cent. (up from 4 per cent. in 2004 and 3 per cent. in 2003), due to the profitable development of all customer segments.

Cost discipline kept operating expenses and depreciation in check (+3.4 per cent.), enabling gross operating income to increase strongly, up 20.4 per cent. versus first quarter 2004. Provisions fell by 33 per cent. to €44 million.

After allocating one-third of French private banking earnings to the AMS core business, pre-tax income for the FRB core business rose 32.8 per cent. to €389 million.

Growth remained strong in loans to individual customers (+19.4 per cent. versus Q1 2004) and in savings inflows, in particular relating to life insurance, enabling FRB to gain market share. The increase in individual check and savings accounts accelerated (+36,000 versus +28,400 in Q1 2004).

Business lending also outperformed the market average, rising 12.9 per cent. versus the first quarter 2004, while margins remained stable. Cross-selling of value-added products and services to business customers is growing rapidly.

## International Retail Banking and Financial Services (IRFS)

in millions of euros	1Q05	1Q05 / 1Q04 EU-IFRS	1Q04 IFRS 2004
Net Banking Income.....	1,357	+13.1%	1,195
Operating Expenses and Dep.....	-760	+12.4%	-679
Gross Operating Income.....	597	+13.9%	516
Provisions.....	-133	-7.6%	-125
Operating Income.....	464	+22.1%	391
Associated Companies.....	26	+4.0%	25
Other Items.....	2	-75.0%	8
Pre-Tax Income.....	492	+19.1	424
Cost/Income.....	56.0%	-0.3 pt	56.8%
Allocated Equity (Ebn).....	5.4	+10.0%	4.9
Pre-Tax ROE.....	37%	+3 pt	35%

The IRFS core business recorded net banking income of €1,357 million, up 13.1 per cent. due to the combined effect of strong organic growth (+6 per cent. at constant scope and exchange rates) and the contribution of acquisitions effected in 2004, particularly in the U.S. Operating expenses and depreciation grew at a slower rate (+12.4 per cent., or +3 per cent. at constant scope and exchange rates). As a result, gross operating income increased 13.9 per cent. to €597 million, and the cost/income ratio improved by 0.3 point to 56.0 per cent.

Provisions fell 7.6 per cent. to €133 million, and the IRFS core business registered pre-tax income of €492 million (+19.1 per cent.).

BancWest improved its pre-tax income by 8.2 per cent., benefiting from the integration of Community First Bankshares and Union Safe Deposit Bank, two western U.S. banks acquired in November 2004. This integration is proceeding rapidly and is expected to generate the estimated synergies (cost savings of approximately USD 50 million) during the course of 2005. BancWest's interest margin decreased by 27 basis points from Q1 2004 to 3.83 per cent. in Q1 2005.

Cetelem continued to demonstrate strong growth performance as pre-tax income was up 16.0 per cent. versus the first quarter 2004. Net banking income increased 9.2 per cent., and outstanding loans rose 10.1 per cent. versus Q1 2004, due notably to strong growth outside of France (+15.4 per cent.). The rise in operating expenses and depreciation was contained at 7.9 per cent., while provisions fell by 2.8 per cent. Cetelem's performance is expected to be further strengthened by its on-going acquisition of Credisson, the second-leading consumer finance company in Romania.

Arval, BNP Paribas Lease Group and UCB continued their rapid European development. Together these businesses represent outstanding loans of €43 billion (+17 per cent. in one year), net banking income of €318 million (+14.8 per cent. versus Q1 2004) and pre-tax income of €117 million (+27.2 per cent. versus Q1 2004).

Retail banking business in Emerging Markets and Overseas recorded strong rises in net banking income, up 17.3 per cent. to €163 million, and pre-tax income, up 33.3 per cent. to €52 million. The acquisition of Türk Ekonomi Bankasi, completed on 11 February 2005, and branch openings in the Persian Gulf and North African countries during the course of 2005, represent potential growth levers in the Middle East and Mediterranean regions for the IRFS business lines and for cross-selling with other Group business lines.

*Asset Management and Services (AMS)*

in millions of euros	1Q05	1Q05 / 1Q04 EU-IFRS	1Q04 IFRS 2004
Net Banking Income.....	813	+17.0%	688
Operating Expenses and Dep.....	-536	+19.9%	-443
Gross Operating Income.....	277	+11.7%	245
Provisions.....	-3	n.s.	-6
Operating Income.....	274	+12.8%	239
Associated Companies.....	0	n.s.	-1
Other Items.....	1	n.s.	0
Pre-Tax Income.....	275	+13.6%	238
Cost/Income.....	65.9%	+1.6 pt	64.4%
Allocated Equity (Ebn).....	3.5	+13.3%	3.1
Pre-Tax ROE.....	31%	+0 pt	31%

The AMS core business recorded net banking income of €813 million, an increase of 17.0 per cent. versus the first quarter 2004. This performance is due in part to external growth, notably the acquisition of Atis Real International in 2004. At constant scope and exchange rates, the rise in net banking income remained strong at 10.9 per cent.

The rise in operating expenses and depreciation was contained (+7.9 per cent. at constant scope and exchange rates), which led to a strong increase in pre-tax income of 18.7 per cent. (at constant scope and exchange rates) to €275 million.

As at 31 March 2005, total assets under management of all business units within AMS represented €361.4 billion (€308.8 billion net of cross-selling among AMS business lines), a rise of €18.3 billion (€16.7 billion excluding cross-selling effects) versus 31 December 2004. This strong rise is in particular the result of record net new inflows during the first quarter 2005 of €9.8 billion (€8.8 billion excluding cross-selling effects), which were twice the level in Q1 2004. For assets under management, this represented an annualised net new inflow rate of 11.4 per cent.

The Wealth & Asset Management business unit is responsible for a large part of new net inflows (€8 billion). This unit is actively developing highly-technical management activities, including alternative, structured and index-based (tracker) funds. European development continues with the acquisition of a Dutch private bank, Nachenius Tjeenk & Co. Gross operating income increased 14.2 per cent. at constant scope and exchange rates.

Insurance continued to register the same strong growth it demonstrated during the course of 2004. This business unit generated a record level of net new inflows in France during the first quarter 2005. Net new inflows outside of France grew at an even faster pace, increasing 24 per cent. versus the first quarter 2004, thanks in particular to activity in Asia (South Korea and Taiwan). Premium income for personal protection products increased 9 per cent. Overall, gross operating income increased 20 per cent. versus the first quarter 2004.

Securities Services registered solid commercial growth with respect to both global custody and fund administration. Assets under custody amounted to €2,621 billion, up 15 per cent. versus 31 March 2004. Net banking income increased 11.3 per cent. versus the first quarter 2004, while gross operating income grew 6.3 per cent.

*Corporate and Investment Banking (CIB)*

in millions of euros	<b>1Q05</b>	<b>1Q05 / 1Q04 EU-IFRS</b>	<b>1Q04 IFRS 2004</b>
Net Banking Income.....	1,566	+9.9%	1,492
Operating Expenses and Dep.....	-913	+6.9%	-854
Gross Operating Income.....	653	+14.4%	638
Provisions.....	47	n.s.	-57
Operating Income.....	700	+34.9%	581
Associated Companies.....	2	n.s.	3
Other Items.....	14	n.s.	7
Pre-Tax Income.....	716	+35.3%	591
Cost/Income.....	58.3%	-1.6 pt	57.2%
Allocated Equity (Ebn).....	8.4	+28%	6.5
Pre-Tax ROE.....	34%	+2 pt	36%

The Corporate and Investment Banking core business recorded net banking income of €1,566 million, exceeding first quarter 2004 levels by 9.9 per cent.

Year-over-year, the rise in operating expenses and depreciation was limited to 6.9 per cent., enabling gross operating income to rise 14.4 per cent. to €653 million. CIB's cost/income ratio was 58.3 per cent.

Recoveries of provisions for certain items, notably in the U.S., exceeded the low-level of new provisions by €47 million during the course of the quarter, while during the course of the first quarter 2004 net new provisions of €52 million were recorded.

As a result of these factors, pre-tax income recorded by CIB during the quarter was €716 million, up 35.3 per cent. year-over-year.

This performance rests on the leading market positions that the Group has steadily built in substantial and highly-technical business segments of corporate and investment banking.

The competitive position of the Corporate and Investment Banking core business is reflected in the rankings published by specialised organisations such as Thomson Financial and Dealogic. For example, BNP Paribas ranked no. 1 worldwide in project finance and sovereign bonds in euros, no. 2 worldwide in emerging market syndicated credit, euro-denominated corporate bonds and euro-denominated structured finance, and no. 1 in European leveraged loans and syndicated credit.

During the course of the first quarter 2005, Advisory and Capital Market activities increased net banking income by 8.3 per cent. versus the first quarter 2004, due to the strong performance of fixed income activities. Equity derivatives sustained a high level of revenue generation despite a market context of historically low volatility. Market risks were maintained at low levels.

Financing businesses registered a 12.4 per cent. rise in net banking income, exceeding the already-high level recorded in the first quarter 2004. The Structured Finance business line and the Energy, Commodities, Export & Project (ECEP) business line both contributed to this performance.

## *BNP Paribas Capital*

in millions of euros	1Q05	1Q04 EU- IFRS	1Q04 IFRS 2004
Net Banking Income.....	357	81	81
Operating Expenses and Dep.....	-6	-9	-9
Gross Operating Income.....	351	72	72
Provisions.....	0	2	2
Operating Income.....	351	74	74
Associated Companies.....	19	39	39
Other Items.....	7	69	69
Pre-Tax Income.....	377	182	182
Allocated Equity (Ebn).....	1.1	1.1	1.1

BNP Paribas Capital recorded pre-tax income of €377 million in the first quarter 2005, up from €182 million in the first quarter 2004.

Within the context of a strategic reduction of its direct investment portfolio, BNP Paribas Capital disposed in particular of its remaining shareholding in Eiffage during the course of the quarter. The value of its portfolio is now estimated at €3.3 billion, including €1.1 billion of unrealised capital gains (€1.3 billion as at 31 December 2004).

### **Share buybacks**

In May 2005, the Board of Directors launched a new share buyback program to repurchase approximately €600 million worth of outstanding shares during 2005. This €600 million targeted repurchase price is in addition to the amount required to buy back shares so as to neutralise the effect of share issuances to employees.

### **Other Developments**

#### ***Russian Standard Bank***

On 26 January 2005, the Group announced that Cetelem, its consumer finance subsidiary, had terminated its planned acquisition of a 50 per cent. stake in the company controlling Russian Standard Bank. The planned acquisition, originally announced on 27 July 2004, has been terminated due to the failure of its contractual counterparty to comply with the commitments set forth in the agreements signed on 22 July 2004. BNP Paribas will actively pursue all legal measures initiated to date to protect its interests.

With a longstanding presence in Russia through its Moscow base, BNP Paribas will continue to develop its franchise in Russia, which remains a priority market for the Group.

#### ***Türk Ekonomi Bankası AS***

On 11 February 2005, BNP Paribas completed its acquisition of 50 per cent. of the holding company, TEB Mali Yatırımlar AS ("**TEB Mali**"), which controls the Turkish bank Türk Ekonomi Bankası AS ("**TEB**"). TEB Mali is the Çolakoglu Group's holding company for financial services, and has an 84.25 per cent. controlling stake in TEB. The Çolakoglu Group will remain a 50 per cent. shareholder in TEB Mali.

By taking advantage of BNP Paribas' product expertise and cross-selling know-how, TEB will attempt to capitalise on its recognised presence and strong knowledge of the market to further develop its activities

which will include, among others, retail, corporate and investment banking, as well as asset management and private banking.

Under the terms of the acquisition agreement, BNP Paribas will pay USD 217 million for its stake in TEB Mali, subject to certain completion adjustments. There is also an earn-out mechanism linked to the performance of TEB that is payable in early 2008.

TEB enjoys one of the highest ratings by international agencies among Turkish banks. It is the 10th-largest private Turkish bank in terms of assets and a leading bank in trade finance and private banking. TEB's network comprises 90 branches and employs approximately 2,500 people.

### ***Galleries Lafayette Group***

On 29 March 2005, the Moulin family, the historical shareholders of the Galleries Lafayette Group with a 31.7 per cent. stake, and BNP Paribas announced that they had reached an agreement on a new partnership between the two groups. This partnership is intended, on the one hand, to ensure the unity and durability of the Galleries Lafayette Group by stabilising its shareholder base, and on the other hand, to strengthen the partnership between Galleries Lafayette and Cetelem in the consumer credit sector by bringing Cofinoga under their joint control. The partnership will be accompanied by an ambitious industrial project.

Acting together, the founding Moulin and Meyer families were the controlling shareholders of the Galleries Lafayette Group until March 2005. When the Meyer family decided to dispose of its interest in the Galleries Lafayette Group, BNP Paribas, the group's historical partner, acquired the Meyer family's interest in order to support the Moulin family. Subsequently, the Moulin family sought to acquire control of the Galleries Lafayette Group based on the following terms, in accordance with the partnership reached with BNP Paribas:

- Contribution by the Moulin family and BNP Paribas of their Galleries Lafayette shares to SEMAD, a holding company majority owned by the Moulin family;
- Launch of a public tender offer by SEMAD and BNP Paribas for the outstanding share capital of Galleries Lafayette; and
- The entry into an agreement (protocole d'accord) between BNP Paribas and the Moulin family as shareholders of SEMAD governing among other things the terms on which BNP Paribas will be provided with liquidity for its investment, the intention being that BNP Paribas gradually dispose of its interest in SEMAD over time.

The public tender offer was launched on 28 April and closed on 11 May 2005. As a result of the offer, SEMAD directly holds a 40.7 per cent. equity interest in Galleries Lafayette representing 51.47 per cent. of the total voting rights and, together with BNP Paribas and the members of the Moulin family, 96.5 per cent. of the share capital of Galleries Lafayette, representing 98.3 per cent. of the voting rights. Based on the results of such offer, SEMAD and BNP Paribas intend to initiate a squeeze-out (followed by mandatory squeeze-out) of the remaining shareholders.

The purchase of 100 per cent. of Galleries Lafayette shares through the tender offer and subsequent squeeze-out will be financed by senior and subordinated SEMAD debt totalling 1.585 billion euros. Following the offer and BNP Paribas' contribution of its shares in Galleries Lafayette to SEMAD, BNP Paribas will hold an equity stake in SEMAD worth 585 million euros.

Prior to such transactions, BNP Paribas held an economic interest of 49 per cent. in Cofinoga, including a 44 per cent. shareholding by its subsidiary Cetelem. This interest is expected to increase to 50 per cent. of Cofinoga's share capital following the proposed transactions, enabling it to control Cofinoga jointly with the Galleries Lafayette Group.

The number 3 consumer credit specialist in France with a net banking income (NBI) of 878 million euros in 2004 (an 8 per cent. increase over 2003) and 10 billion euros of managed receivables, Cofinoga has over the past 30 years developed a franchise and expertise in financial services (private label cards, traditional personal loans, direct and revolving credits) and non-financial services (loyalty programs, CRM), and enjoys successful partnerships (Banque Casino, Petrofigaz). The Cofinoga card is accepted in 25,000 consumer outlets across more than 80 brands. More than 40 per cent. of Cofinoga's business is carried out abroad thanks to its European presence covering the Netherlands, Belgium, the UK, Poland and Southern Europe.

BNP Paribas' agreement with the Moulin family provides for the implementation of an industrial project based on three key principles:

1. Maintaining Cofinoga's commercial autonomy, given the complementary nature of the product offering. Cofinoga will be positioned separately from Cetelem, notably as the sole supplier to the Galeries Lafayette Group's brands. It will be the preferred vehicle for banking and insurance partnerships as well as for the development of Northern European operations.
2. Realising cost synergies between platforms increasing the profitability of Cofinoga and Cetelem. Cost synergies relate to funding costs (application of BNP Paribas' refinancing margin), to certain operating costs in France and internationally and to the cost of risk (assessment and scoring tool sharing).
3. Realising revenue synergies and developing new activities. These synergies will be derived from cross-selling of protection products on Cofinoga's receivables, and from the increase in sales of insurance products to its customers.

### ***Credisson***

On 6 April, 2005, the Group announced that Cetelem had signed an agreement with the Swedish investment fund, Oresa Ventures, and with Florin Andronescu, the founder and president of Credisson International, Romania's consumer credit pioneer and leader, to acquire 100 per cent. of Credisson International ("**Credisson**"), over which Florin Andronescu will continue to preside. The acquisition is subject to the approval of the Romanian antitrust authorities.

Credisson's business activity is generated through distribution networks dealing with household goods (white/brown goods, furniture, computing equipment, DIY materials, etc.). Credisson was created in 2003. During its two years of activity in the consumer credit field, Credisson has granted financing at points of sale to over 650,000 customers, with its total sales exceeding 210 million euros. Credisson has a staff of 663 employees and operates a network of 200 points of sale in over 60 Romanian towns.

Cetelem will afford Credisson the opportunity to strengthen its position among Romania's leading providers of consumer credit, accelerate its development and widen its portfolio of partners and financial services by capitalising on Cetelem's operational, technological and financial support.

This acquisition is in-line with BNP Paribas' strategy, which strongly relies on specialised subsidiaries for the international development of services to private individuals. It should enable Cetelem to enjoy a strong market position upon its entry into the Romanian market.

### ***Nachenius, Tjeenk & Co. N.V.***

On 19 April, 2005, the Group announced that BNP Paribas Private Bank would acquire Nachenius, Tjeenk & Co. N.V., a Dutch private bank, from ABN AMRO. Nachenius, Tjeenk & Co manages over EUR 1.3 billion on behalf of high net worth individuals, associations and foundations, and employs approximately 60 people. The transaction is subject to customary closing conditions and the approval of the relevant regulatory bodies.



### ***Calyon Asia-Pacific equity execution business***

On 9 May 2005, the Group announced that it had signed an agreement to acquire the Asia-Pacific equity execution business of Calyon, the Crédit Agricole Group's corporate and investment bank. The transaction includes the corporate entity Credit Agricole Indosuez Securities Japan (CAISJ), and the assets of its related Hong Kong business.

This acquisition will allow BNP Paribas to expand its existing equities business into the area of bespoke equity execution within the region. The Group intends to enlarge the already proven and established critical mass of CAISJ and its Hong Kong equivalent. With its long history and extensive understanding of the Asia Pacific markets, CAISJ and its Hong Kong counterpart have secured and manage an extensive international client base, supported by sophisticated technology and connectivity expertise across the region.

The acquired business includes a team of 30 people located in Tokyo and Hong Kong. It concentrates on non-research driven cash equity execution in Asia Pacific, including functions such as Direct Market Access (DMA), program and block trading, sales trading and commission recapture (correspondent brokerage). Its clients are primarily hedge funds, asset managers, brokers and proprietary trading desks of banks and boutiques, that are located in Asia Pacific, the United States and Europe.

The acquisition is subject to regulatory approval, and is expected to be completed by July 2005.

### ***Oil-for-Food Program Inquiries***

Pursuant to a contract with the United Nations (the "UN"), the Bank has provided banking services since 1996 in connection with the UN's Oil-for-Food Program for Iraq (the "Program"). These contractual banking services include (i) confirmation of letters of credit issued on behalf of UN-approved purchasers of Iraqi oil and (ii) issuance of letters of credit at the direction of the UN for the benefit of UN-approved suppliers of humanitarian goods to Iraq.

Following media reports concerning alleged improprieties in respect of the Program, on 21 April 2004, the UN announced the formation of an independent inquiry committee (the "IIC") to investigate the administration and management of the Program. On 3 February 2005, the IIC issued an interim report relating to certain specific aspects of its investigation, including the initial selection by the UN of the principal service providers under the Program (including the Bank). While the report found deficiencies in the UN's process of selecting its principal service providers, the report includes neither findings nor allegations of any impropriety by the Bank. The IIC has indicated that it hopes to issue a "definitive report" on the entire internal administration of the Program by mid-2005.

Several U.S. Congressional committees and other U.S. and foreign governmental authorities also have been investigating various aspects of the Program. In connection with certain of these investigations, the Bank has been required to provide information relating to the Program to certain of these authorities. In addition, current and former representatives of the Bank have testified as to the Bank's performance of its role in providing banking services to the UN in connection with the Program at public hearings held by certain US Congressional committees and subcommittees. At a hearing before one such subcommittee on 28 April 2005, the Bank acknowledged that, in the course of a review it had initiated, which is ongoing, it had identified operational errors in the processing of a small number of the approximately 54,000 payments it had made pursuant to humanitarian letters of credit issued under the Program. Those errors appear to have resulted in payments to banks providing financing for the transactions to suppliers of the letter of credit beneficiaries and/or to the suppliers themselves, or to affiliates of the beneficiaries, rather than to the beneficiaries or banks providing them directly with financing for the transactions as required by internal operating procedures implemented by the Bank in connection with its banking services under the Program. The Bank has seen no indication that any of these errors were causally linked to any abuses that may have occurred in connection with the Program.

Because the above-described investigations are ongoing, the Bank is not currently in a position to assess their likely outcome.

#### **Acquisition of Commercial Federal Corporation in the USA**

BNP Paribas announced on 14 June 2005 that it took a further step in its expansion strategy in the Western US through BancWest, its wholly owned subsidiary.

BancWest announced on 14 June 2005 that its subsidiary, Bank of the West, has reached an agreement to acquire Commercial Federal Corporation (“**Commercial Federal**”), a NYSE listed company (CFB), headquartered in Omaha, Nebraska.

BancWest currently operates through 541 branches in 17 Western states, primarily California and Hawaii. It operates under the brands of First Hawaiian Bank in Hawaii, and Bank of the West on the Western US Mainland. Commercial Federal operates through 198 branches in 7 states.

This transaction underscores BNP Paribas’ expansion strategy in US retail banking and its disciplined acquisition policy. Following the transaction, BancWest will have in excess of 4.2 million accounts and 739 branches, enhancing its presence in high growth markets. BancWest will operate in 20 states with 100 million inhabitants, and benefit from some of the strongest demographic growth trends in the US.

On Monday 13 June 2005, the Board of Directors of Commercial Federal approved an agreement for the sale of 100 per cent. of the company to Bank of the West. The transaction was also approved by the boards of BNP Paribas, BancWest and Bank of the West. Commercial Federal shareholders will receive at closing U.S.\$34.5 per share, of which a cash payment of U.S.\$34.0 from BancWest and U.S.\$0.5 as a special one-time dividend. In total, this U.S.\$1.36 billion (1.12 billion Euros) purchase price represents a 27 per cent. premium to the average closing stock price of Commercial Federal over the past six months, and is equivalent to 14.8 times 2006 consensus earnings and 1.8 times book value as at 31 March 2005. Subsequent to the transaction, all Commercial Federal activities will continue under the Bank of the West brand.

In 2004, Commercial Federal reported total revenues of US \$382 million, net income of U.S.\$76 million, and a RoE of 10.1 per cent. The bank had U.S.\$10.4 billion of assets as of 31 March 2005. Bank of the West will accelerate the growth of the franchise, by enhancing product offering, increasing sales efficiency, generating pre-tax revenue synergies estimated at U.S.\$12 million in 2007, net of associated costs.

The merger will also generate significant pre-tax cost synergies estimated at U.S.\$54 million, decreasing the cost-income ratio of Commercial Federal towards Bank of the West standard, creating shareholder value from 2006 onwards. The transaction presents limited execution risk given BancWest’s proven integration track record and the similarity between both banks’ business models and operating systems.

The transaction, recommended by the Board of Directors of Commercial Federal, is currently subject to approval by Commercial Federal’s shareholders and by various regulatory agencies in the US. The transaction is expected to close in the fourth quarter of 2005.

#### **Capitalisation of the group**

At 10 May 2005, there was a decrease in the share capital of 27 million euro as compared with the amounts shown in the 31 December 2004 audited financial statements as a result of the issuance of 518,758 new shares under the Group’s stock option plans and the cancellation of 13,994,568 shares.

At 31 March 2005, as a result of private placements pursuant to Euro and US Medium Term Note programs and the issuance of medium term notes in France, BNP Paribas has issued, between 1 January 2005 and 31 March 2005, medium to long term debt for 5,332 million euro equivalent, measured in accordance with French GAAP, as compared with the amounts shown in the Note 16 (*Bonds issue*) and Note 20 (*Subordinated Debt*) of the 31 December 2004 audited financial statements of the Group.

## RISK MANAGEMENT

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

### The Role and Organisation of GRM

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

The divisions and business lines are required to set up an organisational structure that clearly establishes the on-going responsibility of each employee to effectively manage risks and comply with the Bank's internal control system. Each business must develop a strong risk management culture among staff and closely monitor developments affecting its clients and the Bank's related commitments. Executive management and businesses are warned as early as possible of any escalation of risks and have access to full information about overall risk on a consolidated basis. All units throughout the Group are aware of and comply consistently with the highest standards of risk management. The development and upgrading of risk monitoring methods and procedures are entrusted to risk management specialists, to ensure that these methods and procedures comply with international best practices.

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. GRM's mission 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 risk monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all of the consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the business line in question and all of the specific departments concerned (legal, ethics and compliance, tax, 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.

There are four main categories of risk:

- *Credit Risk.* Credit risk is the risk of financial loss relating to the failure of an obligor to honour its contractual obligations. Credit risk arises in lending activities and also in various other activities where the Bank is exposed to the risk of counterparty default, such as its trading, capital markets and settlement activities.
- *Market and Liquidity Risk.* Market risk is the risk related to earnings, which arises primarily from adverse movements of trading and non-trading market parameters. Trading market parameters include, but are not limited to, foreign exchange rates, bond prices, security and commodity prices, derivatives prices and prices of other marketable assets such as real estate or cars.

Trading market parameters also include derivations of the items previously mentioned, such as interest rates, credit spreads, implied volatility or implied correlation. Non-trading market parameters include parameters based on assumptions or on statistical analysis, such as models and statistical correlation, respectively.

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

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

- The risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk is driven primarily by interest rate risk.
- The risk associated with investment activities, which is directly connected to changes in the value of invested assets within equity portfolios.
- The risk associated with certain other activities, such as real estate or car leasing, which is indirectly affected by changes in the value of negotiable assets held during the normal course of business.

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

- *Operational Risk.* Operational risk corresponds to the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources and information systems. External events include floods, fires, earthquakes or terrorist attacks.
- *Insurance Risk.* Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behaviour, changes in public health, pandemics and catastrophic events (earthquake, industrial disaster, terrorism, etc.).

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

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

GRM: one manages credit and counterparty risks (comprised of three units, France, International, Banks and Financial Institutions), one manages market and liquidity risks and one manages operational risks.

- *Credit Risk France* monitors the credit risks of the French Retail Banking business and of the real estate financing business, which is under the supervision of the Asset Management and Services business.
- *International Credit Risk* monitors risks on corporate customers throughout the Corporate and Investment Banking and International Retail Banking divisions, as well as risks on large corporate customers in the Retail Financial Services division.
- *Counterparty Risk* and Financial Institutions monitors risks on banks and other financial institutions, as well as on private banking clients outside France. It also monitors the methods used to assess and report counterparty risks generated by the fixed-income, currency instruments, securities services and asset and liability management units.
- *Market and Liquidity Risk* is responsible for monitoring market and liquidity risks throughout the Group. The tasks assigned to the unit include ensuring that risks are properly valued in the Group's financial statements, verifying the effectiveness of risk monitoring systems and helping to enhance the quality of risk management. The unit makes recommendations concerning the definition and updating of risk acceptance policies. It also defines the methods and tools used to measure and monitor market and liquidity risks.
- *Operational Risk* defines the framework for monitoring operational risks and assists in rolling out the framework to all Group entities as part of a constant effort to reduce this type of risk.
- *Group Risk Portfolio* is the cross-departmental unit in GRM responsible for providing industry expertise and analysing credit risks. Tasks assigned to this unit include drafting credit and rating policies, developing risk measurement methodologies and consolidating risk data for reporting purposes.
- The *Chief Operating Officer* is in charge of all GRM support functions, including information technology sponsorship teams for credit risk. He manages cross-departmental projects, such as the one designed to ensure the reliability of credit data and risk reporting known as "SQUAD+".

## **Credit Risk**

### ***Global Credit Policy***

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, headed by the Chief Executive Officer. The purpose of the committee is to determine the Group's risk management strategy. The principles governing the Global Credit Policy 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. The Global Credit Policy is applied throughout the Group in the form of specific policies tailored to each type of business.

### ***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 Department. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a credit committee.

Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. The system of discretionary lending limits ensures that

risk management principles are applied consistently and that loan applications representing large amounts, or which are unusually complex or sensitive, are submitted for approval at the appropriate level.

Certain types of lending commitments, such as loans to banks, sovereigns and customers operating in certain industries, are required to be referred to a higher level for approval. In addition, the loan application may have to be backed up by the recommendation of an industry expert or designated specialists, and some credit restrictions may apply.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies applicable to the business line or the type of facility requested. Any exception must be approved 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 applicable laws and regulations.

The Group Credit Committee, chaired by the Chief Executive Officer, an Adviser (Dominique Hoenn), one of the Chief Operating Officers or the Chief Risk Officer, has ultimate decision-making authority for all credit and counterparty risks. In Retail Banking, simplified procedures are applied, based on statistical decision-making tools.

#### *Monitoring procedures*

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

Monitoring is carried out at different levels, generally reflecting the organisation 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 problem loans, based on the recommendations of the business line and GRM. In Retail Banking, the Group employs a monitoring system more specifically tailored to the needs of this business line.

#### *Provisioning procedures*

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

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.

In accordance with applicable regulations, interest accruals on loans in default are either suspended or continued; in the latter case, a provision is generally recorded immediately in order to offset the accrual. A loan is generally written down or off only when the loss has become final and certain. When a loan is written down or off, any related provision is eliminated and a net charge to income is made for any portion of the loan not covered by a provision.

Where possible or desirable, due to the specific nature of the lending activities concerned (for example, consumer loans) case-by-case provisions are replaced by statistical provisions. In addition to these

specific or statistical provisions, the Bank may also set aside general provisions to cover a probable increase in risks, relating, for example, to a specific industry, country or rating category.

### ***Measuring Risk***

The Bank has a comprehensive rating system that already complies with future requirements under consideration by regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. For a summary of the new standards under consideration, see “Capital Adequacy of the Group – Proposed Changes to the BIS Capital Standards”.

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

- a payment default that is probable or certain, and likely to generate a partial or total non-recovery for the Group, irrespective of collateral or guarantees received (this category includes obligors that are likely to be forced to restructure all or part of their debt),
- the existence of any uncured, missed or delayed payment (principal, interest, fees) outstanding for more than 3, 6 or 9 months depending on the type of receivable, or
- the commencement of a litigation proceeding, such as a filing for bankruptcy protection.

Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of the business line staff and GRM credit risk managers, who make the final decision. High quality tools have been developed to support the rating process, including analytical aids and credit scoring systems. The decision to use these tools and the choice of technique depend on the nature of the risk.

Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated based on statistical analyses of groups of risks with the same characteristics. 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. GRM has overall responsibility for maintaining the quality of the rating system. It fulfils this responsibility by either defining certain aspects of the rating system itself, or by evaluating or verifying its performance.

### ***Portfolio Policy***

In addition to carefully selecting individual risks and accurately measuring the related exposure, the Bank follows a portfolio-based policy designed to diversify 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 it 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 hedge or attenuate risks, based on a strict, regulated framework, using dedicated instruments such as securitisations and credit derivatives.

#### ***Diversification of counterparty risks***

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

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

#### *Diversification of industry risks*

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

#### *Geographic diversification*

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

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

### **Market and Liquidity Risks**

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

#### ***Measuring risk***

##### *Market risk*

There are three types of indicators used to measure market risks:

1. Gross Earnings at Risk (GEaR), which is based on an internal model approved by banking regulators, measures 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 per cent. confidence level. The model 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.

2. Stress tests, which are performed at daily or monthly intervals, as appropriate. These tests simulate changes in the value of trading portfolios 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.
3. Position sensitivities, based on different market parameters.

#### *Liquidity risk*

A general liquidity policy has been defined and approved by Group Executive Management, consisting 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 available (with the degree of liquidity assessed differently according to each 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-MLR (Market and Liquidity Risk) is responsible for the entire system, from the development of liquidity risk measurement methodologies to liquidity risk reporting.

#### **Controlling Risk**

The market and liquidity risk control structure is based on:

- *General Exposure Limits.* These consist of GEaR or “nominal” limits and cover trading positions by country and by issuer as well as sensitivities, in order to specifically limit certain risks that are not fully captured by GEaR calculations and stress tests.
- *Rolled Down Exposure Limits.* The Chief Executive Officer has overall responsibility for setting market risk exposure limits, in the same way as for credit limits. The Market Risk Committee is responsible for rolling down these limits to the various levels in the organisation. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, limits are set according to counterparty credit strength.
- *Decision-Making Rules.* Risk-acceptance decisions are based on a two-dimensional process. The first dimension corresponds to the approval of new businesses or risks. The second concerns the approval of transactions proposed in the normal course of business. Transactions involving large amounts or which are unusually complex must be approved by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects.
- *Risk Monitoring.* This system is based on: daily monitoring of Group positions; monitoring of accidental or authorised temporary trading limit overruns, which are logged in a central database and analysed; review and approval by GRM-MLR of market risk measurement and management models; weekly GRM-MLR reporting of the aggregate amount of material positions, by business line, to senior management of the business line concerned; monthly meetings of the Market Risk Committee 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's Advanced

Measurement Approach (AMA). The system is designed to contribute to reducing losses from operational risks, while optimising the allocation of capital to cover these risks.

Group Executive Management has approved a general operational risk management system based on four broad principles, which focus on the understanding of internal processes. The system consists of performing cause-event-effect analyses, taking into account risk profiles and risk tolerance thresholds and establishing and monitoring responsibilities. It sets forth the principles relating to organisation of the risk management process, which include initial decision-making by the Operational Risk Committees and management of the resources necessary to conduct the process.

The BNP Paribas operational risk analysis and measurement system is 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 founding member.
- A prospective approach based on identifying mission-critical processes and scenario analyses.
- Environmental and internal control factors.

Implementation of this system, which is supported by an integrated suite of analysis and management applications, should enable the Bank to determine its future needs in terms of both regulatory and economic capital to cover operational risk.

The analyses of operational risks and the definition of exposure measures is being conducted in close cooperation with the divisions, business lines and territories and the various corporate departments involved (information systems, human resources, legal and tax and the various components of the Bank's internal control structure).

#### **Legal Risk and Special Regulations**

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

Group Legal Affairs has established and regularly updates an internal control system designed to anticipate, detect, measure and manage legal risk. In 2004, new structures were established and various reorganisation measures were implemented to improve coordination and avoid potential conflicts of interest amongst the control structures.

The system, as upgraded in 2004, is organised around:

- Specific committees, including:
  - The Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs department.
  - The Legislation Tracking Committee, which analyses and distributes to all relevant departments the texts of new laws and regulations, as well as developments in relevant French jurisprudence.
  - The Global Legal Committee, which coordinates the activities of the legal department throughout the Group and in all countries that have their own legal staff. In 2004, a Group Legal Coordination department was created in order to ensure that the Group's legal policies are internally consistent and to address cross-departmental issues.

- Internal procedures and databases, providing a framework for the activities of the Group's legal staff. At the end of 2004, a procedures database containing all internal procedures, written in both French and English, was posted on the Group intranet site.
- Legal audits, which are carried out in certain Group entities to confirm that procedures are properly applied and that various tools are correctly used. Regular visits are made, particularly to relatively high-risk countries, to check the effectiveness of systems developed by foreign units to manage legal risk.
- Internal reporting systems, model documents and analysis systems, which are upgraded on an ongoing basis by Group Legal Affairs.

The system helps the Group to actively track new legal developments, both in France and abroad.

As was the case in 2003, one of Group Legal Affairs' priorities in 2004 was to seek to combat money laundering. During 2004, Group Legal Affairs also took into account various changes in French and European law, and drafted various memoranda and procedures on issues such as the prevention of money laundering, the French "Financial Security" Act, the reform of French securities laws, long-distance sales and certain aspects of the retail banking business, such as consumer lending.

### **Tax Risk**

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

Group Tax Affairs is a global department, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor overall tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable level and are consistent with the Group's reputation and profitability objectives.

As part of its effort to control and manage tax risks more effectively, Group Tax Affairs added new procedures and extended the tax reporting process to all divisions during 2004. The latter initiative provides an example of the coordination between the International Tax team and the Internal Control team with Group Finance and Development.

Group Tax Affairs resources include:

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

A clear framework has been defined for the assignment of responsibility for managing tax risks associated with customer transactions. This includes a tax risk charter used to draw up job descriptions for local tax managers and to specify the responsibilities of divisional heads with regard to entities that do not have their own tax manager. This charter will be revised in 2005, based on the new charter applicable to Territory Chief Executives. Group tax rules and standards have also been created and distributed throughout the organisation. Lastly, Group Tax Affairs is responsible for approving all new

products with significant tax implications, all new businesses, "specific" transactions put together in France and abroad, the use of outside tax advisors, framework agreements and standard banking industry agreements, and all internal circulars or documents giving rise to material tax issues.

### **Information Systems Security**

The internal control system established 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 departments, supported 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.
- A joint Group Information Systems/Internal Audit information systems audit unit, established in the autumn of 2004. The team reports to the head of Internal Audit and receives all necessary technical support from Group Information Systems.

Avoiding any interruption of operations is a key concern of management, at the 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.

To maintain appropriate standards of information systems security, the Bank regularly reviews the processes established to protect systems against the increase in external threats, such as viruses and the illegal capture of authentication data in the online banking business. Electronic banking applications and the new applications used by BNP Paribas Securities Services, Corporate and Investment Banking, AMS Real Estate, Group Risk Management and Group Finance and Development have been protected by installing firewalls and creating secure areas to host the most sensitive applications. In 2005, probes capable of swiftly detecting abnormal network activity will be deployed and additional firewalls will be installed to increase network protection.

### **Significant Events of the Year in the Area of Internal Control**

The Group continuously strives to attain the highest standards in ethics, risk control and internal auditing. In the face of changes in the banking environment and regulators' increasingly stringent requirements in these areas, the Group created a new corporate compliance department in 2004. This new department will have Group-wide responsibility for strengthening organisational procedures relating to risk management and internal control processes. In particular, it will be charged with:

- ensuring that the Group's measures for complying with the legal and regulatory requirements applicable to the banking and finance industry are consistent and effective; and
- organising internal control procedures throughout the Group.

The Group will gradually define the structure and underlying principles of the newly created compliance department over the course of 2005. The head of the department will report directly to the Group's Chief Executive Officer, and will be responsible for:

- supervision of the consistency and effectiveness of actions undertaken with regard to ethical rules, and more broadly, with regard to the legislative and regulatory provisions specific to banking and finance activities. He will be directly in charge of the Ethics department and of actions designed to combat money laundering and corruption. He will also have functional authority over Group Legal Affairs for all matters related to control and compliance missions; and
- direction and coordination of internal control procedures established throughout the Group. He will chair a monthly committee meeting attended by the Inspector General and by Group managers in charge of Risk, Tax Affairs, Legal Affairs, Ethics and Finance and Development. He will produce the Group's report on internal control and compliance.

## Risks

### **GRM—Exposures**

2004 saw a significant improvement in credit risk in all regions, confirming a trend that first emerged in 2003 in North America. In Europe, companies continued to strengthen their financial position by negotiating replacement medium-term financing. There were no major bankruptcies in the United States, and Europe's single large-scale corporate failure – in Italy – had no impact on the Group's accounts. The credit quality of BNP Paribas' loan portfolio improved throughout the year, leading to a substantial reduction in provision expense in the Corporate and Investment Banking division.

#### *Credit Risks*

Outstanding commercial loans at 31 December 2004 totalled €473 billion, compared to €384 billion at 31 December 2003. The 23 per cent. increase was attributable to favourable lending conditions and increased demand for credit generally, strong marketing initiatives in leading economic regions and the integration of new retail banking networks (mainly on the West Coast of the United States), and to higher prices for oil and other commodities, leading to increased trade financing needs.

The U.S. economy's return to growth and sound economic conditions in Europe enabled a substantial decrease in net additions to provisions for credit risks and country risks, as shown in the following table:

In millions of euros	<b>French Retail Banking</b>	<b>Inter- national Retail Financial Services</b>	<b>Asset Manage- ment and Services</b>	<b>Corporate &amp; Investment Banking</b>	<b>Group Total</b>
Net additions to provisions for credit risks and country risks –2003.....	225	529	16	633	1,361
Net additions to provisions for credit risks and country risks –2004.....	223	439	5	58	678

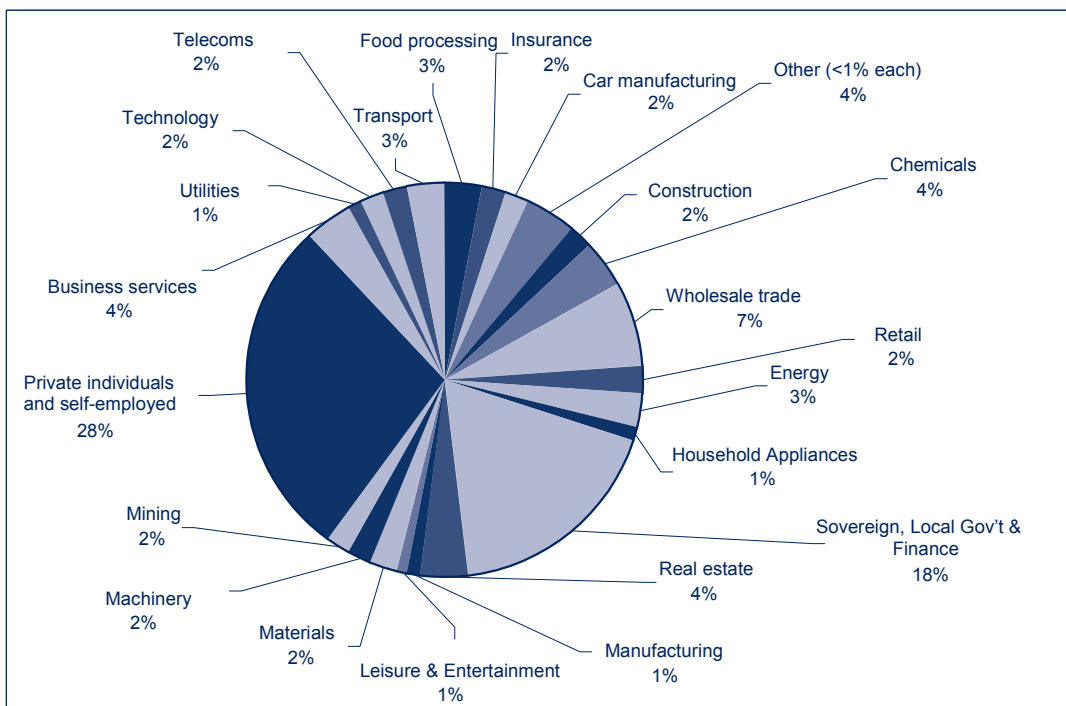
#### *Diversification by counterparty*

Diversification of commitments by counterparty is a matter of ongoing concern and is closely monitored by the Group. The Group's concentration of credit risks is well below the limits set forth in the European Directive on major banking risks.

The breakdown of the Group's commercial commitments by main customer category is set forth in Note 4 to the audited consolidated financial statements of the Group included herein. The top 10 client groups represented less than 4 per cent. of total commitments at 31 December 2004.

### Industry diversification

Due to its disciplined approach to industry risks, the Group believes that it is not exposed to any material concentration of credit risks in any single industry. No single industry accounts for more than 5 per cent. of total commitments, with the exception of the “sovereign, local government and finance” sector and the “wholesale trade” sector, corresponding largely to commodity traders. The following chart presents a breakdown of the Group’s commercial loans and commitments by industry at 31 December 2004 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



The Bank’s commercial loans and commitments remained well diversified in 2004, with no new industry concentrations. Cyclical and high-risk industries continued to be regularly monitored. The credit quality of telecommunications companies improved significantly, with the Bank’s largest clients in this industry in considerably better financial condition. Moreover, the Bank’s exposure was reduced by the overall decrease in these companies’ outstanding debt.

Commitments in the aircraft industry, which was badly affected by external events (11 September 2001 terrorist attacks, the SARS epidemic and spiralling oil prices), continued to consist mainly of asset financing. Moreover, many of the largest transactions recently carried out were covered by credit insurance.

The Bank’s review of Asian clients following the tsunami disaster indicated that its exposure to the potentially most vulnerable local companies was very limited.

The difficulties experienced by the energy industry in the last two years, particularly in the United States, showed signs of coming to an end, and refinancing was arranged for many fundamentally sound companies that were faced with cash flow problems.

The automobile industry, which has traditionally been an important sector for the Bank, was closely monitored, and measures were taken to reduce the Bank’s exposure to the most vulnerable companies.

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

*Geographic diversification*

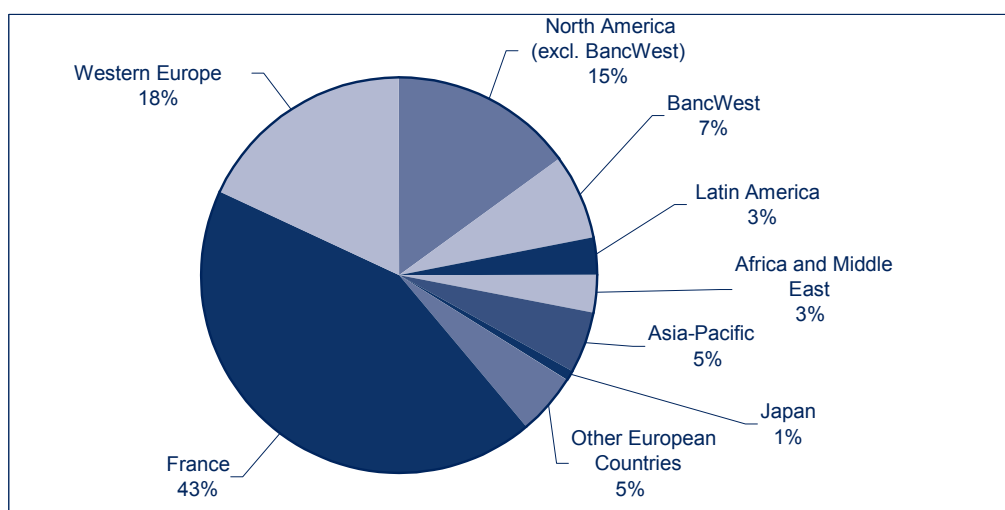
The Bank's commercial loan and commitment portfolio is fairly diversified geographically. The majority of commitments (2/3 of the portfolio as of 31 December 2004) are to borrowers in Europe, with France accounting for 43 per cent. of the total as of the same date.

North America is the second largest region, accounting for 22 per cent. of total commitments. In recent months, lending operations have increased both in Retail Banking, with the expansion of BancWest on the U.S. West Coast following the recent integration of Community First Bankshares and Union Safe Deposit Bank, and in Corporate and Investment Banking, with the implementation of an ambitious development plan.

Asia accounts for 5 per cent. of the total, and commitments in this region are growing at a slower rate than elsewhere. China is a major focus of growth plans in the region, albeit with a highly selective approach to new business.

The Group's exposure to countries under specific lending limits (country risk) represents 9 per cent. of its total commercial commitments, and is closely monitored. Commitments in these countries continue to be based on export credit and short-term commercial commitments. Longer-term financing is generally secured and, in most cases, highly structured.

The following chart presents a breakdown of the Group's commercial loans and commitments by geographical region at 31 December 2004 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



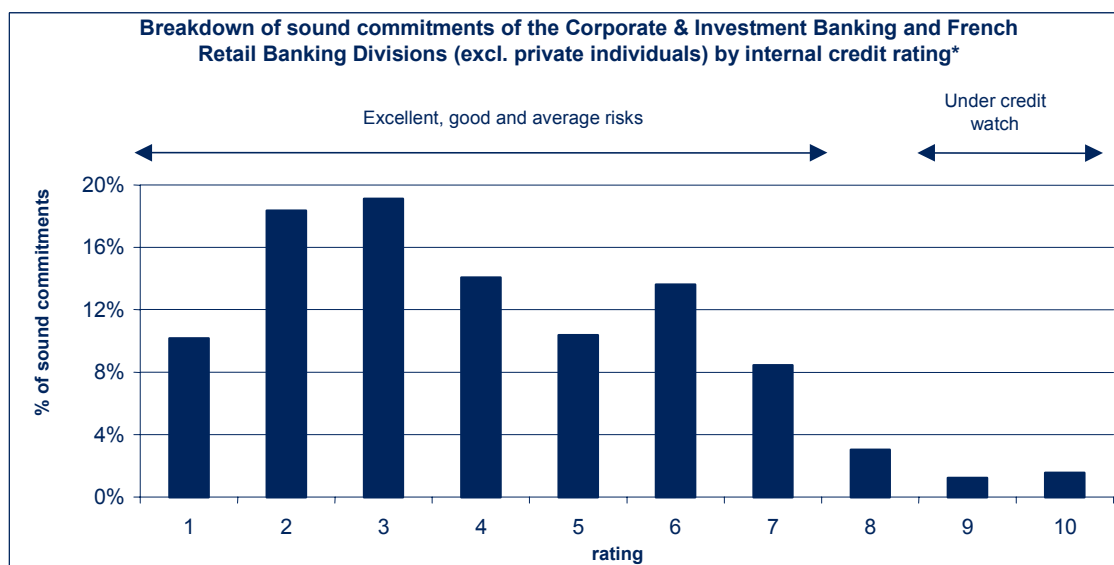
*Portfolio quality*

The Corporate and Investment Banking and French Retail Banking "Corporate" portfolios include commitments to companies, government agencies, banks and other institutions, which together represent three-quarters of the Group's outstanding commitments (excluding commitments to individuals and very small companies). Based on the internal rating system that has been rolled out across the Corporate and Investment Banking and French Retail Banking businesses, the Group believes that its corporate portfolios are of high quality. The majority of commitments are to highly rated borrowers, reflecting the Bank's strong presence among large multinational groups and financial institutions.

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

In 2004, over two-thirds of the portfolio consisted of commitments to borrowers rated “investment grade” under the Bank’s internal rating system. The 5 per cent. increase in the “investment grade” share of the portfolio compared to 2003 was attributable to the upgrades experienced by numerous major international groups, whose credit quality improved in a more favourable economic environment.

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



\* Corporate & Investment Banking at 31 December 2004 and French Retail Banking at 30 September 2004, excluding doubtful commitments (rated 11 and 12) and securities portfolios.

#### **Country Risks**

Country risk provisions amounted to €1.5 billion at 31 December 2004, as compared with €1.8 billion at 31 December 2003. The decrease was partially attributable to foreign exchange effects, mostly due to the depreciation in the value of the U.S. dollar against the euro, and partially attributable to the generally improved economic environment during 2004.

#### **Reserve for General Banking Risks**

The Group has a reserve for general, unforeseeable banking risks not covered by the other provisions for losses and risks. At 31 December 2004, the reserve for general banking risks amounted to €752 million.

#### **Doubtful Commitments**

BNP Paribas’ non-performing loans and other doubtful commitments presented below include on and off-balance sheet commitments to all categories of counterparties (customer transactions, interbank transactions, securities portfolio and long-term investments).



<i>in billions of euros</i>	<b>31 December 2004</b>	<b>31 December 2003</b>
Doubtful commitments .....	12.5	14.1
Specific provisions .....	8.6	9.4
Coverage ratio .....	69%	67%

*Breakdown by geographic area and industry*

The following tables present doubtful loans by geographic area and by industry, as a percentage of the Bank's total doubtful loans (excluding securities and long-term investments, as well as off-balance sheet commitments), which amounted to €11.8 billion at 31 December 2004. Provisions deducted from the carrying value of these assets at 31 December 2004 amounted to €7.9 billion.

*Breakdown by geographic area*

	<b>Breakdown of doubtful loans</b>	<b>Breakdown of provisions</b>
France .....	60.7%	58.7%
European Economic Area .....	8.8%	9.8%
North America .....	7.0%	9.7%
Latin America .....	4.7%	3.4%
Africa and Middle East .....	7.6%	8.4%
Asia (excluding Japan) – Pacific .....	4.6%	3.0%
Japan .....	0.4%	0.0%
Other European countries .....	5.5%	6.1%
Not analysed .....	0.7%	0.9%
Total .....	100.0%	100.0%

*Breakdown by industry*

	<b>Breakdown of doubtful loans</b>	<b>Breakdown of provisions</b>
Food .....	3.7%	4.7%
Insurance .....	1.7%	1.5%
Automotive .....	1.6%	1.8%
Other .....	4.5%	4.8%
Construction .....	1.8%	2.4%
Chemicals .....	0.5%	0.5%
Wholesalers .....	7.0%	7.7%
Retailers .....	1.7%	1.8%
Energy .....	2.9%	2.0%
Household appliances .....	1.4%	1.4%
Sovereign, local govt. and financial institution .....	5.8%	5.2%

	<b>Breakdown of doubtful loans</b>	<b>Breakdown of provisions</b>
Real estate .....	6.4%	5.9%
Manufacturing .....	2.1%	1.9%
Leisure .....	1.0%	0.5%
Materials .....	2.4%	2.3%
Capital goods .....	0.6%	0.7%
Mining .....	1.0%	0.6%
Private individuals and self-employed.....	38.9%	38.3%
Business services .....	4.6%	5.3%
Utilities .....	0.8%	0.6%
Technology .....	1.6%	1.2%
Telecoms .....	2.0%	1.6%
Transport.....	4.9%	4.2%
Not analysed .....	1.1%	3.0%
Total .....	100.0%	100.0%

#### *Breakdown by type of customer*

The breakdown of the Group's doubtful loans by main customer categories is set forth in Note 4 to the audited consolidated financial statements of the Group included herein.

#### **Market Risks**

##### *Gross Earnings at Risk (GEaR)*

The Bank measures value at risk (VaR) for its capital markets businesses based on gross earnings at risk (GEaR). For the year ended 31 December 2004, the total average value at risk (ten-day holding period) amounted to €93 million, taking into account the €57 million effect of netting different types of risk.<sup>16</sup>

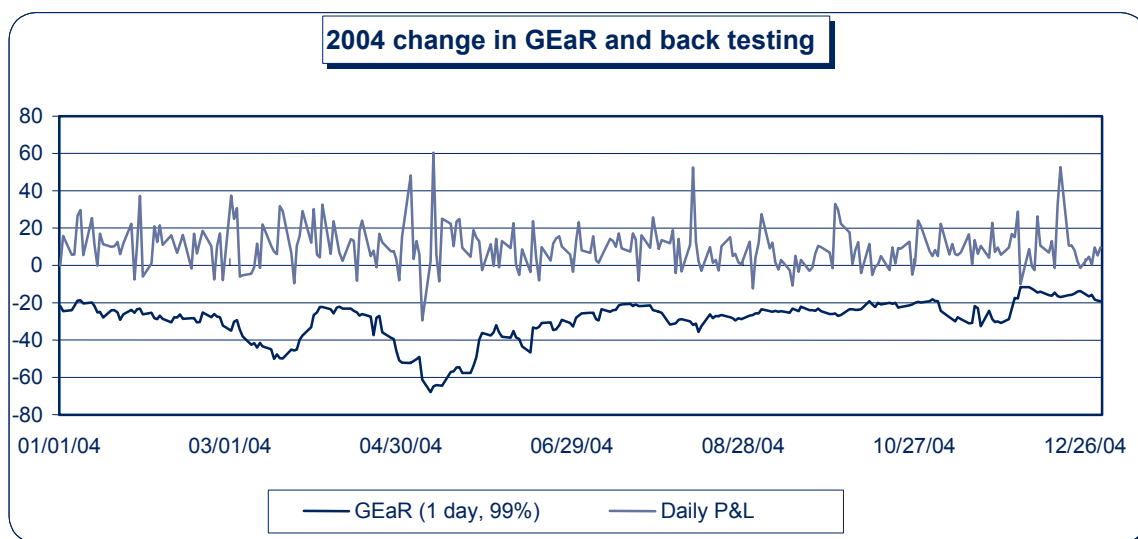
GEaR calculation methods are regularly refined in order to better reflect the specific features of each business line, in particular with respect to unusual products. The model's quality is continuously tested by comparing actual daily losses, if any, with the 1-day GEaR.

The chart below (in millions of euros, for entities required to include market risks in their capital adequacy calculations) presents the changes in GEaR during 2004, compared with the actual daily revenues from capital markets transactions. It reflects:

- The Bank's conservative management approach, as well as the beneficial effects of diversifying positions and instruments, which led to aggregate GEaR that was 1.5 to 2.5 times below the sum of its components by risk factor.

<sup>16</sup> For a breakdown of market risk by type of counterparty and of VaR by type of risk, see Notes 24 and 25 to the Group's consolidated financial statements as of and for the year ended 31 December 31 2004.

- The model's strengths. A 99 per cent. confidence level in theory means that the Bank will not incur daily losses in excess of GEaR more than two or three times during the year, while in practice, the GEaR was never exceeded during 2004.



#### *Stress Tests*

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

- merging markets crisis triggering a flight to quality.
- Stock market crash following a sharp rise in long-term interest rates.
- Short-term interest rate hike leading to a flattening of the yield curve and a modest fall in equity prices.
- U.S. debacle, corresponding to a loss of confidence in the dollar and the U.S. economy in general, leading to a sharp fall in the dollar, a steep rise in long-term interest rates and a general widening of signature spreads.
- Melt-up, corresponding to the impact of a stock market rebound combined with a fall in long-term interest rates.
- 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, in order to hedge individual risks, reduce the overall concentration of risks or cap potential losses on 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 and Liability Management**

The Asset and Liability Management and Treasury Department (ALM Treasury) reports to two committees, each headed by a Chief Operating Officer. The ALM Treasury/Commercial Banking Committee is responsible for decisions concerning mismatch and match-funding principles applicable to the balance sheet of the commercial banking business and for managing the related interest rate risks. The ALM Treasury/Investment Banking Committee is responsible for monitoring market risks related to Treasury transactions, defining funding and liquidity management policies, and 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, such as certificates of deposit and commercial paper. The Asset/Liability Management unit is in charge of senior and subordinated funding programs including the Group's medium-term notes (MTN) programs, bonds, medium- and long-term deposits, preferred security issuances and asset-backed securities issuances on behalf of the specialised subsidiaries of the Retail Banking Division.

The policy of diversifying financing sources and instruments was stepped up in 2004.

Senior debt issuances by BNP Paribas SA and Group subsidiaries totalled €23.4 billion for the year ended 31 December 2004, an increase of 59 per cent. over 2003. Excluding issuances redeemable in advance by the issuer, long-term senior debt issuances totalled €12.3 billion, an increase of 90 per cent. over 2003. Issuances redeemable in advance by the issuer totalled €11.0 billion for the year ended 31 December 2004, an increase of 34 per cent. over 2003.

During 2004, €156 million in inflation-indexed subordinated bonds were issued and placed with clients of the French Retail Banking division. No new preferred stock issues were carried out during 2004, given that the Group had ample regulatory capital. At 31 December 2004, preferred stock totalled €3.5 billion, unchanged from the year-earlier figure.

Lastly, €775 million (BNP Paribas share) was raised through two securitisation transactions, which were carried out by UCI, the Spanish subsidiary of UCB. As of 31 December 2004, loans totalling €5.5 billion (BNP Paribas share) had been refinanced through securitisations compared with €6.5 billion at 31 December 2003.

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

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

The consolidated liquidity mismatch for positions beyond one year is measured based on contractual maturities (for loans and deposits, including undrawn confirmed customer lines of credit weighted at 30 per cent.), and on observed customer behaviour (for positions such as demand loans and deposits and passbook savings accounts). The mismatch for liability positions beyond one year amounted to 21.3 per cent. at 31 December 2004, compared with 16.5 per cent. 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 businesses 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 take into account early repayments, regulated savings accounts, and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions. Internal assumptions and models, which are regularly updated and 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.

The banking book interest rate gap, structural interest rate risk and specific option risk 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 interest rate risk on the banking book is based on two limits. Compliance with these limits is verified at monthly intervals and the limits are adjusted each year by the ALM/Commercial Banking Committee.

The primary limit concerns the sensitivity of French commercial banking revenues – including hedging transactions carried out by the Asset/Liability Management unit – to a gradual change in nominal and actual interest rates and the inflation rate. The changes are defined by reference to historical volatility data and correlations among the various parameters. The limit is based on annual net banking income, in order to set limits on future fluctuations in net banking income caused by changes in interest rates. Throughout 2004, 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 limits are also applied to the retail banking subsidiaries' exposure to interest rate risk.

In 2004, the Market Risks unit continued to oversee risks arising from the use of behavioural and other models for Asset-Liability Management purposes. The Market Risks unit's conclusions are presented on a quarterly basis to an ad hoc committee.

#### **Management of structural currency risk**

The ALM unit is responsible for hedging positions related to foreign currency earnings from 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 purchases of the currencies concerned. Group policy generally consists of borrowing the investment currency in order to protect shareholders' equity against currency risk. However, for most soft currencies, the investment is financed by purchasing the currency.

#### **Asset Management Risk**

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

The creation and management of mutual funds is particularly well regulated. In most countries, funds must be approved by the regulatory authorities before they are launched, and their activities are subject to controls by a statutory auditor and, in some cases, a custodian.

Fund managers are required to respect the integrity of the markets and safeguard customers' interests.

#### **Insurance**

BNP Paribas' risks are covered by major insurers, with the aim of effectively protecting both the Bank's balance sheet and its profit and loss account. The Group's insurance program involves contracting policies that enable significant risks to be covered, such as fraud, theft, claims for damages, business interruption and liability.

In order to optimise costs and ensure a satisfactory risk level, the Group self-insures against risks whose frequency and financial impact can be reasonably well anticipated. In addition, the Group also maintains insurance policies against certain risks, including the following:

- property damage, due to events such as fire or explosion, taking into account replacement cost (approved by the Group's insurers following risk assessment visits to key sites);
- fraud and misappropriation of assets;
- corporate liability, such as personal injury, property damage or consequential loss caused to a third party;
- business interruption, such as loss of revenues or earnings or additional costs;
- theft of valuables on company premises and from safes;
- liability of corporate officers in the event of errors or omissions, for example; and
- business liability, such as personal injury, property damage or consequential loss caused to a third party.

All of these insurance policies have been contracted for on the basis of the Bank's historical claims experience, market claims experience and global insurance market capacity.

Some business units can also contract excess insurance locally for specific coverage concerning certain operations, or if they cannot find adequate coverage on the French market. After two difficult years, insurance market conditions improved somewhat in 2004, allowing the Group to maintain high quality coverage contracted for under the best possible market conditions.

Finally, the Group focused in particular on limiting its exposure to the quality, rating and solvency of its insurers.

#### **Pledged Assets**

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

#### **Patents, Licences and Contracts**

BNP Paribas is not dependent upon any patents or licences or any industrial, commercial or financial services contracts for the conduct of its business.

## GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

### The French Banking System

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

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

### French Supervisory Bodies

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

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

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

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

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



## Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See “*Capital Adequacy of the BNP Paribas Group*”. In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

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

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

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

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

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

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

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

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to

the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10 per cent. of total net revenues.

### **Examination**

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

### **Reporting Requirements**

In addition to furnishing to the *Commission bancaire* the detailed monthly report mentioned above, credit institutions must also report monthly (and, with respect to lease financings, quarterly) to the *Banque de France* the names and related amounts of certain customers (only for companies and individuals engaged in commercial activities) having loan utilisation exceeding approximately €76,000. The *Banque de France* then returns to each credit institution a list stating, as to that credit institution's customers, total loan utilisations from all reporting credit institutions.

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

### **Deposit Guarantees**

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

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

### **Internal Control Procedures**

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralisation of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions

in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

### **Money Laundering**

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

## CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

### Overview

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

### Capital Adequacy under the BIS Standards

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

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

### Capital Adequacy Directives

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

Effective as of 1 January 1996 pursuant to the CAD Regulation, French credit institutions became subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of banking activities. In addition to credit risk, the CAD Regulation specifies different standards for a credit institution's trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulation also requires credit institutions to maintain additional capital measured by reference to the foreign exchange and commodities risks of all their activities, including banking and trading. Under the CAD Regulation, a credit institution's total capital is divided by the total amount of capital that the bank is required to maintain under the CAD Regulation, which is based on weightings designed to address the various risks intended to be covered. The resulting quotient (expressed as a percentage) is the credit institution's CAD ratio (the "**CAD Ratio**"), which must be at least 100 per cent.

## **The CAD Ratio**

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

### **Determination of the Level of Capital**

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

Tier 2 capital (referred to as "**supplementary capital**") includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses, is

classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as “**ancillary own funds**”) consists of subordinated debt that like Tier 2 capital must, if circumstances demand, be capable of becoming part of a bank’s permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a “**lock-in**” clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250 per cent. of a bank’s residual Tier 1 capital (i.e., Tier 1 capital above that required to cover credit risks).

### **Determination of the Banking Portfolio and the Trading Portfolio**

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

### **Risk-Weighting**

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

<b>Type of Asset or Counterparty</b>	<b>Risk Weighting</b>
Cash and equivalents; government or central bank obligations of OECD countries and certain other countries (“ <b>Zone A</b> ” countries) and obligations expressly guaranteed by such entities; government or central bank obligations of non-Zone A countries (“ <b>Zone B</b> ” countries) and obligations of a borrower of a Zone B country guaranteed by the government or central bank of such country, in each case that are payable and funded in local currency; obligations of the European Communities and of certain local governments of the European Economic Area; and assets secured by securities of a Zone A government or central bank or the European Communities, deposits lodged with the lending credit institution or certificates of deposit issued by,	0%

Type of Asset or Counterparty	Risk Weighting
and deposited with, the lending credit institution .....	
Securities issued by certain French and EU mortgage companies .....	10%
Obligations of certain multilateral development banks and obligations expressly guaranteed by such entities; obligations of certain regional or local governments of Zone A countries and obligations expressly guaranteed by such entities (excluding entities authorised to apply a 0 per cent. ratio on these obligations); obligations of credit institutions in Zone A countries (unless classified as qualifying capital by those institutions); obligations of Zone B credit institutions with a residual maturity of one year or less (unless classified as qualifying capital by those institutions); assets secured by securities of certain multilateral development banks or regional or local governments of Zone A countries; and cash items in course of collection.....	20%
Obligations secured by residential mortgages on owner-occupied or leased properties; real estate leasing operations; prepayments and accrued income when the counterparty cannot be determined.....	50%
All other assets .....	100%

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

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

Type of Off-Balance Sheet Item	Conversion Factor
<b>High Risk</b>	
Loan guarantees, acceptances (including endorsements with the character of acceptances), transfers with recourse, irrevocable credit lines or guarantees that are credit substitutes, forward purchase agreements, sale and repurchase agreements, forward deposits, and non-paid up share capital or other securities and other items presenting a high risk .....	100%

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

#### **Total capital requirements**

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

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

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

#### **Calculation of the CAD Ratio**

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

The amount of the institution's capital for purposes of calculating the CAD Ratio is equal to the sum of the amount of capital allocated to cover the capital requirements of the banking portfolio, plus the amount of capital available to cover the capital requirements of the trading portfolio (including foreign exchange



and commodities risks). The amount of capital allocated to cover the banking portfolio is required to be equal to 8 per cent. of the risk-weighted value of the assets and off balance sheet items in the banking portfolio. As the amount of capital available to cover the trading portfolio and foreign exchange and commodities risks depends on the availability of capital to cover the banking portfolio in excess of the related capital requirements, no capital will be available to cover the trading portfolio and foreign exchange and commodities risks if the capital available to cover the banking portfolio is insufficient to cover such requirements.

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

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

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

### Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at 31 December 2004 and at 31 December 2003.

	<b>At 31 December 2004</b>	<b>At 31 December 2003</b>
	<i>(in billions of €, except percentages)</i>	
<b>Total Capital:</b>		
Tier 1 .....	26.2	25.7
Tier 2 .....	10.4	11.3
Deductions .....	2.6	1.9
Tier 3 .....	1.2	1.2
	35.2	36.3

	<b>At 31 December 2004</b>	<b>At 31 December 2003</b>
	<i>(in billions of €, except percentages)</i>	
<b>Calculation of commercial banking portfolio capital requirement</b>		
Risk-weighted value .....	310.3	260.5
Capital requirement.....	24.8	20.8
<b>Calculation of trading portfolio capital requirement</b>		
Risk-weighted value .....	11.9	9.4
Capital requirement.....	0.9	0.7
<b>Total capital requirement</b> .....	<b>25.7</b>	<b>21.5</b>
CAD Ratio .....	137%	168%

### Proposed Changes to the BIS Capital Standards

On 26 June 2004, the Basel Committee issued a Revised Framework for risk-based capital standards for internationally active banks and bank holding companies (commonly referred to as the “**Basel II Accord**”), intended to replace the existing BIS standards effective at the beginning of 2007. Earlier versions of the proposed Basel II Accord were issued for comment by the Basel Committee in April 2003, January 2001 and June 1999. The Basel Committee has also released numerous discussion papers on various issues under the Basel II Accord and has conducted several quantitative impact studies. The Basel Committee has said it plans to continue calibrating and making refinements to the Basel II Accord prior to its implementation by participating countries.

The Basel II capital framework will consist of three “pillars”: minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline. Under the first pillar, minimum capital requirements will consist of capital charges for credit risk, market risk and operational risk.

With respect to credit risk capital charges, the existing risk weighting categories of the current BIS accord will be replaced with three alternative approaches, designed to be more risk sensitive: a “standardised” approach, and two “internal ratings based” (IRB) approaches (“foundation” and “advanced”). The standardised approach is an updated and expanded version of the existing risk weight categories, with risk weights based on credit ratings from external sources (such as credit rating agencies), with a greater range of risk weights available (some of the new risk weights would exceed 100 per cent. for low quality exposures), and with greater recognition of credit risk mitigation techniques such as the use of collateral, guarantees and credit derivatives. Under either of the two internal ratings based approaches, banks would input their own internal calculations of certain risk parameters (“probability of default”, “loss given default” and “exposure at default”) into risk weight formulas developed by the Basel Committee for each of several different types of assets or credit exposures. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modelling systems must be reviewed and approved by its regulator.

Capital requirements for market risk will be calculated under essentially the same general approach as in the 1996 Market Risk Amendment to the existing BIS accord, with a number of technical modifications proposed in April 2005.

The Basel II Accord also will impose a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge would be determined by one of three alternative approaches. The two simpler approaches apply multipliers to gross revenues by institution or business line. The more sophisticated third approach, known as the "Advanced Measurement Approach" (AMA), would allow a bank to determine an appropriate capital charge for operational risk using the institution's own internal data and methodologies, subject to prior supervisory review and approval. The operational risk capital charge for any given institution may vary greatly depending on its operating environment, systems and other factors.

The second pillar of the Basel II capital framework emphasises the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions will be expected to maintain capital at some level in excess of the Basel II mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in pillar one (such as interest rate risk, liquidity and credit concentrations). Supervisors will review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasises public disclosures to enhance market discipline. The new framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies.

The Basel Committee has asked participating countries to adopt implementing measures, with a bifurcated implementation date: 1 January 2007 for banks opting for the standardised or the simplest IRB approaches, and 1 January 2008 for those opting for the advanced approaches. Accordingly, an appropriate European regulation is being reviewed by the European Parliament.

Banking institutions using the advanced methods under the new framework will be required to develop systems, compile data, and obtain supervisor approval before then. In addition, banks using the new approaches will be required to conduct parallel capital calculations under the old BIS accord and the new Basel II framework for a year before the final effective date (i.e., during 2006 or 2007). The Basel Committee is continuing to refine certain aspects of the Basel II Accord and has announced that it will conduct a fifth quantitative impact study (Q15) between October and December 2005 to further review and calibrate the Basel II capital requirements. The Bank cannot predict what additional changes may be adopted in the Basel II framework or in banking supervisors' implementing measures, or what effect the Basel II Accord may have on the Bank's regulatory capital ratios, financial condition or results of operations.

## SUMMARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BNP PARIBAS

The following tables comprise selected financial information in respect of the Issuer for the 2002, 2003 and 2004 financial years.

### Consolidated Balance Sheet

	At 31 December		
	2004	2003	2002
	<i>(In millions of euros)</i>		
<b>Assets</b>			
<b>Interbank and money market items:</b>			
Cash and amounts due from central banks and post office banks .....	6,843	5,287	9,884
Treasury bills and money market instruments .....	128,400	106,671	83,990
Due from credit institutions .....	180,443	162,950	146,512
<b>Total interbank and money market items .....</b>	<b>315,686</b>	<b>274,908</b>	<b>240,386</b>
<b>Customer items:</b>			
Due from customers .....	237,508	201,611	204,719
Leasing receivables .....	20,572	20,362	20,622
<b>Total customer items .....</b>	<b>258,080</b>	<b>221,973</b>	<b>225,341</b>
<b>Bonds and other fixed income instruments .....</b>	<b>66,899</b>	<b>55,005</b>	<b>41,964</b>
<b>Equities and other variable income instruments .....</b>	<b>72,254</b>	<b>52,506</b>	<b>22,616</b>
<b>Insurance company investments .....</b>	<b>69,501</b>	<b>62,275</b>	<b>57,154</b>
<b>Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment</b>			
Investments in non-consolidated undertakings and other participating interests .....	2,609	2,160	5,872
Equity securities held for long-term investment .....	3,514	4,612	5,407
<b>Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment .....</b>	<b>6,123</b>	<b>6,772</b>	<b>11,279</b>
<b>Investments in companies carried under the equity method:</b>			
Financial sector companies .....	737	1,436	1,557
Non-financial sector companies .....	1,024	195	238
<b>Total investments in companies carried under the equity method .....</b>	<b>1,761</b>	<b>1,631</b>	<b>1,795</b>
<b>Tangible and intangible assets .....</b>	<b>9,582</b>	<b>9,008</b>	<b>8,640</b>
<b>Goodwill .....</b>	<b>6,244</b>	<b>5,578</b>	<b>6,547</b>

**At 31 December**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>(In millions of euros)</i>		
<b>Accrued income and other assets</b> .....	99,808	93,420	94,597
<b>Total assets</b> .....	<u>905,938</u>	<u>783,076</u>	<u>710,319</u>
<b>COMMITMENTS GIVEN</b>			
Financing commitments given .....	172,641	156,287	140,398
Guarantees and endorsements given .....	66,148	56,865	60,226
Commitments related to securities to be delivered .....	8,241	7,389	7,960
Insurance company commitments .....	466	1,297	914
Commitments incurred on forward and options contracts .....	20,556,393	18,356,809	13,959,842

**At 31 December**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>(In millions of euros)</i>		
<b>Liabilities and Shareholders' Equity</b>			
<b>Interbank and money market items:</b>			
Due to central banks and post office banks .....	256	60	159
Due to credit institutions.....	244,707	191,194	177,746
<b>Total interbank and money market items .....</b>	<b>244,963</b>	<b>191,254</b>	<b>177,905</b>
<b>Customer items .....</b>	<b>237,712</b>	<b>210,621</b>	<b>195,569</b>
<b>Debt securities:</b>			
Retail certificates of deposit .....	6,712	4,933	6,708
Interbank market securities .....	1,175	1,025	1,025
Negotiable certificates of deposit .....	83,844	67,014	64,913
Bonds, including short-term portion .....	11,094	9,952	11,260
Other debt instruments .....	1,141	177	151
<b>Total debt securities .....</b>	<b>103,966</b>	<b>83,101</b>	<b>84,057</b>
<b>Technical reserves of insurance companies .....</b>	<b>69,378</b>	<b>61,808</b>	<b>56,526</b>
<b>Accrued expenses and other liabilities .....</b>	<b>198,128</b>	<b>184,820</b>	<b>145,836</b>
<b>Badwill .....</b>	<b>15</b>	<b>18</b>	<b>22</b>
<b>Provision for contingencies and charges .....</b>	<b>3,764</b>	<b>4,045</b>	<b>4,144</b>
<b>Subordinated debt .....</b>	<b>12,242</b>	<b>13,226</b>	<b>14,283</b>
<b>Reserve for general banking risks .....</b>	<b>752</b>	<b>843</b>	<b>997</b>
<b>Minority interests in consolidated subsidiaries.....</b>	<b>4,824</b>	<b>5,019</b>	<b>4,535</b>
<b>Shareholders' equity:</b>			
Share capital .....	1,769	1,806	1,790
Additional paid-in capital in excess of par and premium on acquisition .....	10,340	11,017	10,804
Retained earnings .....	13,417	11,737	10,556
Net income .....	4,668	3,761	3,295
<b>Total shareholders' equity .....</b>	<b>30,194</b>	<b>28,321</b>	<b>26,445</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>905,938</b>	<b>783,076</b>	<b>710,319</b>
<b>COMMITMENTS RECEIVED</b>			
Financing commitments received .....	35,251	43,976	21,536
Guarantees and endorsements received .....	50,212	42,951	43,824
Commitments related to securities to be received .....	9,570	7,852	15,037
Insurance company commitments .....	1,807	2,801	2,065

## Consolidated Profit and Loss Account

	2004	2003	2002
	(In millions of euros)		
<i>Interest income</i> .....	28,332	27,174	31,606
<i>Interest expense</i> .....	(22,213)	(20,663)	(26,222)
Net interest income .....	6,119	6,511	5,384
Income on equities and other variable income instruments .....	294	283	323
<i>Commission income</i> .....	7,098	6,319	6,160
<i>Commission expense</i> .....	(2,411)	(2,026)	(1,982)
Net commission income .....	4,687	4,293	4,178
Net gains on trading account securities .....	4,713	4,407	4,687
Net gains on securities available for sale .....	453	190	139
<i>Other banking income</i> .....	1,005	970	1,134
<i>Other banking expenses</i> .....	(904)	(880)	(911)
Net other banking income .....	101	90	223
Underwriting result and net investment income of insurance companies .....	1,919	1,658	1,440
Net income from other activities .....	537	503	419
<b>Net banking income</b> .....	<u>18,823</u>	<u>17,935</u>	<u>16,793</u>
Operating expense: .....			
Salaries and employee benefits, including profit-sharing .....	(6,872)	(6,763)	(6,445)
Other administrative expenses .....	(3,965)	(3,764)	(3,892)
Total operating expense .....	<u>(10,837)</u>	<u>(10,527)</u>	<u>(10,337)</u>
Depreciation, amortisation and provisions on tangible and intangible assets .....	(755)	(758)	(618)
<b>Gross operating income</b> .....	<u>7,231</u>	<u>6,650</u>	<u>5,838</u>
Net additions to provisions for credit risks and country risks .....	(678)	(1,361)	(1,470)
<b>Operating income</b> .....	<u>6,553</u>	<u>5,289</u>	<u>4,368</u>
Share of earnings of companies carried under the equity method .....	194	131	80
Gains on long-term investments and changes in provisions .....	843	912	903
Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks .....	<u>7,590</u>	<u>6,332</u>	<u>5,351</u>
Net non-recurring expense .....	(389)	(494)	(174)
Corporate income tax .....	(1,830)	(1,481)	(1,175)

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>(In millions of euros)</i>		
Amortisation of goodwill .....	(384)	(399)	(366)
Movements in the reserve for general banking risks ....	88	147	2
Minority interests .....	(407)	(344)	(343)
<b>Net income</b> .....	<b>4,668</b>	<b>3,761</b>	<b>3,295</b>
Basic earnings per share, in euros <sup>(1)</sup> .....	5.55	4.31	3.78
<b>Diluted earnings per share, in euros</b> <sup>(2)</sup> .....	<b>5.53</b>	<b>4.28</b>	<b>3.74</b>

Notes:

- (1) After the two-for-one share-split in 2002.
- (2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 "Earnings per share". Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.



## Consolidated Statement Of Cash Flows

	2004	2003	2002
	<i>(In millions of euros)</i>		
<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) .....	5,075	4,105	3,638
Depreciation and amortisation .....	755	758	618
Net additions to provisions .....	310	1,200	1,764
Share of earnings of companies carried under the equity method .....	(194)	(131)	(80)
<b>Total funds provided from operations</b> .....	<b>5,946</b>	<b>5,932</b>	<b>5,940</b>
Dividends paid .....	(1,842)	(1,541)	(1,322)
<b>Other changes in shareholders' equity:</b>			
Group share .....	(2,252)	120	(2,482)
Minority interests .....	(273)	424	1,253
Decrease in reserve for general banking risks .....	(91)	(154)	(10)
(Decrease) increase in subordinated debt .....	(984)	(1,057)	1,245
<b>Increase in shareholders' equity and other long-term capital</b> .....	<b>504</b>	<b>3,724</b>	<b>4,624</b>
<b>Funds provided from other sources:</b>			
Increase (decrease) in interbank items (liabilities) .....	53,709	13,349	(42,391)
Increase (decrease) in customer deposits .....	27,091	15,052	(20,527)
Increase (decrease) in debt securities .....	20,865	(956)	(3,806)
Increase in technical reserves of insurance companies .....	7,570	5,282	1,321
Increase (decrease) in other financial items .....	6,977	40,030	(7,243)
<b>Increase (decrease) in other sources of funds</b> .....	<b>116,212</b>	<b>72,757</b>	<b>(72,646)</b>
<b>Total increase (decrease) in sources of funds</b> .....	<b>116,716</b>	<b>76,481</b>	<b>(68,022)</b>
<b>Uses:</b>			
Increase (decrease) in interbank items (assets) .....	19,043	11,790	(33,706)
Increase (decrease) in customer loans .....	36,829	(2,182)	(8,129)
Increase (decrease) in securities .....	45,543	63,104	(34,439)
Increase in insurance company investments .....	7,226	5,121	944
Increase (decrease) in long-term investments .....	6,746	(2,478)	5,564
Increase in tangible and intangible assets .....	1,329	1,126	1,744
<b>Total increase (decrease) in uses of funds</b> .....	<b>116,716</b>	<b>76,481</b>	<b>(68,022)</b>

## Year-on-year comparisons

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

Application by the BNP Paribas Group of decree no. 2002-970 amending the French Insurance Code and *Comité de la Réglementation Comptable* standard CRC 2002-09 concerning the use and accounting treatment of forward financial instruments by insurance companies did not have a material impact on opening shareholders' equity at 1 January 2003 and does not affect period-on-period comparisons.

Standard CRC 2002-10 relating to the depreciation, amortisation and impairment of assets – amended by standard CRC 2003-07 of 12 December 2003 – contains measures concerning the date and consequences of the standard's first-time application, which is compulsory from 1 January 2005. The Group has not opted for early application and is not affected by the applicable transitional measures relating to provisions for major repairs. Moreover, as the Group has not identified any material expenses relating to major repairs based on multi-year programmes, this standard had no impact on the Group's opening shareholders' equity at 1 January 2003.

Standard CRC 2002-03 dealing with credit risks, the classification methods to be applied to doubtful and restructured loans, and loan restructurings at below market rates of interest, has been adopted as from 1 January 2003, based on the opinion issued by the *Comité d'Urgence du CNC* (no. 2003-G) on 18 December 2003, and the CNC's press release of 21 November 2003. For the BNP Paribas Group, the effect of applying this method was a reduction in opening shareholders' equity at 1 January 2003 of EUR 33 million after tax, corresponding to the difference between the new interest rate on restructured loans classified as sound and the lower rate between the original rate of interest and the market rate prevailing on the restructuring date. The discounted interest differential will be taken into account in determining the lending margin on the loans concerned. Application of the new standard led to the reclassification under irrecoverable loans of EUR 540 million worth of loans previously considered as giving rise to a country risk. The loans in question consist of restructured loans that are once again in default. The corresponding provisions, in the amount of EUR 273 million, which were previously included in provisions for country risks, were reclassified in 2003 under provisions for specific risks.

This standard also introduced two sub-categories of loans: sound loans restructured not at market terms, which are included under sound loans, and irrecoverable loans which are included under doubtful loans.

The *Comité d'Urgence's* opinion dated 21 January 2004 provides guidelines on the accounting treatment of the consequences of certain provisions of the Pensions Reform Act (Act no. 2003-775 dated 21 August 2003). Under the new rules, employees can elect to retire before the age of 65, but cannot be required to do so by their employer. The statutory retirement bonus payable when they retire is subject to payroll taxes. Previously, retirement bonuses paid to employees who retired at their employer's request were exempt from payroll taxes. The actuarial assumptions used to calculate BNP Paribas' related benefit obligation were therefore revised to take account of these changes, and an additional provision of EUR 229 million was recorded in 2003 (see note 38 to the Financial Statements for the year ended 31 December 2004) in order to provide for the obligation in full, in accordance with Group policies.

## MANAGEMENT OF THE BANK

### Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 13 directors, plus three additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the Chairman that may not exceed the period or remaining period, as the case may be, of the Chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended 31 December 2004 was €0.4 million.

The names, functions, business addresses and principal activities\* performed by them outside the Bank which are significant with respect to the Bank of the current members of the Board of Directors of the Bank are as follows (as at 31 December 2004, except where specified):

NAME	FUNCTION	BUSINESS ADDRESS	PRINCIPAL OUTSIDE ACTIVITIES
Michel Pébereau .....	Chairman, BNP Paribas	3, rue d'Antin, 75002 PARIS, France	<p><b>Director of:</b></p> <ul style="list-style-type: none"> <li>• Lafarge</li> <li>• Saint-Gobain</li> <li>• Total</li> <li>• <i>BNP Paribas UK Holdings Ltd, United Kingdom</i></li> </ul> <p><b>Member of the Supervisory Board of:</b></p> <ul style="list-style-type: none"> <li>• Axa</li> <li>• <i>Banque Marocaine pour le Commerce et l'Industrie, Morocco</i></li> </ul> <p><b>Non-voting director of:</b></p> <ul style="list-style-type: none"> <li>• <i>Société Anonyme des Galeries Lafayette</i></li> </ul> <p><b>Chairman of:</b></p> <ul style="list-style-type: none"> <li>• <i>Fédération Bancaire Européenne</i></li> <li>• <i>Commission Banque</i></li> </ul>

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

*d'Investissement et de Marchés  
de la Fédération Bancaire  
Française*

*• Conseil de Direction de l'Institut  
d'Études Politiques de Paris*

*• Conseil d'Orientation de l'Institut  
Aspen France*

**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*

*• International Business Leaders'  
Advisory Council for the Mayor of  
Shanghai (IBLAC)*

Patrick Auguste .....Executive, BNP Paribas 14, rue Bergère,  
(elected by employees) 75009 PARIS,  
France

Claude Bébéar ..... 25, avenue  
Matignon, 75008  
PARIS, France

**Principal function:** Chairman of  
the Supervisory Board of Axa  
**Chairman and Chief Executive  
Officer** of Finaxa

**Director of:**

*• Vivendi Universal*

*• Axa Assurances Iard Mutuelle*

*• Axa Assurances Vie Mutuelle*

*• Axa Courtage Assurance  
Mutuelle*

*• Axa Financial Inc., United States*

**Non-voting director of:**

*• Schneider Electric*

**Chairman of:**

*• Institut du Mécénat de Solidarité*

*• Institut Montaigne*

Jean-Louis Beffa .....Vice-Chairman

« Les Miroirs »  
18, avenue d'Alsace  
92096 LA  
DEFENSE, France

**Principal function:** Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

**Vice-Chairman of the Board of Directors** of BNP Paribas

**Chairman** of *Claude Bernard Participations*

**Director of:**

- Gaz de France
- *Groupe Bruxelles Lambert, Belgium*
- *Saint-Gobain Cristaleria SA, Spain*
- *Saint-Gobain Corporation, United States*

**Permanent representative of Saint-Gobain on the Board of**

- Saint-Gobain PAM

**Member of the Supervisory Board of:**

- Le Monde SA
- *Le Monde Partenaire AS (SAS)*
- *Société Éditrice du Monde (SAS)*

Gerhard Cromme .....

August-Thyssen-  
Strasse 1  
Postfach 10 10 10  
40001  
DUSSELDORF,  
Germany

**Principal function:** Chairman of the Supervisory Board of *ThyssenKrupp AG*

**Member of the Supervisory Board of:**

- *Allianz AG, Germany*
- *Axel Springer AG, Germany*
- *Deutsche Lufthansa AG, Germany*
- *E.ON AG, Germany*
- *E.ON Ruhrgas AG, Germany*
- *Hochtief AG, Germany*
- *Siemens AG, Germany*
- Suez

<p>Michel-François Poncet (passed away on 10 February 2005)</p>	<p>Vice-Chairman of the Board of Directors of BNP Paribas</p>	<ul style="list-style-type: none"> <li>• Volkswagen AG, Germany</li> </ul>
		<p><b>Chairman of:</b></p>
		<ul style="list-style-type: none"> <li>• German Governmental Commission on Corporate Governance</li> </ul>
		<ul style="list-style-type: none"> <li>• European Round Table of Industrialists</li> </ul>
		<p><b>Chairman of BNP Paribas Suisse SA, Switzerland</b></p>
		<p><b>Vice-Chairman of Pargesa Holding SA, Switzerland</b></p>
		<p>Director of:</p>
		<ul style="list-style-type: none"> <li>• Finaxa</li> <li>• LVMH</li> <li>• Schneider Electric</li> <li>• BNP Paribas UK Holdings Limited, United Kingdom</li> <li>• Compagnie Monégasque de Banque</li> <li>• Power Corporation, Canada</li> </ul>
		<p><b>Principal function:</b> Company Director</p>
		<p><b>Director of:</b></p>
		<ul style="list-style-type: none"> <li>• LVMH</li> <li>• Total</li> </ul>
		<p><b>Chairman of the Conseil d’Orientation of Musée du Quai Branly</b></p>
<p>Jacques Friedmann (membership ceased as at 18 May 2005)</p>	<p>Employee, BNP Paribas (elected by employees)</p>	<p>21, avenue Jean Medecin  06000 Nice, France</p>
<p>Jean-Marie Gianni .....</p>	<p>François Grappotte .....</p>	<p>128, avenue de Lattre de Tassigny 87045 LIMOGES, France</p>
		<p><b>Principal function:</b> Chairman of the Board of Directors of Legrand</p>
		<p><b>Member of the Supervisory Board of:</b></p>
		<ul style="list-style-type: none"> <li>• Galeries Lafayette</li> <li>• Michelin</li> </ul>
		<p><b>Chairman of:</b></p>
		<ul style="list-style-type: none"> <li>• Legrand SAS</li> <li>• Lumina Management</li> </ul>
		<p><b>Director and Chief Executive Officer of Legrand Holding SA</b></p>

**Director of:**

- Valeo
- *B. Ticino, Italy*
- *Bufer Elektrik, Turkey*
- *Eltas Elektrik, Turkey*
- *Legrand Española, Spain*
- *Lumina Parent, Luxembourg*
- *Pass & Seymour, United States*
- *The Wiremold Company, United States*

**Member of:**

- *Conseil consultatif de la Banque de France*
- *Conseil de Promotelec (Promotion de l'installation électrique dans les bâtiments neufs et anciens)*
- *Bureau de la FIEEC (Fédération des Industries Électriques, Électroniques et de Communication)*
- *Bureau du Gimélec (Groupement des Industries de l'équipement électrique, du contrôle-commande et des services associés)*

**Principal function:** Chairman of the Supervisory Board of Air Liquide

**Director of:**

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

**Principal function:** Chairman and Chief Executive Officer of Scor

Alain Joly.....

75, quai d'Orsay  
75007 PARIS,  
France

Denis Kessler.....

1, av. du Général de  
Gaulle  
92074 PARIS LA  
DEFENSE, France

DEFENSE, France **Chairman of:**

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

**Director of:**

- Bolloré Investissement SA
- Dassault Aviation
- *Amvescap Plc, United Kingdom*
- *Cogedim*
- *Dexia, Belgium*
- *Scor Canada Reinsurance Company, Canada*

**Member of the Supervisory Board of:**

- *Scor Deutschland, Germany*



Jean-François Lepetit .....	24, rue St Nom 78112 – FOURQUEUX, France	<p><b>Permanent representative of:</b></p> <ul style="list-style-type: none"> <li>• <i>Fergascor</i> on the Board of SA Communication &amp; Participation</li> </ul> <p><b>Non-voting director of:</b></p> <ul style="list-style-type: none"> <li>• <i>FDC SA</i></li> <li>• <i>Gimar Finance SCA</i></li> </ul> <p><b>Member of:</b></p> <ul style="list-style-type: none"> <li>• <i>Commission Économique de la Nation</i></li> <li>• <i>Conseil Économique et Social</i></li> </ul> <p>Associate professor at Edhec</p>
Lindsay Owen-Jones .....	41, rue Martre 92117 CLICHY, France	<p><b>Principal function:</b> Chairman and Chief Executive Officer of L'Oréal</p> <p><b>Chairman of:</b></p> <ul style="list-style-type: none"> <li>• <i>Galderma Pharma SA, Switzerland (up to 24 May 2004)</i></li> </ul> <p><b>Vice-Chairman and member of the Supervisory Board of:</b></p> <ul style="list-style-type: none"> <li>• Air Liquide</li> </ul> <p><b>Director of:</b></p> <ul style="list-style-type: none"> <li>• Gesparal (up to 29 April 2004)</li> <li>• Sanofi-Aventis</li> <li>• <i>Galderma Pharma SA, Switzerland (up to 24 May 2004)</i></li> <li>• <i>L'Oréal USA, Inc., United States</i></li> <li>• <i>L'Oréal UK Ltd, United Kingdom</i></li> </ul>
Loyola de Palacio del Valle-Lersundi (membership started as at May 18, 2005) .....	C/de la Cancela, 2 C.P. 28016 MADRID, Spain	Lecturer
Hélène Ploix.....	162, rue du Faubourg Saint Honoré 75008 – PARIS, France	<p><b>Principal function:</b> Chairman of <i>Pechel Industries SAS</i> and <i>Pechel Industries Partenaires SAS</i></p> <p><b>Director of:</b></p>

Baudouin Prot .....Chief Executive Officer, 3, rue d'Antin  
BNP Paribas 75002 PARIS,  
France

Louis Schweitzer ..... 860, quai de  
Stalingrad  
92109 –  
BOULOGNE  
BILLANCOURT,  
France

- Lafarge
- *Boots Group Plc, United Kingdom*
- *Ferring SA, Switzerland*

**Member of the Supervisory Board of:**

- Publicis

**Representative of Pechel Industries for:**

- *Aquarelle.com Group*
- *CAE International*
- *CVBG-Dourthe Kressman*
- *Pechel Service SAS*
- *Quinette Gallay*
- *Xiring*

**Legal Manager of *Hélène Ploix SARL***

**Member of the Investment Committee for the *United Nations***

*Personnel Pension Fund*

**Director of:**

- Veolia Environnement
- *Erbé, Belgium*
- *Pargesa, Belgium*

**Member of the Supervisory Board of:**

- Pinault-Printemps-Redoute

**Premanent representative of BNP Paribas on the Supervisory Board of:**

- Accor

**Principal function:** Chairman of the Board of Renault

**President of the Management Board of:**

- *Renault-Nissan BV, Netherlands*

**Director of:**

- Électricité de France
- RCI Banque
- Veolia Environnement
- *AB VOLVO, Sweden*
- *AstraZeneca, United Kingdom*

**Member of the 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*

**Member of the Executive Committee of Medef**

Jean-François Trufelli .....Employee, BNP Paribas 212, Chemin des  
(elected by employees) Femmes  
91300 MASSY,  
France

**Conflicts of Interests**

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

**Committees of the Board of Directors**

The Board of Directors of the Bank has established three committees in order to facilitate its work: the Financial Statements Committee, the Internal Control and Risk Management Committee and the Compensation and Nominations Committee.

**Financial Statements Committee**

This Committee's duties involve, among other things, (i) reviewing and analysing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy

requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and H el ene Ploix.

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

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

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

Among its duties, this Committee proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. The Committee is also charged with addressing all issues related to the personal status of corporate officers, including compensation, 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 qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. The Committee’s current members are Alain Joly (Chairman), Claude B eb ear, Jean-Louis Beffa and Gerhard Cromme.

#### **Executive Committee**

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

Baudouin Prot .....	Chief Executive Officer
Georges Chodron de Courcel .....	Chief Operating Officer
Jean Clamon .....	Chief Operating Officer
Philippe Blavier .....	Head of Corporate and Investment Banking
Jean-Laurent Bonnaf�e .....	Head of French Retail Banking
Philippe Bordenave .....	Head of Group Development and Finance
Herv� Gou�zel .....	Head of Group Information Systems
Bernard Lem�e .....	Head of Group Human Resources
Vivien L�vy-Garboua .....	Head of Compliance
Pierre Mariani.....	Head of International Retail Banking and Financial Services

Alain Papiasse ..... Head of Asset Management and Services

On 3 January 2005, Vivien Lévy-Garboua was appointed as head of the newly created corporate compliance department. See “*Risk Management—Significant Events of the Year in the Area of Internal Control*” for a description of this department. In this new capacity, Vivien Lévy-Garboua will continue to serve as a member of the Executive Committee of BNP Paribas. Following this appointment, Alain Papiasse has succeeded Vivien Lévy-Garboua as Head of the Asset Management and Services core business, and currently serves on the Executive Committee of BNP Paribas.

## CLEARING SYSTEMS

### (1) Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others who clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

### (2) Euroclear France

Notes may be accepted for clearance through Euroclear France.

Euroclear France is a French corporation (*société anonyme*) whose articles of incorporation and by-laws are subject to the approval of the French Minister of Finance. As specified in the order of 4 August 1949 its purpose is to facilitate the circulation of securities (*valeurs mobilières*) including notes among member institutions via book-entry transfers. Therefore, Euroclear France operates the clearing for securities on a delivery/payment basis.

Approved financial intermediaries (i.e. credit institutions and *sociétés de bourse*) and other clearing systems (including, directly or indirectly, Euroclear and Clearstream, Luxembourg) are affiliated member institutions of Euroclear France.

## TAXATION

The statements herein regarding taxation are based on the laws in force in France and/or, as the case may be, the Grand Duchy of Luxembourg as of the date of this Programme and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the Luxembourg or, as the case may be, the French tax consequences of any investment in or ownership and disposition of the Notes.

### EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive (in this section “*Taxation*”, the “**Directive**”) on the taxation of savings income under which Member States will be required, if a number of important conditions are met and from a date not earlier than 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). On 7 June 2005, the Council of the European Union has stated that the conditions for the application of the Directive as from 1 July 2005 have been fulfilled.

In relation to French taxation, the Directive has been implemented in French law under Article 242 *ter* of the *Code général des impôts* and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to the *Code général des impôts* (general tax code). As regards Luxembourg taxation, on 12 April 2005, the Luxembourg Parliament adopted a law implementing the Directive.

### French Taxation

BNP Paribas has been advised that payments in respect of Notes issued by it may be made without withholding or deduction for, or on account of, the withholding tax on interest set out under Article 125 A III of the *Code général des impôts* (general tax code) as provided by article 131 *quater* of the *Code général des impôts* if the Notes are issued outside France. Notes that constitute “*obligations*” under French law will be issued (or deemed to be issued) outside France:

- (i) in the case of syndicated or non-syndicated issues of Notes, if they are denominated in euro as provided in the Circular of the *Direction générale des impôts* dated 30 September 1998; or
- (ii) in the case of syndicated issues of Notes denominated in currencies other than euro, if, *inter alia*, the Issuer and the relevant Dealers agree, in connection with their initial distribution, not to offer the Notes to the public in the Republic of France. Such securities may be offered in the Republic of France only through an international syndicate to “qualified investors” (*investisseurs qualifiés*) as described in Article L.411-2 of the *Code monétaire et financier*; or
- (iii) in the case of non-syndicated issues of Notes denominated in currencies other than euro, if each of the subscribers is domiciled or resident for tax purposes outside the Republic of France.

### Luxembourg Taxation

BNP Paribas has been advised that, under Luxembourg tax law currently in effect, there is no withholding tax for Luxembourg resident and non-resident Noteholders on payments of interest (including

accrued but unpaid interest). There is also no Luxembourg withholding tax payable on payments received upon repayment of the principal or upon redemption of the Notes.

Luxembourg withholding tax on payments to individual Noteholders (resident in another EU country than Luxembourg) will as from 1 July 2005 be required to be made by Luxembourg paying agents pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Under the Directive, Member States are required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a paying agent (within the meaning of the Directive) to (or under certain circumstances, to the benefit of) an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless the beneficiary of the interest payments elects for the exchange of information. The withholding tax rate will initially be 15%, increasing steadily to 20% and to 35%. The ending of such transitional period depends on the conclusion of certain other agreements relating to information exchange with certain other countries.

A Luxembourg withholding tax may also in the future be introduced for interest payments made to Luxembourg individual residents.

**All prospective Noteholders should seek independent advice as to their tax positions.**



## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 30 June 2005 (the “**Programme Agreement**”, which expression includes the same as it may be updated or supplemented from time to time) agreed with the Issuer a basis upon which they (or any one of them) may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Terms and Conditions of the Notes*” and “*Form of the Notes*” above.

The following selling restrictions may be modified by the Issuer and the relevant Dealers following a change in the relevant law, regulation or directive and in certain other circumstances as may be agreed between the Issuer and the relevant Dealers. Any such modification will be set out in the Final Terms and (if applicable) the subscription agreement in respect of the Tranche to which it is related or in a supplement to this Document.

### European Economic Area

*Please note that, in relation to EEA States, additional sellings restrictions may apply in respect of any specific EEA State, including those set out below in relation to the United Kingdom and France.*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which Directive 2003/71/EC (including any relevant implementing measure in each Relevant Member State, the “**Prospectus Directive**”) is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (i) in (or, in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

## **United States**

### **Selling Restrictions**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes, Physical Delivery Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### **Transfer Restrictions**

Each purchaser of Registered Notes will be deemed to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) that it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Registered Global Notes;

- (iv) that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Notes, as determined and certified by the relevant Dealer or, in the case of an issue of Notes or syndicated basis, the relevant lead manager of the Notes), it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (b) in accordance with all applicable U.S. State and Federal securities laws; and it acknowledges that the Registered Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (v) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

#### **United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, during the period up to but excluding the date on which the Prospectus Directive is implemented in the United Kingdom, it has not offered or sold and will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **France**

- (A) As long as the Prospectus Directive has not been implemented in France, each of the Dealers and the Issuer has acknowledged that the Notes are being or, as the case may be, are deemed to be issued outside the Republic of France and, accordingly:

- (i) In respect of syndicated issues of Notes constituting obligations (except issues of Notes denominated in euro), each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, (x) it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France and (y) offers and sales of Notes will be made in the Republic of France only to qualified investors (“*investisseurs qualifiés*”) in accordance with Article L. 411-2 of the French *Code monétaire et financier* (the “**Code**”) and the Decree no. 98-880 dated 1 October 1998 (the “**Decree**”).
- (ii) In respect of non-syndicated issues (except issues of Notes constituting obligations denominated in euro), each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, (x) it has not offered or sold and will not offer or sell, directly or indirectly, Notes in the Republic of France and (y), each subscriber will be domiciled or resident for tax purposes outside the Republic of France.
- (iii) In respect of issues of Notes constituting *obligations* (whether syndicated or non-syndicated) and which are denominated in euro, each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, (x) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and (y) offers and sales of Notes in the Republic of France will be made in accordance with Article L.411-2 of the Code and the Decree relating to offers to qualified investors.

In addition, each of the Dealers and the Issuer has represented and agreed that in connection with their initial distribution, it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Debt Issuance Prospectus or any other offering material relating to the Notes other than to those investors (if any) to whom offers and sales of the Notes in the Republic of France may be made as described above.

To the extent the Notes do not constitute *obligations*, these selling restrictions will be amended in the relevant Final Terms.

- (B) As from the date of the implementation of the Prospectus Directive in France, each of the Dealers and the Issuer has represented and agreed that, unless the Final Terms specify that the relevant Issuer will make a public offering in France, it has not in connection with their initial distribution offered or sold and will not offer or sell, directly or indirectly, any Notes by way of a public offering in France.

If necessary these selling restrictions will be supplemented in the relevant Final Terms.

### **Japan**

Each Dealer has acknowledged and each other Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”) and has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

### **General**

Each Dealer has agreed and each other Dealer appointed under the Programme will be required to agree that it will to the best of its knowledge and belief comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes

the Debt Issuance Prospectus or any offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to the best of its knowledge and belief to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### 1. Authorisation

No authorisation procedures are required of BNP Paribas under French law for the establishment or update of the Programme. However, to the extent that Notes issued by BNP Paribas under the Programme may constitute *obligations* under French law, the issue of such Notes is authorised pursuant to the Board resolution dated 30 July 2004.

### 2. Listing on the Regulated Market and the EuroMTF Market of the Luxembourg Stock Exchange

Application has been made to list Notes issued under the Programme on (i) the Regulated Market of the Luxembourg Stock Exchange and (ii) the EuroMTF Market of the Luxembourg Stock Exchange. A legal notice relating to the Programme and the *statuts* of BNP Paribas is being lodged with the Luxembourg trade and company register (*Registre de commerce et des sociétés, Luxembourg*), where such documents may be examined and copies obtained.

In relation to the listing on the official list of the Luxembourg Stock Exchange, the Luxembourg Stock Exchange has allocated the registration number 2288 to the Programme for listing purposes.

### 3. Notification

The Issuer may request the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) to provide the competent authority of any EEA State with a certificate of approval attesting that this Debt Issuance Prospectus has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* which implements the Prospectus Directive into Luxembourg law.

### 4. Documents on Display

Copies of:

- (i) the *statuts* of BNP Paribas, the Programme Agreement, the Deed of Covenant and the Agency Agreement (which includes the forms of the Global Notes and the definitive Notes, the Receipts, the Coupons and the Talons); and
- (ii) the most recently published audited annual report in French (incorporating the audited accounts) of BNP Paribas, called the “*Document de Référence*” by the AMF has been filed with the AMF, under the number D.O5-0151 dated 25 February 2005 and further updated under the number D.O5-0151-A01 dated 24 March 2005 and under the number D.O5-0151-A02 dated 23 May 2005,

will be available for inspection during the usual business hours on any week day (except Saturdays and public holidays) at the offices of BNP Paribas Securities Services, Luxembourg Branch at 23, avenue de la Porte Neuve, L-2085 Luxembourg. In addition, such documents are available on the Issuer’s website: “[www.invest.bnpparibas.com](http://www.invest.bnpparibas.com)”. As long as any Notes remain outstanding, copies of the audited consolidated and unconsolidated annual financial statements and the semi-annual and quarterly interim financial statements (and related reports) of BNP Paribas for the most recent financial period will be available in the English language, free of charge, at the specified offices of the Paying Agents.

### 5. Trend Information

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

## **6. Legal and Arbitration Proceedings**

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

## **7. Significant Change**

Save as disclosed in "*Recent Developments*" above, no significant change has occurred in the financial position of the Group since 31 March 2005 (being the end of the last financial period for which interim financial information has been published).

## **8. Material Contracts**

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

## **9. Third Party Information**

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

## **10. Auditors**

In accordance with French law, BNP Paribas is required to have a minimum of two statutory auditors (*commissaires aux comptes*) and two substitute statutory auditors. The statutory auditors are currently PricewaterhouseCoopers Audit (represented by Etienne Boris), Barbier Frinault & Autres (represented by Radwan Hoteit) and Mazars & Guérard (represented by Hervé Hélias). PricewaterhouseCoopers Audit, Barbier Frinault & Autres and Mazars & Guérard are registered as *Commissaires aux Comptes* and regulated by the *Haut Conseil du Commissariat aux Comptes*.

## **11. Clearing Systems**

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The common code and ISIN for each issue allocated by Euroclear and Clearstream, Luxembourg and details of any other agreed clearing system (including Euroclear France) will be contained in the relevant Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

**PRINCIPAL OFFICE OF THE ISSUER**

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**DEALERS**

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Canary Wharf  
London E14 5LB

**Credit Suisse First Boston (Europe) Limited**

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London E14 4QJ

**Goldman Sachs International**

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**Lehman Brothers International (Europe)**

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**Merrill Lynch International**

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**Morgan Stanley & Co. International Limited**

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**UBS Limited**

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L-2085 Luxembourg

**REGISTRAR, TRANSFER AGENT AND SETTLEMENT AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**

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**OTHER PAYING AGENTS**

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*General Counsel as to French law*

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*As to English law and French law*

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**Linklaters**  
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**Barbier Frinault & Autres**

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