CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2005

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

INTRODUCTION

Applicable accounting standards

The financial statements contained in the present document comprise the balance sheet, profit and loss account, statement of changes in shareholders' equity and statement of cash flows, together with the notes thereto (the Financial Statements) as published for the first time by the BNP Paribas Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These standards are applicable to consolidated financial statements from 1 January 2005 (the date of first-time adoption) in accordance with the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards" and of other IFRS, based on the version and interpretations of standards that had been adopted within the European Union as of 31 December 2005.

The financial statements for the year ended 31 December 2004 as published under French generally accepted accounting principles (French GAAP) have been restated to comply with the requirements of IFRS as adopted by the European Union and as applicable in 2004, in order to provide comparatives with the financial statements published under IFRS in 2005.

However, there are material divergences between IFRS as applicable in 2004 and in 2005, primarily as a result of the application from 1 January 2005 of the standard on financial instruments. The principles for the recognition, classification and measurement of financial instruments contained in this standard are very different from the French GAAP principles that applied in 2004. Consequently, the effects of this standard on the financial statements of banks, especially their balance sheets, are very substantial.

The BNP Paribas Group has therefore decided to disclose not only the effects on the balance sheet at 31 December 2004 of the transition from French GAAP to IFRS as applicable in 2004, but also the effects of the transition from IFRS as applicable in 2004 to IFRS as applicable in 2005. This has been done by presenting a balance sheet at 1 January 2005, and using this as the basis for preparing the notes to the balance sheet.

Consequently, the balance sheet at 1 January 2005 and the notes thereto serve as the comparative for the balance sheet produced as of 31 December 2005.

Presentation of the financial statements during the transitional period

The following presentational rules have been applied to the financial statements during the transitional period. These rules take account of (i) information published under French GAAP for the 2003 and 2004 financial years, (ii) IFRS restatements made to the 2004 financial statements, and (iii) the effects of the non-retrospective application in 2005 of IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 4 (Insurance Contracts):

✓ *Profit and loss account for the year ended 31 December 2004*

The profit and loss account for the year ended 31 December 2004 and the notes thereto are presented after restatement to comply with IFRS as applicable in 2004 (i.e. excluding IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as "2004 IFRS".

However, the presentation of the profit and loss account is consistent with the new IFRS account headings and classifications, in accordance with the format recommended by the French accounting authorities (*Conseil National de la Comptabilité*). BNP Paribas has applied with effect from the 2004 financial year the terminology introduced by IAS 39 to show separately within the profit and loss account items relating to trading account activities and items relating to the various categories of securities.

✓ *Balance sheet at 1 January 2005*

The balance sheet at 1 January 2005 and the notes thereto are presented after restatement to comply with full-scope IFRS (i.e. including IAS 32, IAS 39 and IFRS 4), referred to in the Financial Statements as “EU IFRS”.

✓ *Shareholders’ equity*

The statement of changes in shareholders’ equity between 31 December 2003 and 1 January 2005 incorporates the effects of adjustments made to comply with IFRS as applicable at 1 January 2004 (the transition date) and 1 January 2005 respectively.

✓ *Effects of the first-time adoption of IFRS*

Note 1, “Effects of first-time adoption of IFRS”, presents in detail the principal reclassifications and restatements made to shareholders’ equity at 1 January 2004, to the profit and loss account for the year ended 31 December 2004 and to the balance sheet at 31 December 2004 in order to comply with 2004 IFRS, as well as those made to the balance sheet and shareholders’ equity at 1 January 2005 in order to comply with IAS 32, IAS 39 and IFRS 4.

Note 1 also describes the main differences in accounting principles between IFRS and French GAAP.

✓ *Accounting policies*

Note 2 describes the accounting policies adopted by the BNP Paribas Group under 2004 IFRS (including French GAAP policies that continue to apply, in particular those related to financial instruments), followed by a description of the accounting policies applied under IAS 32, IAS 39 and IFRS 4 (as substituted for the relevant French GAAP accounting policies in 2005), which together with 2004 IFRS comprise the full-scope EU IFRS set of standards.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005 EU IFRS	Year to 31 Dec 2004 2004 IFRS
Interest income (1)	3.a	32,087	24,957
Interest expense (1)	3.a	(24,354)	(17,403)
Commission income (1)		8,701	7,164
Commission expense (1)		(4,154)	(2,791)
Net gain/loss on financial instruments at fair value through profit or loss(2)	3.b	5,212	3,366
Net gain/loss on available-for-sale financial assets(3)	3.c	1,353	1,450
Income from other activities	3.d	21,607	16,544
Expense on other activities	3.d	(18,598)	(13,918)
NET BANKING INCOME		**21,854**	**19,369**
Operating expense		(12,627)	(11,243)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.k	(742)	(800)
GROSS OPERATING INCOME		**8,485**	**7,326**
Cost of risk	3.e	(610)	(685)
OPERATING INCOME		**7,875**	**6,641**
Share of earnings of associates		352	407
Net gain/loss on non-current assets		211	64
Change in value of goodwill		(14)	7
PRE-TAX NET INCOME		**8,424**	**7,119**
Corporate income tax	3.f	(2,138)	(1,764)
NET INCOME		**6,286**	**5,355**
of which minority interests		434	416
NET INCOME BEFORE MINORITY INTERESTS		**5,852**	**4,939**
Basic earnings per share	9.a	7.02	5.87
Diluted earnings per share	9.a	6.97	5.85

(1) Commission treated as an additional component of interest and hence as an integral part of the effective interest rate in accordance with IAS 39 has been retained on the "Commission income" line, as IAS 39 was not applicable in 2004. In 2005, such commission is included with interest income and expense.

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

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

BALANCE SHEET AT 31 DECEMBER 2005

In millions of euros	Note	31 Dec 2005 EU IFRS	1 January 2005 EU IFRS
ASSETS			
Cash and amounts due from central banks and post office banks		7,115	6,888
Financial assets at fair value through profit or loss	6.b	700,525	539,510
Derivatives used for hedging purposes	6.c	3,087	2,581
Available-for-sale financial assets	6.d	92,706	75,778
Loans and receivables due from credit institutions	6.a	45,009	40,983
Loans and receivables due from customers	6.e	301,196	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios		(61)	-
Held-to-maturity financial assets	6.g	15,445	26,130
Current and deferred tax assets	6.h	2,135	2,140
Accrued income and other assets	6.i	65,327	41,332
Investments in associates	6.j	1,823	2,720
Investment property	6.k	5,255	4,551
Property, plant and equipment	6.k	9,213	8,159
Intangible assets	6.k	1,225	1,175
Goodwill	6.l	8,079	6,328
TOTAL ASSETS		**1,258,079**	**1,002,503**
LIABILITIES			
Due to central banks and post office banks		742	256
Financial liabilities at fair value through profit or loss	6.b	610,681	457,126
Derivatives used for hedging purposes	6.c	1,015	450
Due to credit institutions	6.a	118,893	100,188
Due to customers	6.e	247,494	211,487
Debt securities	6.f	84,629	77,597
Remeasurement adjustment on interest-rate risk hedged portfolios		901	1,022
Current and deferred tax liabilities	6.h	2,206	1,653
Accrued expenses and other liabilities	6.i	48,446	34,056
Technical reserves of insurance companies	6.m	76,523	64,518
Provisions for contingencies and charges	6.n	3,850	3,983
Subordinated debt	6.f	16,706	13,042
TOTAL LIABILITIES		**1,212,086**	**965,378**
SHAREHOLDERS' EQUITY			
Share capital and additional paid-in capital		*9,701*	*12,109*
Retained earnings		*19,694*	*11,670*
Net income for the period attributable to shareholders		*5,852*	*4,939*
Total capital and retained earnings attributable to shareholders		35,247	28,718
Unrealised or deferred gains and losses attributable to shareholders		5,471	3,593
Shareholders' equity		**40,718**	**32,311**
Minority interests		**5,275**	**4,814**
Total consolidated equity		**45,993**	**37,125**
TOTAL LIABILITIES AND EQUITY		**1,258,079**	**1,002,503**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 31 DECEMBER 2003 AND 31 DECEMBER 2005

	Shareholders' equity				
In millions of euros	Share capital and additional paid-in capital	Preferred shares and equivalent instruments	Elimination of own equity instruments	Retained earnings and net income for the period	Total capital and retained earnings
Consolidated equity at 31 December 2003 under French GAAP	**12,823**		**(1,905)**	**18,005**	**28,923**
Appropriation of net income for 2003				**(1,212)**	**(1,212)**
Consolidated equity at 1 January 2004 under French GAAP	**12,823**	**-**	**(1,905)**	**16,793**	**27,711**
Effect of adoption of IFRS applicable in 2004 (1)			**(64)**	**(680)**	**(744)**
Consolidated equity at 1 January 2004 under 2004 IFRS	**12,823**	**-**	**(1,969)**	**16,113**	**26,967**
Movements arising from relations with shareholders					
Increase in share capital	252				252
Reduction in share capital	(966)		966		
Elimination of own equity instruments			(1,611)	(61)	(1,672)
Share-based payment plans			(79)	85	6
Interim dividends paid out of net income for the period					-
	(714)	**-**	**(724)**	**24**	**(1,414)**
Other movements				**56**	**56**
Unrealised or deferred gains and losses for the period :					
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2004				**4,939**	**4,939**
Consolidated equity at 31 December 2004 under 2004 IFRS	**12,109**	**-**	**(2,693)**	**21,132**	**30,548**
Effect of adoption of IFRS applicable at 1 January 2005			**32**	**(1,862)**	**(1,830)**
Consolidated equity at 1 January 2005 under EU IFRS before appropriation of net income	**12,109**	**-**	**(2,661)**	**19,270**	**28,718**
Appropriation of net income for 2004				**(1,659)**	**(1,659)**
Consolidated equity at 1 January 2005 under EU IFRS after appropriation of net income	**12,109**	**-**	**(2,661)**	**17,611**	**27,059**
Movements arising from relations with shareholders					
Increase in share capital	286				286
Reduction in share capital	(2,694)		2,694		-
Issue of preferred shares and equivalent instruments		2,424			2,424
Elimination of own equity instruments			(235)	(63)	(298)
Share-based payment plans			37	35	72
Preferred shares and equivalent instruments remuneration				(19)	(19)
Interim dividends paid out of net income for the period					-
Effect of acquisitions and disposals on minority interests				(92)	(92)
	(2,408)	**2,424**	**2,496**	**(139)**	**2,373**
Other movements				**(37)**	**(37)**
Unrealised or deferred gains and losses for the period :					
Changes in faire value of financial intruments through shareholders' equity					-
Changes in faire value of financial intruments through profit and loss					-
Effect of movements in exchange rates					-
Share of changes in net assets of associates and equity-accounted joint enterprises					-
	-	**-**	**-**	**-**	**-**
Net income for 2005				**5,852**	**5,852**
Consolidated equity at 31 December 2005 under EU IFRS	**9,701**	**2,424**	**(165)**	**23,287**	**35,247**

(1) In accordance with IFRS, BNP Paribas has recognised all existing cumulative translation differences as at 1 January 2004 as an irreversible component of retained earnings.

Shareholders' equity (cont'd)					Minority interests			
Cumulative translation adjustment	Available-for-sale reserve	Hedging reserve	Total unrealised or deferred gains & losses	Total shareholders' equity	Retained earnings and net income for the period	Unrealised or deferred gains and losses	Total minority Interests	Total consolidated equity
(602)			(602)	28,321	5,019		5,019	33,340
			-	(1,212)	(324)		(324)	(1,536)
(602)	-	-	(602)	27,109	4,695	-	4,695	31,804
602			602	(142)	66		66	(76)
-	-	-	-	26,967	4,761	-	4,761	31,728
			-	252			-	252
			-	(1,672)			-	(1,672)
			-	6			-	6
			-	-	(157)		(157)	(157)
-	-	-	-	(1,414)	(157)	-	(157)	(1,571)
			-	56	4		4	60
(142)			(142)	(142)		(107)	(107)	(249)
(30)			(30)	(30)			-	(30)
(172)	-	-	(172)	(172)	-	(107)	(107)	(279)
				4,939	412		412	5,351
(172)	-	-	(172)	30,376	5,020	(107)	4,913	35,289
	3,329	436	3,765	1,935	(95)	(4)	(99)	1,836
(172)	3,329	436	3,593	32,311	4,925	(111)	4,814	37,125
			-	(1,659)	(211)		(211)	(1,870)
(172)	3,329	436	3,593	30,652	4,714	(111)	4,603	35,255
			-	286			-	286
			-	-			-	-
			-	2,424	163		163	2,587
			-	(298)			-	(298)
			-	72			-	72
			-	(19)			-	(19)
			-	-	(154)		(154)	(154)
			-	(92)	22		22	(70)
-	-	-	-	2,373	31	-	31	2,404
			-	(37)	6		6	(31)
	2,018	(190)	1,828	1,828		1	1	1,829
	(702)		(702)	(702)			-	(702)
545			545	545		203	203	748
(7)	212	2	207	207			-	207
538	1,528	(188)	1,878	1,878	-	204	204	2,082
			-	5,852	431 (2)		431	6,283
366	4,857	248	5,471	40,718	5,182	93	5,275	45,993

(2) The portion of net income for the period attributable to minority shareholders in respect of whose shares the Group has granted a put option is transferred to retained earnings attributable to BNP Paribas shareholders, on the "Other movements" line. The amount involved in the year ended 31 December 2005 was EUR 3 million.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

In millions of euros	Note	Year to 31 Dec 2005	Year to 31 Dec 2004
Pre-tax net income		**8,424**	**7,119**
Non-monetary items included in pre-tax net income and other adjustments		**(2,723)**	**7,757**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		2,240	1,940
Impairment of goodwill and other non-current assets		(25)	(7)
Net addition to provisions		4,947	5,501
Share of earnings of associates		(352)	(407)
Net (income) loss from investing activities		(205)	47
Net loss (income) from financing activities		25	(159)
Other movements		(9,353)	842
Net decrease in cash related to assets and liabilities generated by operating activities		**(8,439)**	**(8,859)**
Net increase in cash related to transactions with credit institutions		15,493	12,613
Net decrease in cash related to transactions with credit institutions		(13,991)	(11,828)
Net decrease in cash related to transactions involving other financial assets and liabilities		(6,044)	(7,640)
Net increase in cash related to transactions involving non-financial assets and liabilities		(2,406)	(519)
Taxes paid		(1,491)	(1,485)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**(2,738)**	**6,017**
Net decrease in cash related to acquisitions and disposals of consolidated entities	9.c	(733)	(816)
Net decrease related to property, plant and equipment and intangible assets		(981)	(764)
NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES		**(1,714)**	**(1,580)**
Decrease in cash and equivalents related to transactions with shareholders		(2,050)	(3,151)
Other increases in cash and equivalents generated by financing activities		7,320	958
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**5,270**	**(2,193)**
EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**401**	**(183)**
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**
Balance on cash and equivalent accounts at the start of the period		**7,346**	**5,285**
Net balance of cash accounts and accounts with central banks and post office banks		6,634	5,395
Net balance of demand loans and deposits - credit institutions		712	(110)
Balance on cash and equivalent accounts at the end of the period		**8,565**	**7,346**
Net balance of cash accounts and accounts with central banks and post office banks		6,642	6,634
Net balance of demand loans and deposits - credit institutions		1,923	712
NET INCREASE IN CASH AND EQUIVALENTS		**1,219**	**2,061**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 PREPARED UNDER IFRS

1. EFFECTS OF FIRST-TIME ADOPTION OF IFRS

1.a TRANSITION OF PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 DECEMBER 2004

In millions of euros	French GAAP	Reallocations between financial instrument categories	Reclassifications	Restatements	2004 IFRS
Net interest income	6,119		1,453	(18)	7,554
Net commission income	4,687		(326)	12	4,373
Net gains on trading account securities	4,713	(4,713)			
Net gain/loss on financial instruments at fair value through profit or loss [1]		4,713	(1,355)	8	3,366
Income from variable-income securities	294	(294)			
Net gains on securities available for sale	453	(453)			
Net gain/loss on available-for-sale financial assets [2]		747	724	(21)	1,450
Net other banking income	101		(101)		
Underwriting result and net investment income of insurance companies	1,919		(1,919)		
Net income from other activities	537		2,104	(15)	2,626
NET BANKING INCOME	**18,823**	**-**	**580**	**(34)**	**19,369**
Operating expenses	(10,837)		(323)	(83)	(11,243)
Depreciation, amortisation and impairment	(755)		(33)	(12)	(800)
GROSS OPERATING INCOME	**7,231**	**-**	**224**	**(129)**	**7,326**
Cost of risk	(678)		(7)		(685)
OPERATING INCOME	**6,553**	**-**	**217**	**(129)**	**6,641**
Share of earnings of associates	194			213	407
Net gain/loss on non-current assets	843		(605)	(174)	64
Net non-recurring expense	(389)		389		
Amortisation of goodwill	(384)			391	7
Movements in reserve for general banking risks	88			(88)	
PRE-TAX NET INCOME	**6,905**	**-**	**1**	**213**	**7,119**
Corporate income tax	(1,830)		(1)	67	(1,764)
NET INCOME	**5,075**	**-**	**-**	**280**	**5,355**
of which minority interests	407			9	416
NET INCOME BEFORE MINORITY INTERESTS	**4,668**	**-**	**-**	**271**	**4,939**

(1) Under 2004 IFRS, "Financial instruments at fair value through profit or loss" consists solely of trading account financial instruments.

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

The profit and loss account format recommended by the French accounting authorities does not retain the previous French GAAP headings to classify gains and losses on financial instruments covered by IAS 39. The Group has therefore used the recommended headings. Reallocations between French GAAP headings and IFRS-compliant headings are shown in the transition schedule.

1.a.1 Principal reclassifications made to comply with 2004 IFRS and with presentational rules adopted in France

In millions of euros	Reclassification of net non-recurring expense	Reclassification of gain/loss on disposal of investments	Reallocation of underwriting result & net investment income of insurance companies	Reclassification of interest on fixed-income trading account securities
Net interest income	(11)		286	1,356
Net commission income			(1)	
Net gain/loss on financial instruments at fair value through profit or loss	5			(1,356)
Net gain/loss on available-for-sale financial assets	2	604	124	-
Net other banking income				
Underwriting result and net investment income of insurance companies			(1,919)	
Net income from other activities	(23)		1,510	
NET BANKING INCOME	**(27)**	**604**	**-**	**-**
Operating expenses	(327)			
Depreciation, amortisation and impairment	(33)			
GROSS OPERATING INCOME	**(387)**	**604**	**-**	**-**
Cost of risk				
OPERATING INCOME	**(387)**	**604**	**-**	**-**
Net gain/loss on non-current assets	(1)	(604)		
Net non-recurring expense	389			
PRE-TAX NET INCOME	**1**	**-**	**-**	**-**
Corporate income tax	(1)			
NET INCOME	**-**	**-**	**-**	**-**

Reclassification of non-recurring items

The net non-recurring expense of EUR 389 million reported for the year ended 31 December 2004 has been reallocated mainly to "Operating expense" (EUR 327 million, primarily for employee benefit obligations and costs associated with the transition to IFRS and preparations for the new capital adequacy ratio calculation rules), "Depreciation, amortisation and impairment" (EUR 33 million), and "Net income from other activities" (EUR 23 million).

Reclassification of gains and losses on disposals of long-term investments

Gains and losses on disposals of long-term investments, shown under "Gains on long-term investments and changes in provisions" under French GAAP, have been reclassified to "Net Banking Income". The amount involved is EUR 604 million. Net realised gains and losses on disposals of property, plant and equipment and intangible assets used in operations, and on disposals of investments in consolidated undertakings still included in the scope of consolidation at the time of disposal, continue to be recorded on this line, now retitled "Net gain/loss on non-current assets" to reflect the change in content.

Reclassification of underwriting result and net investment income of insurance companies

BNP Paribas has reclassified all the items included on the line "Underwriting result and net investment income of insurance companies", so as to include them with items of a similar nature related to banking activities. The total amount involved (EUR 1,919 million) has been reclassified as follows: EUR 1,510 million to "Net income from other activities", EUR 124 million to "Net gain/loss on available-for-sale financial assets", and EUR 286 million to "Interest income".

Recognition of net operating lease income in "Net income from other activities"	Reclassification of "Net other banking income"	Other items	TOTAL Reclassifications
(261)	56	27	1,453
(215)	(113)	3	(326)
	(7)	3	(1,355)
-	(4)	(2)	724
(16)	(85)		(101)
			(1,919)
492	153	(28)	2,104
-	**-**	**3**	**580**
		4	(323)
			(33)
-	**-**	**7**	**224**
		(7)	(7)
-	**-**	**-**	**217**
			(605)
			389
-	**-**	**-**	**1**
			(1)
-	**-**	**-**	**-**

Reclassification of interest on fixed-income trading account securities

Interest income derived from fixed-income trading account securities, reported under French GAAP in "Net gains on trading account securities" (equivalent to "Net gain/loss on financial instruments at fair value through profit or loss" under IFRS), has been reclassified to "Interest income". The total amount involved is EUR 1,356 million.

Reclassification of net income from operating leases

Some leases contracted by the BNP Paribas Group as lessor qualify as operating leases under IFRS but were treated as finance leases under French GAAP. In the French GAAP financial statements, these leases generated income that was recorded partly in "Net interest income" (EUR 261 million) and partly in "Commission income" (EUR 2 million). Under IFRS, this income has been reclassified in full to "Net income from other activities". In addition, ancillary revenues generated by these leasing activities, mainly in the form of recharges of future maintenance costs, have been reclassified from "Commission income" (amount: EUR 213 million) and "Net other banking income" (amount: EUR 16 million) to "Net income from other activities".

Reclassification of "Net other banking income"

Items included in "Net other banking income" under French GAAP (apart from income generated by operating leases, as described in the previous paragraph), have been reallocated to other lines within net banking income according to the nature of the income or expense. In particular, EUR 56 million has been reclassified to "Interest income", payment instrument charges of EUR 113 million have been reclassified to "Commission income", and EUR 153 million of income (mainly comprising rental income from investment property) has been reclassified to "Net income from other activities".

1.a.2 Principal restatements made to comply with 2004 IFRS

In millions of euros	PP&E used in operations and investment property	Intangible assets	Leases	Share-based payment
	IAS 16, IAS 40	IAS 38	IAS 17	IFRS 2
Net interest income			(5)	
Net commission income				
Net gain/loss on financial instruments at fair value through profit or loss				
Net gain/loss on available-for-sale financial assets				
Net income from other activities	7		(21)	
NET BANKING INCOME	**7**	**-**	**(26)**	**-**
Operating expenses		2	3	(115)
Depreciation, amortisation and impairment	1	(13)	(1)	
GROSS OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Cost of risk				
OPERATING INCOME	**8**	**(11)**	**(24)**	**(115)**
Share of earnings of associates				
Net gain/loss on non-current assets				
Amortisation of goodwill				
Movements in reserve for general banking risks				
PRE-TAX NET INCOME	**8**	**(11)**	**(24)**	**(115)**
Corporate income tax	5	4	10	18
NET INCOME	**13**	**(7)**	**(14)**	**(97)**
of which minority interests	8		1	
NET INCOME BEFORE MINORITY INTERESTS	**5**	**(7)**	**(15)**	**(97)**

Note 1.c provides an explanation, for each standard, of the principal restatements made to comply with 2004 IFRS.

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS 19	IAS 31 & IAS 36	IAS 37		2004 IFRS
	(7)		(6)	(18)
	13		(1)	12
11			(3)	8
	(21)			(21)
			(1)	(15)
11	**(15)**	**-**	**(11)**	**(34)**
54	(27)			(83)
			1	(12)
65	**(42)**	**-**	**(10)**	**(129)**
				-
65	**(42)**	**-**	**(10)**	**(129)**
2	210		1	213
	(169)		(5)	(174)
	391			391
		(88)		(88)
67	**390**	**(88)**	**(14)**	**213**
(23)	53	2	(2)	67
44	**443**	**(86)**	**(16)**	**280**
	6	(1)	(5)	9
44	**437**	**(85)**	**(11)**	**271**

1.b TRANSITION OF BALANCE SHEET AT 31 DECEMBER 2004 AND 1 JANUARY 2005

In millions of euros	31 Dec 2004	Reclassification	Restatements	31 Dec 2004	Reclassification	Restatements	1 January 2005
	French GAAP	2004 IFRS		2004 IFRS	IAS 32, IAS 39 and IFRS 4		EU IFRS
ASSETS		1.b.1	1.b.3		1.b.2	1.b.4	
Cash and amounts due from central banks and post office	6,843	-	2	6,845	43	-	6,888
Securities portfolio	273,676	65,319	(392)	338,603	(338,603)		
- Treasury bills and money-market instruments	128,400		1	128,401	(128,401)		
- Bonds and other fixed-income instruments	66,899	39,367	256	106,522	(106,522)		
- Equities and other variable-income instruments	72,254	25,952	(156)	98,050	(98,050)		
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	6,123		(493)	5,630	(5,630)		
Financial assets at fair value through profit or loss					538,526	984	539,510
Derivatives used for hedging purposes					402	2,179	2,581
Available-for-sale financial assets					69,761	6,017	75,778
Loans and receivables due from credit institutions	180,443	991	221	181,655	(140,702)	30	40,983
Loans and receivables due from customers	258,080	(4,700)	11,646	265,026	(19,920)	(878)	244,228
- Loans and receivables	237,508	43	11,655	249,206	(19,920)	(851)	228,435
- Finance lease receivables	20,572	(4,743)	(9)	15,820	-	(27)	15,793
Held-to-maturity financial assets					26,130	-	26,130
Insurance company investments	69,501	(69,501)	-	-	-	-	-
Current and deferred tax assets		1,474	402	1,876	-	264	2,140
Accrued income and other assets	99,808	112	143	100,063	(58,684)	(47)	41,332
Investments in associates	1,761	203	470	2,434	-	286	2,720
Property, plant and equipment and intangible assets	9,582	5,778	(854)	14,506	(621)	-	13,885
- Investment property	3,773	1,309	90	5,172	(621)	-	4,551
- Property, plant and equipment	4,231	4,476	(548)	8,159	-	-	8,159
- Intangible assets	1,578	(7)	(396)	1,175	-	-	1,175
Goodwill	6,244	(203)	367	6,408	(80)	-	6,328
Total assets	905,938	(527)	12,005	917,416	76,252	8,835	1,002,503
LIABILITIES AND SHAREHOLDERS' EQUITY							
Due to central banks and post office banks	256	(256)	-	-	256	-	256
Financial liabilities at fair value through profit or loss					454,704	2,422	457,126
Derivatives used for hedging purposes					155	295	450
Due to credit institutions	244,707	-	57	244,764	(144,671)	95	100,188
Due to customers	237,712	1,245	(1,038)	237,919	(26,431)	(1)	211,487
Debt securities	103,966	-	12,544	116,510	(38,923)	10	77,597
Remeasurement adjustment on interest-rate risk hedged					-	1,022	1,022
Current and deferred tax liabilities		1,449	(83)	1,366	-	287	1,653
Technical reserves of insurance companies	69,378	(1,200)	(249)	67,929	(5,525)	2,114	64,518
Accrued expenses and other liabilities	198,128	(2,021)	104	196,211	(162,236)	81	34,056
Negative goodwill	15	-	(15)	-	-	-	-
Provisions for contingencies and charges	3,764	-	812	4,576	(758)	165	3,983
Subordinated debt	12,242	-	354	12,596	(63)	509	13,042
Reserve for general banking risks	752	-	(752)	-	-	-	-
Shareholders' equity	30,194	-	182	30,376	-	1,935	32,311
Share capital and additional paid-in capital	12,109			12,109	-		12,109
Retained earnings	14,206		(706)	13,500	-	(1,830)	11,670
Unrealised or deferred gains and losses	(789)		617	(172)	-	3,765	3,593
Net income for the period	4,668		271	4,939	-		4,939
Minority interests	4,824	-	89	4,913	-	(99)	4,814
Total liabilities and shareholders' equity	905,938	(783)	12,005	917,160	76,508	8,835	1,002,503

1.b.1 Principal restatements made at 31 December 2004 to comply with 2004 IFRS, in accordance with the presentational rules adopted in France

In millions of euros	Reallocation of insurance company investments	Goodwill on associates	Reclassification of technical reserves of insurance companies	Equipment leases qualifying as operating leases
ASSETS				
Securities portfolio	**65,249**	**-**	**-**	**-**
- Bonds and other fixed-income instruments	39,367			
- Equities and other variable-income instruments	25,882			
Loans and receivables due from credit institutions	**991**			
Loans and receivables due from customers	**13**	**-**	**-**	**(4,713)**
- Loans and receivables	13			30
- Finance lease receivables				(4,743)
Insurance company investments	**(69,501)**			
Current and deferred tax assets				
Accrued income and other assets	**2,075**			**73**
Investments in associates		**203**		
Property, plant and equipment and intangible assets	**1,173**	**-**	**45**	**4,640**
- Investment property	1,173		45	
- Property, plant and equipment				4,640
- Intangible assets				
Goodwill		**(203)**		
Total assets	**-**	**-**	**45**	**-**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to customers			**1,245**	
Current and deferred tax liabilities				
Technical reserves of insurance companies			**(1,200)**	
Accrued expenses and other liabilities				
Total liabilities and shareholders' equity	**-**	**-**	**45**	**-**

Reallocation of insurance company investments

Under French GAAP, insurance company investments (EUR 69,501 million) were recorded on a separate line that included property investments, admissible investments related to unit-linked business, and any other admissible investment related to insurance contracts (especially life insurance contracts).

Under IFRS, these investments have been reclassified by type. Property investments (EUR 1,173 million) have been reclassified under “Investment property”. Financial investments held by insurance companies using fixed-income or variable-income securities as the underlying asset have been reclassified to the relevant category of securities, resulting in the reclassification of EUR 39,367 million to “Bonds and other fixed-income instruments” and EUR 25,882 million to “Equities and other variable-income instruments”. An amount of EUR 991 million has been reclassified to “Loans and receivables due from credit institutions”, and the “Reinsurers’ share of technical reserves”, totalling EUR 2,075 million, has been reclassified to “Accrued income and other assets”.

Goodwill on investments in associates

Goodwill arising on investments in associates (companies accounted for under the equity method) but not yet amortised, amounting to EUR 203 million at 31 December 2004, has been reclassified from “Goodwill” and is now included in the line “Investments in associates”.

Reclassification of tax to specific account	Other reclassifications	TOTAL Reclassifications
-	70	65,319
		39,367
	70	25,952
		991
-	-	(4,700)
		43
		(4,743)
		(69,501)
1,474		1,474
(1,474)	(562)	112
		203
-	(80)	5,778
	91	1,309
	(164)	4,476
	(7)	(7)
		(203)
-	(572)	(527)

		1,245
1,449	-	1,449
		(1,200)
(1,449)	(572)	(2,021)
		-
-	(572)	(527)

Reclassification of technical reserves of insurance companies

Technical reserves that have the characteristics of amounts due to reinsurers have been reclassified to “Due to customers” on the liabilities side of the balance sheet (EUR 1,245 million).

Equipment leases

Certain equipment leases that qualify as operating leases under IFRS were treated as finance leases under French GAAP and hence recorded as customer items under “Leasing receivables” in the balance sheet. Under IAS 16 and IAS 17, assets leased under operating leases are now recognised as property, plant and equipment in the lessor’s balance sheet (impact at 31 December 2004: EUR 4,640 million).

1.b.2 Principal reclassifications made at 1 January 2005 relating to the application of IAS 32, IAS 39 and IFRS 4

In millions of euros	Reallocation of securities portfolio	Designation of liabilities at fair value through profit or loss (fair value option)	Reclassification of repurchase agreements	Recognition of derivatives in the balance sheet	Liabilities related to securities transactions	Other reclassifications	TOTAL Reclassifications
ASSETS							
Cash and amounts due from central banks and post office banks	**43**						**43**
Securities portfolio	**(338,603)**	**-**	**-**	**-**	**-**	**-**	**(338,603)**
- Treasury bills and money-market instruments	(128,401)						(128,401)
- Bonds and other fixed-income instruments	(106,522)						(106,522)
- Equities and other variable-income instruments	(98,050)						(98,050)
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(5,630)						(5,630)
Financial assets at fair value through profit or loss	**229,140**		**165,181**	**143,333**		**872**	**538,526**
Derivatives used for hedging purposes				**402**			**402**
Available-for-sale financial assets	**69,232**					**529**	**69,761**
Loans and receivables due from credit institutions	**1,199**		**(144,598)**			**2,697**	**(140,702)**
Loans and receivables due from customers	**716**	**-**	**(20,583)**	**-**	**-**	**(53)**	**(19,920)**
- Loans and receivables	716		(20,583)			(53)	(19,920)
Held-to-maturity financial assets	**26,130**						**26,130**
Accrued income and other assets				**(54,248)**		**(4,436)**	**(58,684)**
Property, plant and equipment and intangible assets	**-**	**-**	**-**	**-**	**-**	**(621)**	**(621)**
- Investment property						(621)	(621)
Goodwill						**(80)**	**(80)**
Total assets	**(12,143)**	**-**	**-**	**89,487**	**-**	**(1,092)**	**76,252**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Financial liabilities at fair value through profit or loss	**(12,467)**	**33,365**	**178,761**	**149,144**	**103,012**	**2,889**	**454,704**
Derivatives used for hedging purposes				**155**			**155**
Due to credit institutions	**(72)**	**(1,146)**	**(141,099)**			**(2,354)**	**(144,671)**
Due to customers	**(460)**	**(327)**	**(37,662)**			**12,018**	**(26,431)**
Debt securities	**(163)**	**(31,634)**				**(7,126)**	**(38,923)**
Accrued expenses and other liabilities	**1,019**			**(59,812)**	**(103,012)**	**(431)**	**(162,236)**
Technical reserves of insurance companies						**(5,525)**	**(5,525)**
Provisions for contingencies and charges						**(758)**	**(758)**
Subordinated debt		**(258)**				**195**	**(63)**
Total liabilities and shareholders' equity	**(12,143)**	**-**	**-**	**89,487**	**-**	**(1,092)**	**76,252**

Securities portfolio

The application of IAS 32 and IAS 39 at 1 January 2005 has led to the reclassification of components of the securities portfolio to comply with the new rules requiring financial instruments to be classified by management intention and method of measurement.

At 31 December 2004, the securities portfolio amounted to EUR 338,603 million, after reclassification of insurance company investments. Of this total, EUR 229,140 million was classified as assets at fair value through profit or loss, EUR 69,232 million as available-for-sale assets, EUR 26,130 million as held-to-maturity assets, and EUR 12,467 million as borrowed securities, which are no longer recognised as assets under IFRS.

Fair value option (designation of liabilities as fair value through profit or loss)

In June 2005, the IASB issued an amendment to IAS 39 that allows the measurement at fair value of certain liabilities issued by an enterprise that are not part of the trading portfolio and that include embedded derivatives which are themselves hedged by derivative financial instruments. Because this amendment was adopted by the European Union in 2005, BNP Paribas has applied it with effect from 1 January 2005, and has used the fair value option to designate the following as “Financial liabilities at fair value through profit or loss” as of that date: debt securities of EUR 31,634 million, subordinated debt of EUR 258 million, and structured debt issues of EUR 1,146 million (interbank items) and EUR 327 million (customer items).

Reclassification of repurchase agreements initiated for trading purposes

Securities received under repurchase agreements, classified in “Loans and receivables due from credit institutions” under French GAAP, are presented at 1 January 2005 under “Financial assets at fair value through profit or loss”; the amount involved is EUR 144,598 million. A similar reclassification has been made for the EUR 20,583 million of securities received under repurchase agreements previously classified in “Loans and receivables due from customers”.

On the liabilities side of the balance sheet, EUR 141,099 million and EUR 37,662 million relating to securities given under repurchase agreements with credit institutions and customers respectively have been reclassified to “Financial liabilities at fair value through profit or loss”.

Balance sheet recognition of derivative instruments

Some derivative instruments were already recognised in the balance sheet under French GAAP, mainly in “Accrued income and other assets” (EUR 54,248 million) and “Accrued expenses and other liabilities” (EUR 59,812 million). These consisted of trading account derivatives already measured at market value under French GAAP, and premiums on options used in connection with hedging strategies. The amounts recognised under French GAAP represented the net remeasured value of each portfolio, shown as an asset if the net amount was positive and as a liability if the net amount was negative. These items have been reclassified as financial assets or financial liabilities at fair value through profit or loss as appropriate, and by individual instrument rather than by portfolios of instruments. The effect is to increase total assets and total liabilities by EUR 89,487 million.

Liabilities related to securities transactions

Liabilities related to short selling of securities and securities borrowing, classified in “Accrued expenses and other liabilities” under French GAAP and totalling EUR 103,012 million, have been reclassified to “Financial liabilities at fair value through profit or loss” in the EU IFRS balance sheet.

1.b.3 Restatements made at 31 December 2004 to comply with 2004 IFRS

In millions of euros	PP&E used in operations, investment property	Intangible assets	Leases	Share-based payment
	IAS16 & 40	IAS38	IAS17	IFRS2
ASSETS				
Cash and amounts due from central banks and post office banks				
Securities portfolio	**-**	**-**	**-**	**-**
- Treasury bills and money-market instruments				
- Bonds and other fixed-income instruments				
- Equities and other variable-income instruments				
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment				
Loans and receivables due from credit institutions				
Loans and receivables due from customers	**-**	**-**	**(9)**	**-**
Current and deferred tax assets	**(6)**	**136**	**43**	**(15)**
Accrued income and other assets			**(16)**	**(140)**
Investments in associates	**1**		**(1)**	
Property, plant & equipment and intangible assets	**(370)**	**(396)**	**(88)**	**-**
- Investment property	90			
- Property, plant and equipment	(460)		(88)	
- Intangible assets		(396)		
Goodwill				
Total assets	**(375)**	**(260)**	**(71)**	**(155)**
LIABILITIES & SHAREHOLDERS' EQUITY				
Due to credit institutions				
Due to customers				
Debt securities				
Current and deferred tax liabilities	**(150)**		**11**	
Technical reserves of insurance companies				
Accrued expenses and other liabilities	**(26)**			**(153)**
Goodwill				
Provisions for contingencies & charges			**(18)**	
Subordinated debt				
Reserve for general banking risks				
Shareholders' equity:	**(238)**	**(260)**	**(61)**	**(2)**
- Share capital				
- Additional paid-in capital	(312)			
- Retained earnings	69	(253)	(46)	95
- Net income for the period	5	(7)	(15)	(97)
Minority interests	**39**		**(3)**	
Total liabilities & shareholders' equity	**(375)**	**(260)**	**(71)**	**(155)**

Employee benefit obligations	Consolidation	Reserve for general banking risks	Other IAS/IFRS	TOTAL Restatements
IAS19	IAS27,28,31&36	IAS37		2004 IFRS
	2			2
-	(392)	-	-	(392)
	1			1
	256			256
	(156)			(156)
	(493)			(493)
	221			221
-	11,655	-	-	11,646
189	41	2	12	402
	300		(1)	143
(1)	460		11	470
-	-	-	-	(854)
				90
				(548)
				(396)
	375		(8)	367
188	12,662	2	14	12,005
	57			57
	(1,038)			(1,038)
	12,544			12,544
	51	1	4	(83)
(249)				(249)
	258	3	22	104
	(15)			(15)
873	(40)		(3)	812
	354			354
		(752)		(752)
(437)	447	750	(17)	182
				-
				(312)
(481)	10	835	(6)	223
44	437	(85)	(11)	271
1	44		8	89
188	12,662	2	14	12,005

1.b.4 Restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4

In millions of euros	Impairment for credit risk	Measurement of financial instruments at fair value through profit or loss	Day one profit on financial instruments	Provision for regulated savings products
ASSETS				
Financial assets at fair value through profit or loss		680	56	
Derivatives used for hedging purposes				
Available-for-sale financial assets				
Loans and receivables due from credit institutions	(1)			
Loans and receivables due from customers	(929)	9		(28)
Current and deferred tax assets	288	248	134	129
Accrued income and other assets		(103)		
Investments in associates	(78)	22		
Total assets	(720)	856	190	101
LIABILITIES & SHAREHOLDERS' EQUITY				
Financial liabilities at fair value through profit or loss		1,392	660	
Derivatives used for hedging purposes		35		
Due to credit institutions				
Due to customers				
Debt securities		4		
Remeasurement adjustment on interest-rate risk hedged portfolios				
Current and deferred tax liabilities				
Technical reserves of insurance companies				
Accrued expenses and other liabilities		(31)	31	
Provisions for contingencies & charges	(73)	(84)		347
Subordinated debt				
Shareholders' equity:	(635)	(437)	(501)	(246)
Retained earnings	(635)	(437)	(501)	(246)
Unrealised or deferred gains and losses				
Minority interests	(12)	(23)	-	-
Total liabilities & shareholders' equity	(720)	856	190	101

The restatements made at 1 January 2005 to comply with IAS 32, IAS 39 and IFRS 4, as published in the document entitled "Effects of the Transition to IFRS on the Financial Statements for the year ended 31 December 2004" filed on 16 September 2005 as a supplement to the *Document de Référence*, have been adjusted to take account of put options granted by BNP Paribas to some minority shareholders of subsidiaries under the exclusive control of BNP Paribas, and of a call option granted to the shareholders of a non-consolidated jointly-controlled subsidiary.

Net unrealised gains on securities portfolio	Net unrealised gains on derivatives used for hedging purposes	Fair value hedges	Other items	TOTAL EU IFRS restatements
			248	984
	548	1,631	-	2,179
5,624		168	225	6,017
		25	6	30
		7	63	(878)
		(503)	(32)	264
		(5)	61	(47)
350	(2)		(6)	286
5,974	546	1,323	565	8,835

			370	2,422
	67	194	(1)	295
		95	-	95
			(1)	(1)
		6	-	10
		1,022	-	1,022
677	97	(503)	16	287
1,965			149	2,114
	(47)		128	81
			(25)	165
		509	-	509
3,329	436	-	(11)	1,935
			(11)	(1,830)
3,329	436		-	3,765
3	(7)		(60)	(99)
5,974	546	1,323	565	8,835

The value of these options has been offset against minority interests (amount involved : EUR 51 million) and against retained earnings attributable to BNP Paribas shareholders (amount involved : EUR 49 million), in line with the accounting policy adopted by BNP Paribas and disclosed in Note 2, "Principal Accounting Policies Applied by the BNP Paribas Group".

1.c NOTES ON PRINCIPAL RESTATEMENTS MADE TO COMPLY WITH IFRS

1.c.1 Restatements made to comply with 2004 IFRS

Property, plant and equipment and intangible assets used in operations, investment property (IAS 16, IAS 40)

As allowed under IAS 16, IAS 36 and IAS 40, the BNP Paribas Group has elected to use the historical cost method to measure property, plant and equipment and intangible assets used in operations, investment property, and any impairment of such assets. This elective treatment has the effect of cancelling out revaluations made by the Group to certain operating assets during the 1990s, and of introducing the component-based method.

The effect of these restatements at 1 January 2004, net of deferred taxes, is to reduce additional paid-in capital by EUR 312 million as a result of the adjustment to the value of property, plant and equipment and intangible assets, and to increase retained earnings by EUR 43 million as a result of applying the component-based approach.

Restatement in millions of euros	1 January 2005	1 January 2004
ASSETS	IAS16, IAS 40	
Current and deferred tax assets	(6)	(13)
Investments in associates	1	1
Property, plant & equipment and intangible assets	(370)	(378)
- Investment property	90	83
- Property, plant and equipment	(460)	(461)
Total assets	(375)	(390)
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	(150)	(152)
Accrued expenses and other liabilities	(26)	
Shareholders' equity:	(238)	(269)
- Additional paid-in capital	(312)	(312)
- Retained earnings	69	43
- Net income for the period	5	-
Minority interests	39	31
Total liabilities & shareholders' equity	(375)	(390)
PROFIT & LOSS ACCOUNT	2004	
Net banking income	7	
Depreciation, amortisation and impairment	1	
Corporate income tax	5	
Net income	13	
of which minority interests	8	
Net income, before minority interests	5	

Intangible assets: software (IAS 38)

Under French GAAP, software developed internally by the BNP Paribas Group is amortised on a straight line basis over five years. The application of IAS 38 has led BNP Paribas to redefine the criteria for capitalising internal development costs, and to apply different amortisation periods according to the nature of the software.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 253 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 38	
Current and deferred tax assets	136	132
Property, plant & equipment and intangible assets	(396)	(385)
- Intangible assets	(396)	(385)
Total assets	(260)	(253)
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity:	(260)	(253)
- Retained earnings	(253)	(253)
- Net income for the period	(7)	-
Total liabilities & shareholders' equity	(260)	(253)
PROFIT & LOSS ACCOUNT	2004	
Operating expense	2	
Depreciation, amortisation and impairment	(13)	
Corporate income tax	4	
Net income, before minority interests	(7)	

Assets leased under operating leases – lessor accounting (IAS 17)

Unlike French GAAP, IFRS do not allow lessors to use actuarial depreciation methods in accounting for operating leases. In addition, the depreciated amount of the leased asset is calculated net of its remeasured residual value, with each remeasurement of residual value reflected in a prospective change to annual depreciation expense. IFRS also requires direct negotiating costs and net arrangement fees incurred on inception of the lease to be included in the depreciable amount of the asset.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 46 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	**IAS 17**	
Loans and receivables due from customers	**(9)**	**(5)**
Current and deferred tax assets	**43**	**33**
Accrued income and other assets	**(16)**	**(17)**
Investments in associates	**(1)**	**(1)**
Property, plant & equipment and intangible assets	**(88)**	**(68)**
- Property, plant and equipment	(88)	(68)
Total assets	**(71)**	**(58)**
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	**11**	**10**
Provisions for contingencies & charges	**(18)**	**(18)**
Shareholders' equity:	**(61)**	**(46)**
- Retained earnings	(46)	(46)
- Net income for the period	(15)	-
Minority interests	**(3)**	**(4)**
Total liabilities & shareholders' equity	**(71)**	**(58)**
PROFIT & LOSS ACCOUNT	2004	
Net banking income	(26)	
Operating expense	3	
Depreciation, amortisation and impairment	(1)	
Corporate income tax	10	
Net income	**(14)**	
Of which minority interests	1	
Net income, before minority interests	**(15)**	

BNP Paribas share-based payment plans (IFRS 2)

Under IFRS 2, stock option plans granted to employees and share-based deferred bonuses are treated as a cost. This means that an expense must be recognised equal to the value of the options and shares granted as consideration for the services rendered by the employees.

The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 89 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	**IFRS 2**	
Current and deferred tax assets	**(15)**	**(33)**
Accrued income and other assets	**(140)**	**(63)**
Total assets	**(155)**	**(96)**
LIABILITIES & SHAREHOLDERS' EQUITY		
Accrued expenses and other liabilities	**(153)**	**(185)**
Shareholders' equity:	**(2)**	**89**
- Retained earnings	95	89
- Net income for the period	(97)	-
Total liabilities & shareholders' equity	**(155)**	**(96)**
PROFIT & LOSS ACCOUNT	2004	
Operating expense	(115)	
Corporate income tax	18	
Net income, before minority interests	**(97)**	

Employee benefits (IAS 19)

Non-French employee benefits

BNP Paribas has elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date. The effect of this restatement, net of deferred taxes, is to reduce retained earnings by EUR 152 million.

Obligations to former BNP employees in France in respect of top-up banking industry pensions

The BNP Paribas Group has made a provision to cover its obligations in respect of the rights to top-up banking industry pensions vested in former BNP employees to 31 December 1993, and has written off in full the residual portion of the lump-sum payment made in 1994 to nationwide pension organisations in return for the transfer of the pension plans of the employees in question to these organisations. The effect of these two restatements, net of deferred taxes, is to reduce retained earnings at 1 January 2004 by EUR 359 million.

Retirement bonuses

BNP Paribas has applied the accounting treatment prescribed by the French accounting authorities (*Conseil National de la Comptabilité*) for the impact of the French Pension Reform Act of 2004 on retirement bonuses. Consequently, the provision recorded in 2003 was written off against equity at 1 January 2004, and the past service cost is being recognised in profit or loss over the residual vesting period. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 180 million.

Mutual insurance plan obligations

The BNP Paribas mutual insurance plan, which entitles its members to supplementary healthcare benefits, has been reformed. Two separate plans have been established within the overall framework of the mutual plan:

- the plan for retired employees, in respect of which BNP Paribas extinguished its obligations by making a lump sum payment, the effect of which (net of deferred taxes) is to reduce retained earnings by EUR 97 million at 1 January 2004;
- the plan for active employees, which qualifies as a defined-contribution plan.

Other restatements

Various other restatements have the effect of reducing retained earnings by EUR 53 million. The main impact arises from the use of specific discounting rates that take account of the future settlement date of each type of obligation, and of inflation rates that take account of the payment date of the benefits (as opposed to French GAAP, which permitted the use of a single standard rate).

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 19	
Current and deferred tax assets	189	213
Investments in associates	(1)	(3)
Total assets	188	210
LIABILITIES & SHAREHOLDERS' EQUITY		
Technical reserves of insurance companies	(249)	(238)
Provisions for contingencies & charges	873	928
Shareholders' equity:	(437)	(481)
- Retained earnings	(481)	(481)
- Net income for the period	44	-
Minority interests	1	1
Total liabilities & shareholders' equity	188	210
PROFIT & LOSS ACCOUNT	2004	
Net banking income	11	
Operating expense	54	
Share of earnings of associates	2	
Corporate income tax	(23)	
Net income, before minority interests	44	

Consolidation: changes to scope of consolidation (IAS 27, IAS 28, IAS 31 and SIC 12) and amortisation of goodwill (IAS 36 and IFRS 3)

As permitted under IFRS 1, BNP Paribas has elected not to restate business combinations that took place before 1 January 2004. Under IAS 27, IAS 28 and IAS 31, the scope of consolidation has changed and goodwill is no longer amortised.

1. The main changes to the scope of consolidation relate to:

- Consolidation of special-purpose entities related to proprietary and third-party securitisation programmes that meet the consolidation criteria set out in interpretation SIC 12. The effect of this restatement, net of deferred taxes, is to increase retained earnings at 1 January 2004 by EUR 8 million.

- Consolidation of directly-held private equity investments.

  Profit and loss account items of entities newly recognised as associates (i.e. accounted for by the equity method) under IFRS increase 2004 net income by EUR 210 million.

  In addition, "Net gain/loss on non-current assets" is reduced by EUR 169 million as a result of (i) the adjustment made at 1 January 2004 in respect of entities newly recognised as associates that were divested in 2004, and (ii) the new method of recognising gains and losses on disposal realised by mutual funds in which the Group holds units.

2. IAS 12 also requires a deferred tax liability to be recognised on the reserves of associates if the BNP Paribas Group does not control the distribution of dividends.

   The effect of this adjustment is to reduce retained earnings at 1 January 2004 by EUR 10 million.

3. Amortisation of goodwill, which was allowed under French GAAP, is disallowed under IFRS 3, which instead requires an annual impairment test. The impairment tests conducted by BNP Paribas indicate that there was no impairment of goodwill at either 1 January 2004 or 1 January 2005. The reversal of the amortisation charged under French GAAP in 2004 increases net income for 2004, as reported under IFRS, by EUR 391 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS27,28,31,36,SIC12&IFRS3	
Cash and amounts due from central banks and post office banks	2	2
Securities portfolio	(392)	(260)
- Treasury bills and money-market instruments	1	1
- Bonds and other fixed-income instruments	256	256
- Equities and other variable-income instruments	(156)	(156)
- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	(493)	(361)
Loans and receivables due from credit institutions	221	221
Loans and receivables due from customers	11,655	11,652
Current and deferred tax assets	41	
Accrued income and other assets	300	303
Investments in associates	460	304
Goodwill	375	
Total assets	12,662	12,222
LIABILITIES & SHAREHOLDERS' EQUITY		
Due to credit institutions	57	57
Due to customers	(1,038)	(1,038)
Debt securities	12,544	12,544
Current and deferred tax liabilities	51	66
Accrued expenses and other liabilities	258	258
Goodwill	(15)	(18)
Provisions for contingencies & charges	(40)	(40)
Subordinated debt	354	354
Shareholders' equity:	447	1
- Retained earnings	10	1
- Net income for the period	437	-
Minority interests	44	38
Total liabilities & shareholders' equity	12,662	12,222

PROFIT & LOSS ACCOUNT	2004
Net banking income	(15)
Operating expense	(27)
Share of earnings of associates	210
Net gain/loss on non-current assets	(169)
Changes in value of goodwill	391
Corporate income tax	53
Net income	443
Of which minority interests	6
Net income, before minority interests	437

Reserve for general banking risks (IAS 37)

The reserve for general banking risks recorded under French GAAP does not meet the criteria set out in IAS 37 for recognition as a liability, and hence has been written back to retained earnings. This has the effect of increasing shareholders' equity at 1 January 2004 by EUR 838 million.

In millions of euros	1 January 2005	1 January 2004
ASSETS	IAS 37	
Current and deferred tax assets	2	
Total assets	2	-
LIABILITIES & SHAREHOLDERS' EQUITY		
Current and deferred tax liabilities	1	1
Accrued expenses and other liabilities	3	
Reserve for general banking risks	(752)	(840)
Shareholders' equity:	750	838
- Retained earnings	835	838
- Net income for the period	(85)	-
Minority interests	-	1
Total liabilities & shareholders' equity	2	-
PROFIT & LOSS ACCOUNT	2004	
Movements in reserve for general banking risks	(88)	
Corporate income tax	2	
Net income	(86)	
Of which minority interests	(1)	
Net income, before minority interests	(85)	

1.c.2 Restatements made to comply with IAS 32, IAS 39 and IFRS 4

Credit risk provisions

Specific impairment

IAS 39 does not alter the criteria for identifying impaired loans. However, the method of calculating impairment must now take into account the future cash flows from expected recoveries of interest and principal on impaired loans, discounted at the original effective interest rate of the loan. Discounting the recoverable cash flows used in the calculation of impairment has the effect of reducing retained earnings at 1 January 2005 by EUR 480 million, net of deferred taxes.

Portfolio impairment

IAS 39 requires impairment to be assessed on the basis of portfolios of loans which present objective characteristics of collective impairment where it is not possible to identify impaired loans individually.

BNP Paribas has reversed the provisions for country risk (EUR 1,416 million at 1 January 2005) and for general or industry risks (EUR 730 million at 1 January 2005) set up under French GAAP, which do not meet the criteria for provisions under IAS 39. They have been replaced by portfolio impairment provisions of EUR 2,365 million. These restatements have the effect, net of deferred taxes, of reducing retained earnings at 1 January 2005 by EUR 155 million.

In millions of euros at 1 January 2005	Impairment for credit risk
ASSETS	
Loans and receivables due from credit institutions	(1)
Loans and receivables due from customers	(929)
Current and deferred tax assets	288
Investments in associates	(78)
Total assets	(720)
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	(73)
Shareholders' equity:	(635)
Retained earnings	(635)
Minority interests	(12)
Total liabilities & shareholders' equity	(720)

Measurement of financial instruments at fair value through profit or loss

Disqualification of hedging instruments and remeasurement of other financial instruments reclassified as assets or liabilities at fair value through profit or loss

Under IAS 39 and IFRS 1, swaps used to hedge securities that were classified as held-to-maturity under French GAAP and continue to be classified as such under IFRS no longer qualify for hedge accounting, because interest rate risk on this category of securities cannot be a hedged item under IAS 39. These swaps have therefore been reclassified as trading account securities.

Because written options do not meet the criteria for hedging instruments, the related hedging strategies are disqualified from hedge accounting, and the options used in connection with these strategies have been reclassified as “financial instruments at fair value through profit or loss”.

The designation of certain financial instruments as “fair value through profit or loss” under the fair value option (see Note 1.b.2) has required the remeasurement of these instruments, and of derivatives used to hedge them.

The effect of these restatements, net of deferred tax, is to reduce retained earnings at 1 January 2005 by EUR 407 million.

Measurement of positions arising from financial instruments traded in active markets

Under IAS 39 rules concerning the measurement of derivatives traded in active markets, short positions are measured at bid price and long positions at asking price. This differs from French GAAP, under which an average rate was used.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 30 million.

In millions of euros at 1 January 2005	Measurement of financial instruments at fair value through profit or loss
ASSETS	
Financial assets at fair value through profit or loss	680
Loans and receivables due from customers	9
Current and deferred tax assets	248
Accrued income and other assets	(103)
Investments in associates	22
Total assets	856
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	1,392
Derivatives used for hedging purposes	35
Debt securities	4
Accrued expenses and other liabilities	(31)
Provisions for contingencies & charges	(84)
Shareholders' equity:	(437)
Retained earnings	(437)
Minority interests	(23)
Total liabilities & shareholders' equity	856

Structured derivatives: restatement of initial margin (day one profit)

Financial instruments held for trading account purposes are measured at fair value through profit or loss. Fair value is based on market prices if the instrument is listed on an active market, or on market parameters if the Group has to use valuation models.

If there are no observable parameters to measure the value of an instrument, its value is deemed to be the transaction price. Initial margin (day one profit) recognised in the profit and loss account on transactions yet to mature at 1 January 2005 has been reversed out if the transaction was measured on the basis of non-observable market parameters.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 501 million. The day one profit will be released to the profit and loss account over the period of non-observability of the market parameters used to measure the value of the instrument, or when the market parameters become observable.

In millions of euros at 1 January 2005	Day one profit on financial instruments
ASSETS	
Financial assets at fair value through profit or loss	56
Current and deferred tax assets	134
Total assets	190
LIABILITIES & SHAREHOLDERS' EQUITY	
Financial liabilities at fair value through profit or loss	660
Accrued expenses and other liabilities	31
Shareholders' equity:	(501)
Retained earnings	(501)
Total liabilities & shareholders' equity	190

Provisions for savings products at regulated rates of interest

Under IFRS, a provision for contingencies and charges is required to cover the interest rate risk arising on home savings (*Epargne-Logement*) contracts due to the differential between the regulated rate and the market rate for similar instruments during the two phases (savings and loan) of the contract.

The effect of this restatement, net of deferred taxes, is to reduce retained earnings at 1 January 2005 by EUR 246 million.

In millions of euros at 1 January 2005	Provision for regulated savings products
ASSETS	
Loans and receivables due from customers	(28)
Current and deferred tax assets	129
Total assets	101
LIABILITIES & SHAREHOLDERS' EQUITY	
Provisions for contingencies & charges	347
Shareholders' equity:	(246)
Retained earnings	(246)
Total liabilities & shareholders' equity	101

Net unrealised gains on the securities portfolio

The categories of securities which under French GAAP were recorded at the lower of cost or market (securities available for sale, participating interests, equity securities held for long-term investment, and some held-to-maturity securities) are now classified as “available-for-sale” and measured at fair value.

The remeasurement, amounting to EUR 3,329 million net of deferred taxes at 1 January 2005, has been taken to equity under “Unrealised or deferred gains and losses”.

In millions of euros at 1 January 2005	Net unrealised gains on securities portfolio
ASSETS	
Available-for-sale financial assets	5,624
Investments in associates	350
Total assets	5,974
LIABILITIES & SHAREHOLDERS' EQUITY	
Current and deferred tax liabilities	677
Technical reserves of insurance companies	1,965
Shareholders' equity:	3,329
Unrealised or deferred gains and losses	3,329
Minority interests	3
Total liabilities & shareholders' equity	5,974

Net unrealised gains on derivative instruments designated as cash flow hedges

Derivative instruments contracted as cash flow hedges are recognised in the balance sheet at fair value under “Derivatives used for hedging purposes”. Changes in the fair value of these instruments are taken to equity as “unrealised or deferred gains or losses”.

The remeasurement of derivative instruments designated as cash flow hedges at 1 January 2005 had a positive impact of EUR 436 million net of deferred taxes.

In millions of euros at 1 January 2005	Net unrealised gains on derivatives used for hedging purposes
ASSETS	
Derivatives used for hedging purposes	548
Investments in associates	(2)
Total assets	546
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	67
Current and deferred tax liabilities	97
Accrued expenses and other liabilities	(47)
Shareholders' equity:	436
Unrealised or deferred gains and losses	436
Minority interests	(7)
Total liabilities & shareholders' equity	546

Financial instruments covered by fair value hedges

Financial instruments covered by fair value hedges are remeasured at fair value to the extent of the hedged risk, symmetrically with the designated hedging instrument. These hedging transactions have no effect on retained earnings at 1 January 2005.

Derivative instruments used to hedge the inherent interest rate risk of the demand deposit portfolio had a value of EUR 1,022 million at 1 January 2005.

In millions of euros at 1 January 2005	Fair value hedges
ASSETS	
Derivatives used for hedging purposes	1,631
Available-for-sale financial assets	168
Loans and receivables due from credit institutions	25
Loans and receivables due from customers	7
Current and deferred tax assets	(503)
Accrued income and other assets	(5)
Total assets	1,323
LIABILITIES & SHAREHOLDERS' EQUITY	
Derivatives used for hedging purposes	194
Due to credit institutions	95
Debt securities	6
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022
Current and deferred tax liabilities	(503)
Subordinated debt	509
Total liabilities & shareholders' equity	1,323

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS GROUP

2.a ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

Because IAS 32, IAS 39 and IFRS 4 were not applied to the comparative period (the year to 31 December 2004), in accordance with option allowed under IFRS 1, the accounting policies previously applied under French GAAP and described in Note 10 ("Financial statements prepared under French GAAP for the years ended 31 December 2003 and 2004) continued to apply in 2004 in the following areas:

- Consolidation method of insurance companies
- Interbank and money-market items, customer items (assets)
- Securities
- Interbank and money-market items, customer deposits (liabilities)
- Debt securities
- Country risk provisions
- Provisions for unforeseeable industry risks
- Forward financial instruments
- Recognition of revenue and expense
- Net additions to provisions for credit risks and country risks (cost of risk)

The areas in which IFRS apply with effect from 2004 are as follows:

CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of BNP Paribas include all entities under the exclusive or joint control of the Group or over which the Group exercises significant influence, the consolidation of which is material to the Group. An enterprise is regarded as material if it contributes at least EUR 8 million to consolidated net banking income, EUR 4 million to consolidated gross operating income or net income before tax, or EUR 40 million to total consolidated assets. Entities that hold shares in consolidated enterprises are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

The Group also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where the Group has no equity interest in the entity, provided that the substance of the relationship indicates that the Group exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of the Group, such that the Group obtains benefits from those activities;
- the Group has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);
- the Group has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings, to a share of its net assets, to benefit from of one or more assets, or to receive the majority of the residual assets in the event of liquidation;

- the Group retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if the risk exposure of outside investors is significantly reduced as a result of a guarantee from a Group company.

CONSOLIDATION METHODS

Enterprises under the exclusive control of the Group are fully consolidated. The Group has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when the BNP Paribas Group owns, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when the Group has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the board of directors or equivalent governing body; or to cast the majority of votes at meetings of the board of directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

Enterprises under joint control are accounted for using the proportionate consolidation method. The Group exercises joint control when under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in the strategic decision-making of the enterprise through representation on the board of directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the enterprise's development.

If the Group's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the associate are provided for only to the extent that the Group has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet. The calculation of minority interests takes account of outstanding cumulative preferred shares classified as equity instruments and issued by subsidiaries, and held outside the Group.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain/loss on non-current assets".

CONSOLIDATION PROCEDURES

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

- Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

- Translation of financial statements expressed in foreign currencies

The consolidated financial statements of the BNP Paribas Group are expressed in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising on the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under "Cumulative translation adjustment" for the portion attributable to shareholders, and in "Minority interests" for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, the Group has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of some or all of the interest held in a foreign enterprise, the portion of the cumulative translation adjustment recorded in shareholders' equity in respect of the interest liquidated or disposed of is recognised in the profit and loss account.

BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- Business combinations

Business combinations are accounted for by the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued to obtain control of the acquiree, plus any costs directly attributable to the combination.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, and negative goodwill is recognised immediately in profit or loss, on the acquisition date.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

The BNP Paribas Group tests goodwill for impairment on a regular basis.

- Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units, representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management methods; it is subject to regular review in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

- Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, writing down the goodwill by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management and from analyses of long-term trends of the market positioning of the unit's activities. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Group as lessor under operating leases.

Investment property comprises property assets held to generate rental income and capital gains.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by the BNP Paribas Group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under "Depreciation, amortisation and impairment of property, plant & equipment and intangible assets".

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. The BNP Paribas Group has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant & equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Net gain/loss on non-current assets”.

Gains and losses on disposals of investment property are recognised in the profit and loss account in “Income from other activities” or “Expenses on other activities”.

LEASES

LESSOR ACCOUNTING:

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

- Finance leases:

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under “Interest income”. The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

- Operating leases:

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor's balance sheet and depreciated on a straight line basis over the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight line basis over the lease term. Lease payments and depreciation expense are taken to the profit and loss account under "Income from other activities" and "Expenses on other activities".

LESSEE ACCOUNTING:

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

- Finance leases:

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payment, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

- Operating leases:

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight line basis over the lease term.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within twelve months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".
Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.
Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resale.
All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

- Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- Long-term benefits

These are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the associated service. This relates in particular to compensation deferred for more than twelve months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately and no “corridor” is applied. The effect of any plan amendments regarded as relating to past service is also recognised immediately.

- Termination benefits

Termination benefits are employee benefits payable as a result of a decision by the Group to terminate a contract of employment before the legal retirement age or a decision by an employee to accept voluntary redundancy in exchange for a benefit. Termination benefits falling due more than twelve months after the balance sheet date are discounted.

- Post-employment benefits

In accordance with IFRS, the BNP Paribas Group draws a distinction between defined contribution plans and defined benefit plans.

Defined contribution plans do not give rise to an obligation for the Group and consequently do not require a provision. The amount of employer’s contributions payable during the period is recognised as an expense.

Only defined benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined benefit plans are measured using actuarial techniques that take account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes account of various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. The Group applies the "corridor" method in accounting for actuarial gains and losses. Under this method, the Group is allowed to recognise, starting in the following period, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period. This amount is taken to profit or loss over the average remaining working life of the employees.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits" in respect of defined benefit plans comprises the current service cost (the rights vested in each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

SHARE-BASED PAYMENT

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or of a cash payment of which the amount is based on trends in the value of BNP Paribas shares.

IFRS 2 requires share-based payments to be recognised as an expense. The amount recognised is the value of the share-based payment made to the employee.

The Group grants stock subscription option plans and deferred share-based compensation plans to employees, and also offers them the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

- Stock option plans

The expense related to stock option plans is recognised at the date of grant if the grantee immediately acquires rights to the shares, or over the vesting period if the benefit is conditional upon the grantee's continued employment.
This expense, the credit entry for which is posted to shareholders' equity, is calculated on the basis of the overall plan value, determined at the grant date by the Board of Directors.
In the absence of any market for these instruments, mathematical valuation models are used. The total expense of a plan is determined by multiplying the unit value per option by the estimated number of options that will vest at the end of the vesting period, taking account of conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

A similar accounting treatment is applied to deferred share-based compensation plans.

- Share subscriptions offered to employees under the company savings plan

Share subscriptions offered to employees under the company savings plan (*Plan d'Epargne Entreprise*) do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of 5 years. This restriction is taken into account in measuring the benefit to the employees, which is reduced accordingly. The benefit equals the difference between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee at the subscription date, multiplied by the number of shares acquired.

PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

CURRENT AND DEFERRED TAXES

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and there is a legal right of offset.

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

2.b ACCOUNTING POLICIES APPLIED WITH EFFECT FROM 1 JANUARY 2005

The accounting policies described below replace with effect from 1 January 2005 the policies previously applied to the areas listed in Note 2.a.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LOANS AND RECEIVABLES

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight line basis over the life of the commitment.

REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*comptes épargne-logement* – "CEL") and home savings plans (*plans d'épargne logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

These products contain two types of obligation for BNP Paribas: (i) an obligation to pay interest on the savings for an indefinite period, at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and (ii) an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations in respect of each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to:

- for the loan phase: statistically probable loan outstandings and actual loan outstandings;
- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between (i) the reinvestment rate and (ii) the fixed savings interest rate on at-risk savings outstandings for the period in question. Earnings for future periods from the loan phase are estimated as the difference between (i) the refinancing rate and (ii) the fixed loan interest rate on at-risk loan outstandings for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on (i) fixed-rate home loans in the case of the loan phase and (ii) euro-denominated life assurance products in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte Carlo method.

Where the sum of the Group’s estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in “Provisions for contingencies and charges”. Movements in this provision are recognised as interest income in the profit and loss account.

SECURITIES

- Categories of securities

Securities held by the Group are classified in one of three categories.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss comprise:
  - financial assets held for trading purposes;
  - financial assets that the Group has opted, on initial recognition, to recognise and measure at fair value through profit or loss using the fair value option available under IAS 39.

  Securities in this category are measured at fair value at the balance sheet date. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under “Net gain/loss on financial instruments at fair value through profit or loss”, along with dividends from variable-income securities and realised gains and losses on disposal.

  Income earned on fixed-income securities classified in this category is shown under “Interest income” in the profit and loss account.

  Fair value incorporates an assessment of the counterparty risk on these securities.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

  Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in “Interest income” in the profit and loss account.

- Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as “fair value through profit or loss” or “held-to-maturity”.

Assets included in the available-for-sale category are recorded at fair value in the balance sheet, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders’ equity, “Unrealised or deferred gains or losses”. On disposal, or on recognition of an impairment loss, these unrealised gains and losses are transferred from shareholders’ equity to the profit and loss account, where they are shown on the line “Net gain/loss on available-for-sale financial assets”.

Gains and losses realised on disposal of available-for-sale financial assets are taken to the profit and loss account under “Net gain/loss on available-for-sale financial assets”. The gain or loss on disposal is calculated using the first in, first out method.

Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in “Interest income” in the profit and loss account. Dividend income from variable-income securities is recognised in “Net gain/loss on available-for-sale financial assets” when the Group’s right to receive payment is established.

- Date of and criteria for recognition

Securities classified in the three categories described above are recognised in the balance sheet on the date on which the transaction is entered into, and remain in the balance sheet until the rights of the Group to receive cash flows from the assets have been extinguished or until the Group has transferred substantially all the risks and rewards of ownership of the asset.

- Investments in associates

Changes in the net assets of associates (companies accounted for under the equity method) are recognised in “Investments in associates” on the assets side of the balance sheet, and in the relevant component of shareholders’ equity.

Goodwill on associates is also included in “Investments in associates”.

- Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the Group’s balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category in the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in “Financial liabilities at fair value through profit or loss”.

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group’s balance sheet. The corresponding receivable is recognised in “Loans and receivables” except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised in “Financial assets at fair value through profit or loss”.

Irrespective of the accounting classification, all repurchase agreements are initially recognised on the settlement date of the transaction.

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity is recognised in the balance sheet under “Financial liabilities at fair value through profit or loss”.

FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

- Monetary assets and liabilities[1] expressed in foreign currencies

  Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

- Non-monetary assets and liabilities expressed in foreign currencies

  Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

  Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified in “Financial assets at fair value through profit or loss”, and in shareholders' equity if the asset is classified in “Available-for-sale financial assets”, unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

IMPAIRMENT OF FINANCIAL ASSETS

- Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments entered into by the Group.

At individual level, the amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under “Cost of risk”. Once an asset has been impaired, the notional interest earned on the carrying amount of the asset (calculated at the original effective interest rate used to discount the estimated recoverable cash flows) is recognised in “Interest income” in the profit and loss account.

Counterparties that are not individually impaired are risk-assessed on the basis of portfolios of loans with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of

[1] Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of money.

impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken to the profit and loss account under “Cost of risk”.

- Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition. In the case of variable-income securities quoted in an active market, a prolonged or significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Impairment losses taken against fixed-income securities are recognised in “Cost of risk”, and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Impairment losses taken against variable-income securities are recognised as a component of net banking income on the line “Net gain/loss on financial instruments at fair value through profit or loss”, and may not be reversed through the profit and loss account until the securities in question are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

ISSUES OF DEBT SECURITIES

Financial instruments issued by the Group qualify as debt instruments if the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group may be obliged to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group’s own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Bonds redeemable for or convertible into equity instruments of the Group are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

OWN EQUITY INSTRUMENTS AND OWN EQUITY INSTRUMENT DERIVATIVES

The term “own equity instruments” refers to shares issued by the parent company (BNP Paribas SA) or by its fully-consolidated subsidiaries.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders’ equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

Equity instruments issued by subsidiaries under the exclusive control of BNP Paribas are in substance equivalent to equity instruments of the parent company. Consequently, when the Group acquires equity instruments issued by such subsidiaries, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- As equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued.
- As debt instruments if the contract includes an obligation, whether contingent or not, for the issuer to repurchase its own shares.
- As derivatives if they are settled in cash, or if the issuer can choose whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

- Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in “Financial assets at fair value through profit or loss” when their fair value is positive, and in “Financial liabilities at fair value through profit or loss” when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line “Net gain/loss on financial instruments at fair value through profit or loss”.

- Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are used in particular to hedge interest rate risk on fixed-rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed-rate loans).

Cash flow hedges are used in particular to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign-currency revenues.

At the inception of the hedge, the Group prepares formal documentation of the hedging relationship identifying the instrument (or portion of the instrument or portion of risk) that is being hedged; the hedging strategy and the type of risk covered; the hedging instrument; and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, consistently with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under the so-called “carve-out” from IAS 39 adopted by the European Union, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- The risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits).

- The instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings (see Note 5c for the methods used to measure interest rate gaps, which include demand deposits based on behavioural modelling).
- The hedging instruments used consist exclusively of “plain vanilla” swaps.
- Prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in “Net gain/loss on financial instruments at fair value through profit or loss”, symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under “Remeasurement adjustment on interest rate risk hedged portfolios” in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is stated at fair value in the balance sheet, with changes in fair value taken to shareholders’ equity on a separate line, “Unrealised or deferred gains and losses”. The amounts taken to shareholders’ equity over the life of the hedge are transferred to the profit and loss account under “Net interest income” as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders’ equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders’ equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under “Net gain/loss on financial instruments at fair value through profit or loss”.

Hedges of net foreign-currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. The gains and losses initially recognised in shareholders' equity are taken to the profit and loss account when the net investment is sold or liquidated in full or in part.

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

DETERMINATION OF FAIR VALUE

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value, defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Method of determining fair value

Fair value is determined:

- on the basis of quoted prices in an active market; or,
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories; and
  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods.

The distinction between the two valuation methods is made according to whether or not the instrument is traded in an active market.

A market for an instrument is regarded as active, and hence liquid, if there is regular trading in that market, bids and offers are matched, or instruments are traded that are very similar to the instrument being valued.

- Instruments traded in active markets

If quoted prices in an active market are available, they are used to determine fair value. This method is used for quoted securities and for derivatives traded on organised markets such as futures and options.

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation derived from these models is adjusted for liquidity and credit risk.

Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

A counterparty risk adjustment is applied to the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

- Instruments traded in inactive markets

  - Products traded in inactive markets and valued using an internal valuation model based on directly observable parameters or on parameters derived from observable data

    Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions obtained from consensus data or from active over-the-counter markets. Valuations derived from these models are adjusted for liquidity risk and credit risk.

The margin generated when these financial instruments are traded is taken to the profit and loss account immediately.

- Products traded in inactive markets and valued using an internal valuation model based on parameters that are not observable or only partially observable

  Some complex financial instruments, which are usually tailored, illiquid or have long maturities, are valued using internally-developed techniques or techniques that are based on data only partially observable on active markets.

  In the absence of observable data, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

  The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated by comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

- Unlisted equity securities

  The fair value of unquoted equity securities is measured by comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such reference is available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Group's share of net assets as calculated using the most recently available information.

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FAIR VALUE OPTION)

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:
- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been extracted and accounted for separately;
- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
- where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, under a properly documented management and investment strategy.

BNP Paribas applies this option primarily to financial assets related to unit-linked business (in order to achieve consistency of treatment with the related liabilities), and to structured issues containing significant embedded derivatives.

INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or when appropriate a shorter period to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes account of (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

The method used by the Group to recognise service-related commission income and expenses depends upon the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Net commission income". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Net commission income".

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

INSURANCE

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts written by fully-consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the Group's assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

ASSETS

Financial assets and non-current assets are accounted for using the policies described above. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in "Financial assets at fair value through profit or loss", and are stated at the realisable value of the underlying assets at the balance sheet date.

LIABILITIES

The Group's obligations to policyholders and beneficiaries are shown in "Technical reserves of insurance companies", and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g. mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive, as a supplement to guaranteed benefits, a share of actual profits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in "Due to customers".

Unit-linked contract liabilities are measured by reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period.

A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified to "Policyholders' surplus" on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders' surplus reserve resulting from the application of shadow accounting. This represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

PROFIT AND LOSS ACCOUNT

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under "Income from other activities" and "Expenses on other activities".

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

2.c USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the Financial Statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the Financial Statements. This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the Financial Statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ from those estimates. This may have a material effect on the Financial Statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in organised markets;
- calculations of the fair value of unquoted financial instruments classified in “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” or “Financial liabilities at fair value through profit or loss”, and (more generally) calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and (more generally) of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

The notes to the profit and loss account for the year ended 31 December 2005 are presented in accordance with EU IFRS. The figures for the comparative period (year ended 31 December 2004), initially published under French GAAP, have been restated to comply with IFRS as applicable during that period, referred to as "2004 IFRS".

3.a NET INTEREST INCOME

Under EU IFRS, the BNP Paribas Group includes in "Interest income" and "Interest expense" all income calculated using the effective interest method (interest, fees/commissions, transaction costs) on financial instruments at fair value through profit or loss that do not meet the definition of derivative instruments. The change in fair value on these financial instruments (excluding accrued interest) is recognised in "Net gain/loss on financial instruments at fair value through profit or loss".

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

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Customer items	**14,269**	**(5,916)**	**8,353**	**11,955**	**(4,902)**	**7,053**
Deposits, loans and borrowings	13,279	(5,794)	7,485	10,952	(4,861)	6,091
Repurchase agreements	7	(83)	(76)	24	(41)	(17)
Finance leases	983	(39)	944	979	-	979
Interbank items	**3,548**	**(5,389)**	**(1,841)**	**3,716**	**(5,112)**	**(1,396)**
Deposits, loans and borrowings	3,378	(5,210)	(1,832)	3,509	(4,980)	(1,471)
Repurchase agreements	170	(179)	(9)	207	(132)	75
Debt securities issued	**-**	**(3,535)**	**(3,535)**	**-**	**(3,646)**	**(3,646)**
Cash flow hedge instruments	**1,801**	**(891)**	**910**	**-**	**-**	**-**
Interest rate portfolio hedge instruments	**424**	**(310)**	**114**	**-**	**-**	**-**
Trading book	**8,051**	**(8,313)**	**(262)**	**4,769**	**(3,665)**	**1,104**
Fixed-income securities	1,994	-	1,994	1,676	-	1,676
Repurchase agreements	6,022	(6,649)	(627)	3,093	(3,665)	(572)
Loans / Borrowings	35	(99)	(64)	-	-	-
Debt securities	-	(1,565)	(1,565)	-	-	-
Available-for-sale financial assets	**3,213**	**-**	**3,213**	**2,808**	**(78)**	**2,730**
Held-to-maturity financial assets	**781**	**-**	**781**	**1,709**	**-**	**1,709**
Total interest income/(expense)	**32,087**	**(24,354)**	**7,733**	**24,957**	**(17,403)**	**7,554**

Interest income on individually impaired loans amounted to EUR 201 million in 2005.

3.b NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This line includes all profit and loss items relating to financial instruments managed in the trading book and, with effect from 1 January 2005, to financial instruments that the Group has designated as fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (Note 3.a).

Net gains/losses on the trading book also include gains and losses due to ineffectiveness of fair value hedges, cash flow hedges or net foreign investment hedges.

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS
	Trading book	Assets designated at fair value through profit or loss	Total	Total
Fixed-income securities	63	82	145	190
Variable-income securities	10,423	(25)	10,398	4,164
of which dividends	*1,719*	*3*	*1,722*	*1,198*
Derivative instruments	(5,962)		(5,962)	(791)
Repurchase agreements	31	(4)	27	
Loans	5	37	42	
Borrowings	67	(80)	(13)	
Remeasurement of interest-rate risk hedged portfolios	59		59	
Remeasurement of currency positions	516		516	(197)
Total	**5,202**	**10**	**5,212**	**3,366**

3.c NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Under EU IFRS, this line includes net gains or losses on non-derivative financial assets not classified as either loans and receivables or held-to-maturity investments. Under 2004 IFRS, it comprises income from variable-income securities, and net gains arising on items included in the following French GAAP categories: securities available for sale (defined differently from under IFRS), investments in non-consolidated undertakings, other participating interests, and equity securities held for long-term investment.

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Fixed-income securities [(1)]	**93**	**168**
Gains and losses on disposals	93	168
Equities and other variable-income securities	**1,260**	**1,282**
Dividend income	293	329
Additions to impairment provisions	(71)	(269)
Reversals of impairment provisions		630
Gains and losses on disposals	1,038	592
Total	**1,353**	**1,450**

(1) Interest income from available-for-sale fixed-income securities is included in “Net interest income” (Note 3.a), and impairment losses related to potential issuer default are included in “Cost of risk” (Note 3.e).

Unrealised gains and losses recorded under “Unrealised or deferred gains and losses” at 1 January 2005 and taken to the profit and loss account during the year ended 31 December 2005 as a result of disposals amount to EUR 861 million.

3.d NET INCOME FROM OTHER ACTIVITIES

In millions of euros	Year to 31 Dec 2005, under EU IFRS			Year to 31 Dec 2004, under 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities	16,875	(15,117)	1,758	12,931	(11,464)	1,467
Investment property	695	(229)	466	620	(241)	379
Assets leased under operating leases	3,433	(2,919)	514	2,389	(1,821)	568
Property development activities	121	(35)	86	173	(51)	122
Other	483	(298)	185	431	(341)	90
Total net income from other activities	**21,607**	**(18,598)**	**3,009**	**16,544**	**(13,918)**	**2,626**

Net income from insurance activities

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross premiums written	11,527	10,775
Movement in technical reserves	(7,329)	(4,820)
Claims and benefits expense	(5,442)	(5,423)
Reinsurance ceded, net	(7)	(14)
Change in value of admissible investments related to unit-linked business	2,953	942
Other income and expense	56	7
Total net income from insurance activities	**1,758**	**1,467**

"Claims and benefits expense" includes expenses arising from surrenders, maturities and claims relating to insurance contracts, and changes in the value of financial contracts (in particular unit-linked contracts). Interest paid on such contracts is recognised in "Interest expense".

Operating leases

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Future minimum lease payments receivable under non-cancellable leases	**2,972**	**2,185**
Payments receivable within less than 1 year	1,229	1,055
Payments receivable after more than 1 year but within less than 5 years	1,654	1,121
Payments receivable after more than 5 years	89	9

Future minimum lease payments receivable under non-cancellable leases comprise payments that the lessee is required to make during the lease term.

3.e COST OF RISK AND IMPAIRMENT LOSSES RECOGNISED FOR CREDIT AND COUNTERPARTY RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect of credit risks inherent in the Group's banking intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

Cost of risk for the period

Cost of risk for the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Additions to impairment provisions	(2,166)	(2,198)
Reversals of impairment provisions	1,651	1,552
Recoveries on loans and receivables previously written off	129	97
Irrecoverable loans and receivables not covered by impairment provisions	(224)	(136)
Total cost of risk for the period	**(610)**	**(685)**

Cost of risk for the period by asset type in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Loans and receivables due from credit institutions	10	8
Loans and receivables due from customers	(540)	(707)
Available-for-sale financial assets	9	1
Other assets	(2)	-
Off balance sheet commitments and other items	(87)	13
Total cost of risk for the period	**(610)**	**(685)**

Provisions for impairment: credit and counterparty risks

Movement in impairment provisions during the period in millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Total impairment provisions at start of period	**11,328**	**11,705**
Additions to impairment provisions	2,166	2,198
Reversals of impairment provisions	(1,651)	(1,552)
Utilisation of impairment provisions	(1,468)	(1,497)
Effect of exchange rate movements and other items	719	(442)
Additions/reversals to provisions for impairment of interest on doubtful loans, recognised in net interest income		54
Total impairment provisions at end of period	**11,094**	**10,466**
Effect of adoption of IFRS applicable from 1 January 2005		862
of which impairment of loans and receivables due from customers		*860*
Total impairment provisions at 1 January 2005		**11,328**

Impairment provisions by asset type, in millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Impairment provisions deducted from assets		
Loans and receivables due from credit institutions	163	148
Loans and receivables due from customers	10,459	10,696
Available-for-sale financial assets	152	219
Other assets	20	-
Total impairment provisions against financial assets	**10,794**	**11,063**
Impairment provisions recognised as liabilities		
Impairment provisions for off balance sheet commitments		
- to credit institutions	2	6
- to customers	242	181
Other items subject to impairment	56	78
Total impairment provisions recognised as liabilities	**300**	**265**
Total impairment provisions	**11,094**	**11,328**

3.f CORPORATE INCOME TAX

Net corporate income tax expense

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Current tax expense for the period	(1,773)	(1,757)
Net deferred tax expense for the period (note 6.h)	(365)	(7)
Net corporate income tax expense	**(2,138)**	**(1,764)**

The tax saving arising from the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 45 million for the year ended 31 December 2005, compared with EUR 57 million for the year ended 31 December 2004.

The 2004 Amending Finance Act introduced a one-off tax on a portion of the special long-term capital gains tax reserve set up by French companies. The BNP Paribas Group recognised a tax expense of EUR 28 million in the year to 31 December 2004 corresponding to the unconditionally payable portion of this tax.

The reductions in the surtax rate and tax rate on long-term capital gains introduced respectively by the 2004 Amending Finance Act and the 2005 Finance Act in France generated a charge of EUR 21 million in the year ended 31 December 2004 as the result of a reduction in deferred tax assets.

Analysis of effective tax rate

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income	6,286	5,355
Corporate income tax expense	(2,138)	(1,764)
Effective tax rate	**25.4%**	**24.8%**
Standard tax rate in France	33.3%	33.3%
Differential in tax rates applicable to foreign entities	-3.7%	-5.2%
Items taxed at reduced rate in France	-3.6%	-4.0%
Permanent timing differences	0.1%	1.9%
Other items	-0.7%	-1.2%
Effective tax rate	**25.4%**	**24.8%**

4. SEGMENT INFORMATION

The Group is composed of four core businesses:

- French Retail Banking
- International Retail Banking and Financial Services (IRBFS): financial services (consumer credit, leasing, equipment loans and home loans), plus retail banking activities in the United States (BancWest) and in emerging and overseas markets
- Asset Management and Services (AMS): Securities Services, Private Banking, Asset Management, Online Savings and Brokerage, Insurance and Real Estate Services
- Corporate and Investment Banking, comprising Advisory & Capital Markets (Equities, Fixed Income & Forex, Corporate Finance) and Financing (Structured Loans & Financing plus Commodity, Energy and Project Financing)

Other activities mainly comprise the Private Equity business of BNP Paribas Capital, the Klépierre property investment company, and the Group's corporate functions.

Inter-segment transactions are conducted at arm's length. The segment information presented includes agreed inter-segment transfer prices.

Segment assets and liabilities include all items shown in the consolidated balance. Segment assets are determined by direct extraction from accounting data for each segment. Segment liabilities are determined on the basis of the normalised equity used for the capital allocation.

This capital allocation is made on the basis of risk exposure, taking account of various assumptions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by business segment is determined by attributing to each segment the income of its allocated equity.

The geographical split of assets and income is based on the country in which the relevant activity is booked.

Information by business segment

- **Income by business segment**

In millions of euros,	French Retail Banking		IRBFS		AMS	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**5270**	**4,945**	**5,980**	**5,016**	**3,552**	**3,032**
Operating expense	(3,605)	(3,454)	(3,385)	(2,867)	(2,331)	(1,975)
Cost of risk	(195)	(222)	(559)	(445)	(8)	(6)
Operating income	**1,470**	**1,269**	**2,036**	**1,704**	**1,213**	**1,051**
Share of earnings of associates			112	123	1	4
Other non-operating items			39	16	52	7
Pre-tax net income	**1,470**	**1,269**	**2,187**	**1,843**	**1,266**	**1,062**

- **Assets and liabilities by business segment**

In millions of euros,	French Retail Banking		IRBFS		AMS	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**106,717**	**96,194**	**145,585**	**110,859**	**134,486**	**115,038**
- of which goodwill on acquisitions during the period	*25*		*994*	*994*	*175*	*185*
- of which investments in associates			*534*	*665*	*46*	*46*
Total segment liabilities	**101,376**	**91,236**	**132,511**	**100,348**	**128,913**	**110,380**

Information by geographic area

- **Net banking income by geographic area**

In millions of euros,	France		Other European countries		Americas	
	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net banking income	**12,154**	**10,901**	**4,776**	**4,298**	**3,365**	**2,794**

- **Assets and liabilities by geographic area**

In millions of euros,	France		Other European countries		Americas	
	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Total segment assets	**738,366**	**558,058**	**226,454**	**225,862**	**153,439**	**117,466**
Goodwill on acquisitions during the period	**173**	**320**	**67**	**8**	**835**	**902**

(1): including BNP Paribas Capital

Corporate & Investment Banking				Other Activities (1)		Total	
Advisory & Capital Markets		Financing					
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
3,722	**3,392**	**2,700**	**2,292**	**630**	**692**	**21,854**	**19,369**
(2,577)	(2,340)	(1,134)	(1,021)	(337)	(386)	(13,369)	(12,043)
(1)	(9)	131	(49)	22	46	(610)	(685)
1,144	**1,043**	**1,697**	**1,222**	**315**	**352**	**7,875**	**6,641**
3	(6)			236	286	352	407
23	36	23	22	60	(10)	197	71
1,170	**1,073**	**1,720**	**1,244**	**611**	**628**	**8,424**	**7,119**

Corporate & Investment Banking		Other Activities (1)		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
827,919	**649,505**	**43,372**	**30,907**	**1,258,079**	**1,002,503**
7	*14*	*3*	*66*	*1,204*	*1,259*
11	*191*	*1,232*	*1,818*	*1,823*	*2,720*
818,607	**640,947**	**39,307**	**22,356**	**1,220,714**	**965,267**

Asia - Oceania		Other countries		Total	
Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
927	**941**	**632**	**435**	**21,854**	**19,369**

Asia - Oceania		Other countries		Total	
31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
127,450	**93,204**	**12,370**	**7,913**	**1,258,079**	**1,002,503**
8		**121**	**29**	**1,204**	**1,259**

5. RISK EXPOSURE AND HEDGING STRATEGIES

Organisation of the risk management function

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department, which is responsible for measuring, approving and controlling risks at Group level, as well as for drawing up, communicating and applying the corresponding rules and procedures. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management.

While front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions, GRM is responsible for providing assurance that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. GRM performs continuous ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors. The department reports regularly to the Internal Control and Risk Management Committee of the Board on its main findings concerning risks, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis.

GRM has a vocation to cover all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. Its remit includes formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all the functions concerned (legal affairs, compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

The GRM function is organised with a differentiated approach by risk-type: Credit and Counterparty Risk, split into three sections (France, International, Banks and Financial Institutions); Market and Liquidity Risk; and Operational Risk. The GRM function also has specialist units involved in the analysis, summarising and reporting of data.

5.a CREDIT RISK

Credit risk is the risk of incurring a financial loss as the result of failure by a debtor to fulfil a contractual obligation. Credit risk is inherent in lending activities but may arise in other circumstances, for example when a counterparty to a market, investment or settlement transaction is in default.

Management of credit risk

General credit policy and credit control and provisioning procedures

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

- *Decision-making procedures*

A system of delegated lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management function. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries, are required to be passed up to a higher level for approval. In addition, the loan application may require consultation of an industry expert or of designated specialists. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations.

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

- *Monitoring procedures*

A comprehensive risk monitoring and reporting system has been established, covering all Group entities. The system is organised around Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of delegated lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee. This Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to impairments of problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- *Impairment procedures*

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss takes into account the present value of probable net recoveries, including the realisation of collateral.

In addition, a portfolio-based impairment provision is established for each core business. A committee comprising the Core Business Director, the Group Chief Financial Officer and the Group Risk Director meets quarterly to determine the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans regarded as impaired in terms of credit quality, but where the customers in question have not been identified as in default (in which case, they would be covered by specific impairment provisions). The simulations carried out by GRM rely on the parameters of the rating system described below.

Internal rating system

The Bank has a comprehensive rating system that already complies with the future requirements of the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. This system covers the majority of the Group, the exception being BancWest, which is scheduled to be brought within the scope of the rating system in 2007. For corporate loans, the system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction. There are 12 counterparty ratings. 8 cover excellent, good and average clients, 2 relate to clients in an uncertain situation subject to very close monitoring by GRM and 2 relate to clients in default. Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. Adapted quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk. Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance.

Portfolio policy

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

Risk reduction techniques

- *Structuring of transactions*

The BNP Paribas Global Credit Policy stipulates how transactions should be structured in order to reduce risk. BNP Paribas will not enter into commitments unless it has in-depth knowledge of the borrower's business plan and of all the structural issues related to the transaction, and is sure of its ability to monitor these issues going forward. Collateral and other security are taken into account at value in use, and only accepted as the main source of repayment in exceptional cases; cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment as primary debtors.

- *Netting agreements*

Netting is a technique used by the Bank to attenuate counterparty risks on derivatives transactions. The Bank primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty. All amounts due to and from the counterparty are then netted, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.

The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the *Fédération Bancaire Française* (FBF), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

Credit risk exposure

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

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial assets at fair value through profit or loss (excluding variable-income securities)	582,201	448,825
Derivatives used for hedging purposes	3,087	2,581
Available-for-sale financial assets (excluding variable-income securities)	77,760	64,693
Loans and receivables due from credit institutions	45,009	40,983
Loans and receivables due from customers	301,196	244,228
Held-to-maturity financial assets	15,445	26,130
Balance sheet commitment exposure, net of impairment provisions	**1,024,698**	**827,440**
Financing commitments given	209,679	166,898
Guarantee commitments given	67,154	55,190
Provisions for off balance sheet commitments	(244)	(187)
Off balance sheet commitment exposure, net of provisions	**276,589**	**221,901**
Total net exposure	**1,301,287**	**1,049,341**

This exposure does not take account of the effect of master netting agreements in force at 31 December 2005 or of collateral on over-the-counter forward financial instruments, which (based on calculations prepared using the prudential method) would reduce the Group's credit risk exposure at 31 December 2005 by approximately EUR 133 billion (approximately EUR 113 billion at 1 January 2005).

Nor does this exposure take account of guarantees and collateral obtained by the Group in connection with its lending activities.

Due to its size, the Group may have important exposure in absolute terms to certain counterparties, geographic areas or industries. However, the concentration of financial assets with credit risk exposure to any one counterparty, geographic area or industry is not such as would threaten the Group's ability to continue operating as a going concern in the event of default by a counterparty or of an economic crisis affecting a geographic area or industry.

5.b MARKET RISKS RELATED TO FINANCIAL INSTRUMENTS

Market risk is the risk of gains or losses due to changes in market parameters such as interest rates, exchange rates, and equity or commodity prices. The main market risks faced by the Group are defined below:

- **Interest rate risk** covers potential fluctuations in the value of fixed-rate financial instruments due to changes in market interest rates, and in future cash flows on floating-rate financial instruments.
- **Currency risk** is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.
- **Price risk** arises from changes in market prices, whether caused by factors specific to an individual instrument or issuer or by factors affecting all instruments traded in the market. This may relate to changes in the price or volatility of shares, commodities, baskets of shares, or share indices. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk.
- **Credit spread risk on the trading book:** BNP Paribas trades actively in credit derivatives to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to targeted strategies. As part of this trading activity, BNP Paribas buys and sells protection; the net position is subject to strict limits. Market risks generated by these products are tracked by the Market and Liquidity Risk unit, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

  The Group also uses credit derivatives to hedge transactions exposed to credit or counterparty risk, or for position management purposes.

Market risks arise mainly on the trading activities carried out by the Fixed Income and Equities teams within Corporate and Investment Banking.

Risk acceptance process

The trading book market risk acceptance structure is based on:

- General exposure limits. These take the form of GEaR (Gross Earnings at Risk) limits or “nominal” limits (limits on trading in financial instruments exposed to country risk, issuer risk limits, and sensitivity limits to control certain specific risks not fully captured by GEaR or stress tests).
- Rolled-down exposure limits. These are derived from the powers of the Chief Executive Officer and the Market Risk Committee. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, they refer to a signature quality scale.
- Decision-making rules. Risk acceptance involves a two-pronged decision-making process, combining a validation process for new activities or new risks with an approval process for transactions arising from routine business. Large or complex transactions must be approved by the Executive Position Committee (EPC), an offshoot of the Market Risk Committee. Responsibility for analysing credit risk on trading activities lies with the Group Credit Committee.

Risk monitoring is based on:

- daily calculation of the risk and value of the Group’s trading positions;
- daily monitoring of compliance with the limits set for each activity, with accidental or authorised temporary trading limit overruns logged in a central database;
- periodic review of market risk measurement and management models, with the measurement process subject to regular audits by individuals from outside the business line who review and

assess the economic validity of the models, check the prices and parameters used, and check observability criteria;

- a weekly report aggregating all significant positions by activity;
- the Market Risk Committee, which meets monthly to approve the main market risks incurred by the Group.

Measurement of market risk on trading activities

Market risk on trading activities is measured and assessed using detailed sensitivity analysis of each type of position and global analyses, such as GEaR and stress tests, that measure aggregate exposures.

Analysis of sensitivity to market parameters

In the first instance, market risk is analysed by systematic measurement of portfolio sensitivity to the various market parameters. The information obtained is used to set tolerance ranges for maturities and for the strike price of options. These sensitivity indicators, compiled at various aggregate position levels, are compared with the market limits, and are reported to Executive Management and to management of the Group's trading activities by the Market and Liquidity Risk unit.

GeaR

BNP Paribas operates an internal Value at Risk (VaR) system, approved by the banking authorities, to estimate the potential loss arising from an unfavourable change in market conditions – the key element in market risk measurement.

Potential losses are measured using "Gross Earnings at Risk" (GEaR). GEaR takes into account a large number of variables that could affect portfolio values, including interest rates, credit spreads, exchange rates, securities prices, commodity prices, and the volatility of and correlation between these variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and normal market liquidity. GEaR calculation methods are continually being fine-tuned to better reflect the specific features of each business, especially as regards exotic products. The accuracy of the model is constantly tested by comparing any daily losses with 1-day GEaR.

The banking authorities have approved this internal model and the underlying methodologies, which include:

- capture of the correlation between interest rate, currency, commodity and equity risks, to factor in the knock-on effects of risk diversification;
- capture of the specific interest rate risk arising from potential fluctuations in credit spread risks, giving accurate and dynamic measurement of the risk associated with trading in credit derivatives.

The Values at Risk set out below were determined using the internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main parameters are:

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, any losses should be less than the corresponding GEaR in 99% of cases);
- historical data covering one year (260 days) of trading.

For the year to 31 December 2005, total average Value at Risk was EUR 74 million (with a minimum of EUR 43 million and a maximum of EUR 114 million), after taking account of the effect of netting the different types of risk (EUR 58 million). These amounts break down as follows:

	Year to 31 Dec 2005			31 December 2005	1 January 2005
	Average	Minimum	Maximum		
Interest rate risk	71	49	115	80	57
Currency risk	6	1	21	13	8
Equity price risk	44	17	66	43	36
Commodity price risk	11	5	22	17	6
Effect of netting	*(58)*	*(29)*	*(84)*	*(63)*	*(46)*
TOTAL	**74**	**43**	**114**	**90**	**61**

5.c MARKET RISKS RELATED TO BANKING INTERMEDIATION ACTIVITIES AND INVESTMENTS

These risks relate mainly to retail banking activities in France and abroad, the specialised financing subsidiaries, and investments made by the Group. They are managed centrally by the Asset/Liability Management function, part of the Asset/Liability Management & Treasury (ALM Treasury) Department.

ALM Treasury, which is part of Corporate & Investment Banking, is supervised by two committees chaired by the Group Senior Advisor or a Chief Operating Officer:

- the ALM Commercial Banking Committee, responsible for decisions on the mismatch and match funding principles applicable to the balance sheet of the commercial banking business and on the related interest rate risks;
- the ALM Investment Banking Committee, responsible for establishing the Group's financing and liquidity management policy, managing solvency ratios and structural currency risk, and monitoring market risks relating to the Treasury function.

Interest rate risk

Interest rate risk management structure

Interest rate risk on commercial transactions relating to the French and International Retail Banking businesses, the specialised financing subsidiaries, savings business (Asset Management) and Corporate Banking is managed centrally by ALM Treasury in the customer banking intermediation book, except for transactions initiated in the United States by BancWest Corp. Interest rate risk on the Bank's own equity and investments is also managed centrally by ALM Treasury, in the equity intermediation book.

Transactions initiated by the bank in France are transferred to ALM-managed positions via internal contracts booked in the management accounts. Interest rate and liquidity positions on commercial transactions initiated by Group subsidiaries (other than BancWest) are transferred in the form of loans and borrowings based on the net position of the entity.

Positions are measured and transfers to ALM Treasury are controlled at monthly or quarterly committee meetings for each business line. These meetings are attended by the management of the business line, ALM Treasury, and the business line ALM managers (who report operationally to ALM Treasury).

Interest rate risk on the commercial activities of the subsidiaries of BancWest Corp. is independently managed by the BancWest ALM function, which reports to BancWest executive management via quarterly committee meetings.

Measurement of interest rate risk

Banking book interest rate gaps are measured each month, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For retail banking products, behavioural models are based on historical data and econometric studies. The models deal with early repayments, regulated savings accounts and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions.

Internal assumptions and models, which are regularly updated and stress-tested, are presented to specialist committees for approval.

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

In addition, a specific option risk indicator is used to fine-tune hedging strategies for French retail banking activities.

These indicators are systematically presented to specialist committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

During the year, the Market Risk Department continued to perform controls over risks arising from the use of behavioural and other models for Asset/Liability Management purposes. Conclusions on these controls are presented on a quarterly basis in a specialist committee.

Risk limits

The euro customer banking intermediation book is subject to a primary limit, based on the sensitivity of revenues to gradual changes in nominal and real interest rates and in the inflation rate over a 5-year timeframe. The changes are defined by reference to historical volatility data and correlations between the various parameters. The limit is based on annual revenues, in order to control uncertainty on future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the 5-year timeframe by an interest rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest rate risk.

The interest rate risk of BancWest Corp. subsidiaries is controlled by means of limits on the sensitivity of revenues to an immediate change in nominal rates. These limits, expressed as a function of annual revenues, are monitored quarterly by the BancWest ALM Committee.

Global interest rate risk on the other intermediation books is controlled by interest rate gap limits, which are monitored monthly and adjusted annually by the ALM Commercial Banking Committee.

The specialised financing subsidiaries are exposed to very low levels of interest rate risk, thanks to the centralisation of risks at ALM Treasury level. The residual risk is controlled by technical interest rate gap limits, monitored by the ALM committee of the relevant business line.

Sensitivity of the value of banking intermediation books

The table below shows the sensitivity of the value of consolidated banking intermediation books, by currency and by maturity, to an instantaneous movement of one basis point across the entire yield curve. This analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data shown take account of the replication portfolios used to model theoretical maturities, especially on the Bank’s equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an expense of approximately EUR 460,000 at 31 December 2005, compared with approximately EUR 819,000 at 31 December 2004.

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

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

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

Currency risk

Currency risk and hedging of earnings generated in foreign currencies

The Group's exposure to currency risks relates in particular to the earnings of foreign subsidiaries and branches. The Asset/Liability Management function is responsible for hedging the variability of Group earnings due to currency movements, including positions arising from foreign-currency earnings generated by activities located in France. Local treasury managers at foreign sites manage currency risk arising in relation to their functional currency. Positions relating to portfolio impairment are managed centrally by the ALM function.

Currency risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on capital allocations and equity interests expressed in foreign currencies, financed by purchasing the currency in question.

Group policy is usually to borrow the currency in which the investment is made in order to protect the investment against currency risk. Such borrowings are documented as a net investment hedge.

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

Hedging of interest rate and currency risks

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

Depending on the intention of the hedge, derivative financial instruments used for hedging purposes are designated as either fair value hedges, cash flow hedges, or net foreign investment hedges.

Without exception, each hedging relationship is formally documented at inception. The documentation describes the hedging strategy; identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In terms of interest rate risk, fair value hedges relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of assets and liabilities, constructed by currency, relate to:

- fixed-rate loans: property loans, equipment loans, consumer credit and export loans;
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates).

Demand deposits, on which no interest is payable contractually, are treated as medium-term fixed-rate financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analysis. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed ex post facto by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

Cash flow hedges

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of currency risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future non-euro revenue flows (especially interest and fee/commission income) derived from its principal activities, subsidiaries and branches. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity band analyses.

The table below shows the amount of fully or partially hedged future cash flows, split by forecast date of realisation:

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

In the year ended 31 December 2005, no hedges of forecast transactions were disqualified on the grounds that the related future event was no longer highly probable.

5.d LIQUIDITY RISK

Transactions involving financial instruments generate liquidity risk, reflecting potential problems that the Group may have in discharging its obligations in respect of such instruments.

Liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the liquidity management policy are to secure a balanced financing mix to support the Group's development strategy; to ensure the Group is always in a position to discharge its obligations to its customers; to ensure that it does not trigger a systemic crisis solely by its own actions; to comply with the standards set by local banking regulators; to keep the cost of refinancing as low as possible; and to cope with liquidity crises.

Roles and responsibilities in liquidity risk management

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

ALM Treasury draws up and recommends the general principles of the liquidity policy. Once these have been approved by the ALM Central Committee, ALM Treasury is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

Local ALM committees implement at local level the strategy approved by the ALM Central Committee.

The Risk Department is involved in defining the principles of liquidity policy, approves the management systems and stress tests used, and monitors compliance with policies, limits and indicators.

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

ALM Treasury has sole responsibility for obtaining finance on the money market and financial markets, from very short/short-term to medium/long-term financing. The Treasury function is responsible for financing and short-term issues (certificates of deposit, commercial paper, etc). The Asset/ Liability Management function is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc), preferred share issues, and loan securitisation programmes for the retail banking business.

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

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

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

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

2. The refinancing capacity needed to handle an unexpected surge in liquidity needs is regularly measured at Group level; it mainly comprises available securities eligible for central bank refinancing, available ineligible securities which generate same-day value date refinancing, and overnight loans not liable to be renewed.

3. BNP Paribas uses indicators to monitor the diversification of its sources of short-term funds on a worldwide basis to ensure that it is not over-dependent on a limited number of providers of capital.

4. Three internal ratios are used to manage medium/long-term liquidity at Group level:

- the one-year ratio for outstandings with contractual maturities represents the gap, at one year plus, of outstanding loans as compared with applications of funds;
- the one-year internal liquidity ratio on total outstandings is defined as the gap, at one year plus, of all balance sheet and off balance sheet contractual commitments with no maturity, which is capped at 25%;
- the permanent funds coefficient measures the ratio of (i) equity less non-current assets plus net customer demand deposits and (ii) the one-year gap on commitments with contractual maturities, and is set at a minimum of 60%.

These three internal ratios are based on liquidity maturity schedules of balance sheet and off balance sheet items for all Group entities, whether contractual (including undrawn confirmed credit facilities contracted with banks – 100% weighted, and with customers – 30% weighted) or theoretical (i.e. based on customer behaviour: prepayments in the case of loans, behaviour modelling in the case of regulated savings accounts) or statistical rules (demand deposits, regulated savings deposits, trust deposits, doubtful loans and general accounts).

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

Regulatory ratios: the final plank in the liquidity risk management system

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

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

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

6. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2005

The notes to the balance sheet at 1 January 2005 are presented after restatement to comply with EU IFRS.

6.a INTERBANK AND MONEY-MARKET ITEMS

Loans and receivables due from credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	7,799	5,195
Loans	32,700	28,651
Repurchase agreements	4,673	7,285
Total loans and receivables due from credit institutions, before impairment provisions	**45,172**	**41,131**
Provisions for impairment of loans and receivables due from credit institutions	(163)	(148)
Total loans and receivables due from credit institutions, net of impairment provisions	**45,009**	**40,983**

Amounts due to credit institutions

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	5,879	4,486
Borrowings	100,298	85,761
Repurchase agreements	12,716	9,941
Total due to credit institutions	**118,893**	**100,188**

6.b FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets and liabilities designated by the Group as fair value through profit or loss at the time of acquisition or issue.

Trading book assets include proprietary securities transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Assets designated by the Group as fair value through profit or loss include admissible investments related to unit-linked insurance business, and to a lesser extent assets with embedded derivatives that have not been separated from the host contract.

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements, and derivative instruments contracted for position management purposes. Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issue contain significant embedded derivatives, changes in the value of which are cancelled out by changes in the value of the hedging instrument. The nominal value of financial liabilities at fair value through profit or loss at 31 December 2005 was EUR 44,523 million (EUR 33,087 million at 1 January 2005).

The measurement of financial liabilities at fair value through profit or loss does not take account of any change in fair value attributable to issuer risk relating to the BNP Paribas Group itself, which is regarded as immaterial.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS						
Negotiable certificates of deposit	**58,275**	**535**	**58,810**	**54,143**	**281**	**54,424**
Treasury bills and other bills eligible for central bank refinancing	47,041	10	47,051	49,552	7	49,559
Other negotiable certificates of deposit	11,234	525	11,759	4,591	274	4,865
Bonds	**125,547**	**6,079**	**131,626**	**78,998**	**5,405**	**84,403**
Government bonds	72,585	271	72,856	37,590	25	37,615
Other bonds	52,962	5,808	58,770	41,408	5,380	46,788
Equities and other variable-income securities	**84,264**	**34,060**	**118,324**	**64,860**	**25,825**	**90,685**
Repurchase agreements	**200,040**	**69**	**200,109**	**165,184**	**2**	**165,186**
Loans	**86**	**1,042**	**1,128**	**68**	**430**	**498**
to credit institutions	*7*	*1,042*	*1,049*	-	*430*	*430*
to corporate customers	*63*		*63*	*68*	-	*68*
to private individuals customers	*16*		*16*	-	-	-
Trading book forward financial instruments	**190,528**		**190,528**	**144,314**	**-**	**144,314**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**658,740**	**41,785**	**700,525**	**507,567**	**31,943**	**539,510**
of which loaned securities	*29,587*	*422*	*30,009*	*14,818*	-	*14,818*
FINANCIAL LIABILITIES						
Borrowed securities and short selling	137,381		137,381	90,553	-	90,553
Repurchase agreements	222,292		222,292	182,359	-	182,359
Borrowings	240	1,468	1,708		1,038	1,038
Credit institutions		*614*	*614*		*690*	*690*
Corporate customers	*240*	*854*	*1,094*		*348*	*348*
Debt securities		42,933	42,933		31,963	31,963
Trading book forward financial instruments	206,367		206,367	151,213	-	151,213
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**566,280**	**44,401**	**610,681**	**424,125**	**33,001**	**457,126**

The derivative instruments included in the trading book mostly relate to transactions initiated for position management purposes, and may be contracted in connection with market-making or arbitrage activities. BNP Paribas actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps, and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading account derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions contracted to protect the Group's loan book.

The table below shows the notional amount and positive or negative fair value of derivative instruments classified in the trading book. The notional amounts of derivative instruments in this table are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments. The positive and negative fair values represent the replacement value of these instruments, which may fluctuate significantly in response to changes in market parameters, such as interest rates or exchange rates.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
Currency derivatives	940,461	34,423	33,963	688,465	11,480	11,382
Interest rate derivatives	17,467,636	102,502	102,328	17,969,779	110,954	110,793
Equity derivatives	1,124,518	64,489	49,829	523,065	26,535	19,671
Credit derivatives	967,293	868	586	413,487	1,737	1,910
Other derivatives	226,262	4,085	3,822	73,163	507	558
Total trading book derivatives	**20,726,170**	**206,367**	**190,528**	**19,667,959**	**151,213**	**144,314**

Derivatives traded on organised markets represent approximately half of the Group's trading account derivatives transactions.

6.c DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the notional amount and fair value of derivatives used for hedging purposes.

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Notional amounts	Negative fair value	Positive fair value	Notional amounts	Negative fair value	Positive fair value
DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	409	-	1	3,003	1	-
Interest rate derivatives	111,800	837	2,527	90,835	338	2,011
Other derivatives	-	-	10	731	-	-
FAIR VALUE HEDGES	**112,209**	**837**	**2,538**	**94,569**	**339**	**2,011**
DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	71,676	82	98	39,319	-	28
Interest rate derivatives	94,344	96	451	33,478	111	542
Other derivatives	-	-	-	5	-	-
CASH FLOW HEDGES	**166,020**	**178**	**549**	**72,802**	**111**	**570**
DERIVATIVES USED AS NET INVESTMENT HEDGE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS						
Currency derivatives	120	-	-	-	-	
NET INVESTMENT HEDGE	**120**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES USED FOR HEDGING PURPOSES	**278,349**	**1,015**	**3,087**	**167,371**	**450**	**2,581**

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets.

6.d AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying amount	*of which unrealised gains and losses*	Carrying amount	*of which unrealised gains and losses*
Negotiable certificates of deposit	**15,210**	**251**	**16,524**	**227**
Treasury bills and other bills eligible for central bank refinancing	9,275	197	9,520	224
Other negotiable certificates of deposit	5,935	54	7,004	3
Bonds	**62,550**	**2,629**	**48,169**	**2,630**
Government bonds	43,960	1,887	29,491	1,695
Other bonds	18,590	742	18,678	935
Equities and other variable-income securities	**16,311**	**4,501**	**12,696**	**2,767**
Total available-for-sale financial assets, before provisions	**94,071**	**7,381**	**77,389**	**5,624**
of which fixed-income securities	*77,760*	*2,880*	*64,693*	*2,857*
of which loaned securities	*584*	*-*	*60*	*-*
Provisions for impairment of available-for-sale financial assets	**(1,365)**		**(1,611)**	
Fixed-income securities	(152)		(219)	
Variable-income securities	(1,213)		(1,392)	
Total available-for-sale financial assets, net of provisions	**92,706**	**7,381**	**75,778**	**5,624**

6.e CUSTOMER ITEMS

Loans and receivables due from customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand accounts	20,539	18,938
Loans to customers	273,305	217,254
Repurchase agreements	734	2,563
Finance leases	17,077	16,169
Total loans and receivables due from customers, before impairment provisions	**311,655**	**254,924**
Impairment of loans and receivables due from customers	(10,459)	(10,696)
Total loans and receivables due from customers, net of impairment provisions	**301,196**	**244,228**

Detail of finance leases

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Gross investment	**18,637**	**17,905**
Receivable within less than 1 year	5,791	5,922
Receivable after more than 1 year but within less than 5 years	10,005	9,373
Receivable after more than 5 years	2,841	2,610
Unearned interest income	(1,560)	(1,736)
Net investment before impairment provisions	**17,077**	**16,169**
Receivable within less than 1 year	5,346	5,335
Receivable after more than 1 year but within less than 5 years	9,117	8,251
Receivable after more than 5 years	2,614	2,583
Impairment provisions	(344)	(375)
Net investment after impairment provisions	**16,733**	**15,794**

Due to customers

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Demand deposits	102,945	84,294
Term accounts	91,125	77,731
Regulated savings accounts	41,292	39,712
Retail certificates of deposit	9,358	6,713
Repurchase agreements	2,774	3,037
Total due to customers	**247,494**	**211,487**

6.f DEBT SECURITIES AND SUBORDINATED DEBT

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Debt securities at fair value through profit or loss (note 6.b)	**42,933**	**31,963**
Other debt securities	**84,629**	**77,597**
Negotiable certificates of deposit	68,476	66,048
Bond issues	16,153	11,549
Subordinated debt	**16,706**	**13,042**
Redeemable subordinated debt	14,811	11,217
Undated subordinated debt	1,895	1,825
TOTAL	**144,268**	**122,602**

Redeemable subordinated debt

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or (in the case of private placements) over the counter.

Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the then applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

Undated subordinated debt

Undated subordinated debt consists of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée* – TSDIs), other undated notes, and undated participating subordinated notes (*titres participatifs*).

In millions of euros	31 December 2005	1 January 2005
Undated floating-rate subordinated notes (TSDIs)	887	812
Other undated notes	589	550
Undated participating subordinated notes	304	304
Issue costs and fees, accrued interest	115	159
TOTAL	**1,895**	**1,825**

- The TSDIs issued by BNP Paribas are redeemable on liquidation of the Bank after repayment of all other debts but ahead of undated participating subordinated notes. They confer no rights over residual assets. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution. The TSDIs meet the definition of debt instruments.

The TSDIs issued by BNP Paribas contain a specific call option provision, whereby they may be redeemed at par prior to maturity at the issuer's discretion at any time after a date specified in the issue particulars, subject to the prior approval of the banking authorities. The TSDIs are not subject to any interest uplift clause. The various TSDI issues are as follows:

In millions of euros					
Issuer	Issue date	Currency	Original amount in issue currency	31 December 2005	1 January 2005
Paribas SA	September 1984	USD	24 million	20	17
BNP SA	October 1985	EUR	305 million	305	305
Paribas SA	July 1986	USD	165 million	140	122
BNP SA	September 1986	USD	500 million	422	368
			TOTAL	**887**	**812**

- The other undated notes issued by BNP Paribas between 1996 and 1998 may be redeemed at par prior to maturity on a date specified in the issue particulars, and are entitled to an uplift in interest from this date if the notes have not been redeemed. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

In millions of euros						
Issuer	Issue date	Call option or interest uplift date	Currency	Original amount in issue currency	31 December 2005	1 January 2005
BNP SA	July 1996	July 2006	USD	20 million	17	15
BNP SA	December 1996	December 2006	USD	200 million	169	147
BNP SA	January 1997	January 2007	USD	50 million	42	37
BNP SA	January 1997	December 2006	USD	50 million	42	37
BNP SA	May 1997	May 2007	EUR	191 million	191	191
BNP SA	July 1997	July 2007	USD	50 million	42	37
BNP SA	November 1997	November 2007	EUR	9 million	9	9
BNP SA	April 1998	April 2008	EUR	77 million	77	77
				TOTAL	**589**	**550**

- The undated participating subordinated notes issued by BNP Paribas between 1984 and 1988 for a total amount of EUR 337 million are redeemable only in the event of the liquidation of the Bank, but may be retired on the terms specified in the law of 3 January 1983. Under this option, 219,742 notes were retired in 2004 and subsequently cancelled. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Shareholders' Meeting held to approve the financial statements declares that there is no income available for distribution.

The carrying amount of debt securities (except for negotiable certificates of deposit, regarded as having a maturity of less than one year) is broken down in the table below by contractual maturity date, or in the case of undated notes, by interest uplift date (if any). All BNP Paribas debt issues are converted to floating-rate, irrespective of the benchmark rate on issue.

Maturity or call option date, in millions of euros (unless otherwise indicated)	2006	2007	2008	2009	2010	2011-2015	After 2015	TOTAL at 31 Dec 2005
Total senior and subordinated debt	7,368	9,935	7,438	4,360	7,907	23,739	15,045	75,792
Maturity or call option date, in millions of euros (unless otherwise indicated)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010-2014**	**After 2014**	**TOTAL at 1 January 2005**
Total senior and subordinated debt	7,793	6,050	7,155	5,845	4,592	17,328	7,791	56,554

6.g HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Negotiable certificates of deposit	**3,360**	**6,290**
Treasury bills and other bills eligible for central bank refinancing	3,276	3,294
Other negotiable certificates of deposit	84	2,996
Bonds	**12,085**	**19,840**
Government bonds	11,451	19,451
Other bonds	634	389
Total held-to-maturity financial assets	**15,445**	**26,130**

6.h CURRENT AND DEFERRED TAXES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Current taxes	1,147	1,052
Deferred taxes	988	1,088
Current and deferred tax assets	**2,135**	**2,140**
Current taxes	647	472
Deferred taxes	1,559	1,181
Current and deferred tax liabilities	**2,206**	**1,653**

Deferred taxes on temporary timing differences relate to the following items :

In millions of euros	1 January 2005, under EU IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	31 december 2005, under EU IFRS
Provisions for employee benefit obligations	586	(133)		196	649
Other provisions	325	(74)		72	323
Unrealised finance lease reserve	(461)	36		(51)	(476)
Available-for-sale financial assets	(554)	(11)		(233)	(798)
Other items	11	(183)		(97)	(269)
Net deferred taxes	**(93)**	**(365)**	**-**	**(113)**	**(571)**
of which					
Deferred tax assets	1,088				988
Deferred tax liabilities	(1,181)				(1,559)

In millions of euros	1 January 2004, under 2004 IFRS	Deferred tax expense/ (income)	Effect of IAS 32, IAS 39 & IFRS 4	Effect of exchange rate movements & other items	1 January 2005, under EU IFRS
Provisions for employee benefit obligations	592	(40)		34	586
Other provisions	(20)	(18)	416	(53)	325
Unrealised finance lease reserve	(488)	39		(12)	(461)
Available-for-sale financial assets	70	62	(681)	(5)	(554)
Other items	(300)	(50)	248	113	11
Net deferred taxes	**(146)**	**(7)**	**(17)**	**77**	**(93)**
of which					
Deferred tax assets	2,375				1,088
Deferred tax liabilities	(2,521)				(1,181)

Carryforwards of tax losses accounted for EUR 96 million of total deferred tax assets at 31 December 2005 (EUR 65 million at 1 January 2005).

Unrecognised deferred tax assets amounted to EUR 338 million at 31 December 2005 (EUR 373 million at 1 January 2005).

The effects of first-time adoption of IAS 32, IAS 39 and IFRS 4 are described in Note 1.b.4. Restatement of specific credit risk impairment gives rise to an additional deferred tax asset of EUR 217 million, and the recognition of a provision for regulated savings products generates a deferred tax asset of EUR 129 million.

The other deferred tax effects of EUR 248 million are mainly a result of restatements related to financial instruments reclassified as fair value through profit or loss.

6.i ACCRUED INCOME/EXPENSE, OTHER ASSETS/LIABILITIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee deposits and bank guarantees paid	22,221	17,016
Settlement accounts related to securities transactions	16,010	4,226
Collection accounts	2,110	3,545
Reinsurers' share of technical reserves	2,283	2,075
Accrued income and prepaid expenses	1,836	1,830
Other debtors and miscellaneous assets	20,867	12,640
Total accrued income and other assets	**65,327**	**41,332**
Guarantee deposits received	11,183	6,260
Settlement accounts related to securities transactions	15,336	5,679
Collection accounts	414	4,799
Accrued expenses and deferred income	3,127	3,456
Other creditors and miscellaneous liabilities	18,386	13,862
Total accrued expenses and other liabilities	**48,446**	**34,056**

The movement in “Reinsurers’ share of technical reserves” breaks down as follows:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Reinsurers' share of technical reserves at start of period	**2,075**	**1,029**
Increase in technical reserves borne by reinsurers	294	292
Amounts received in respect of claims and benefits passed on to reinsurers	(90)	(72)
Effect of changes in exchange rates	4	-
Effect of changes in scope of consolidation	-	826
Reinsurers' share of technical reserves at end of period	**2,283**	**2,075**

6.j INVESTMENTS IN ASSOCIATES

The Group's investments in associates (companies carried under the equity method) are shown below, with individual investments in excess of EUR 100 million shown separately:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Erbe	1,013	746
Verner Investissement	221	184
Société de Paiement Pass	196	90
Finaxa	-	931
Cofinoga	-	232
Other associates	393	537
Investments in associates	**1,823**	**2,720**

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

In millions of euros	Total assets at 31 Dec 2005	Net banking income or net sales Year to 31 Dec 2005	Net income Year to 31 Dec 2005
Erbe (1)	1,615		139
Verner Investissement (1)	1,963	205	-
Société de Paiement Pass	2,751	364	51

(1) data as at 31 December 2004 or for the year then ended

6.k PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

In millions of euros	31 december 2005, under EU IFRS			1 January 2005, under EU IFRS		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	**6,119**	**(864)**	**5,255**	**5,345**	**(794)**	**4,551**
Land and buildings	2,871	(840)	2,031	2,547	(734)	1,813
Equipment, furniture and fixtures	3,726	(2,457)	1,269	3,399	(2,247)	1,152
Plant and equipment leased as lessor under operating leases	7,931	(2,646)	5,285	6,819	(2,267)	4,552
Other property, plant and equipment	1,210	(582)	628	1,160	(518)	642
PROPERTY, PLANT AND EQUIPMENT	**15,738**	**(6,525)**	**9,213**	**13,925**	**(5,766)**	**8,159**
Purchased software	1,359	(1,021)	338	1,091	(799)	292
Internally-developed software	615	(326)	289	543	(236)	307
Other intangible assets	791	(193)	598	788	(212)	576
INTANGIBLE ASSETS	**2,765**	**(1,540)**	**1,225**	**2,422**	**(1,247)**	**1,175**

The main changes in investment property in the year to 31 December 2005 related to the acquisition of shopping centres by Klépierre for EUR 545 million. In addition, the acquisition of Commercial Federal Corporation generated an increase of approximately EUR 121 million in property, plant and equipment.

The main changes in investment property in the year to 31 December 2004 related to the acquisition of shopping centres by Klépierre for EUR 673 million. The main changes in property, plant and equipment related to the Union Safe Deposit Bank and Community First Bankshares acquisitions (approximately EUR 116 million) and disposals of computer equipment to a subsidiary set up jointly with IBM (EUR 76 million).

Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with life insurance business, are recorded in "Investment property".

The estimated fair value of investment property accounted for at historical cost at 31 December 2005 was EUR 8,747 million (EUR 6,818 million at 1 January 2005).

Intangible assets

"Other intangible assets" comprise leasehold rights, goodwill and trademarks acquired by the Group.

Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2005 was EUR 766 million (EUR 775 million for the year ended 31 December 2004).

Net reversals of impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2005 amounted to EUR 24 million, compared with a net increase of EUR 25 million in impairment losses in the year ended 31 December 2004.

6.l GOODWILL

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Gross value at start of period	**6,328**	**5,578**
Accumulated impairment at start of period	**-**	**-**
Carrying amount at start of period	**6,328**	**5,578**
Acquisitions	1,204	1,259
Divestments	(30)	(61)
Impairment loss recognised during the period	(14)	-
Translation adjustments	589	(247)
Other movements	2	(201)
Gross value at end of period	**8,093**	**6,328**
Accumulated impairment recognised during the period	**(14)**	**-**
Carrying amount at end of period	**8,079**	**6,328**

As part of the impairment testing process for the relevant cash-generating unit, goodwill was tested for impairment at 1 January 2004, 31 December 2004 and 31 December 2005. The value tested was the new gross value at the reference date, net of accumulated amortisation and any impairment losses recognised at 31 December 2003 in accordance with IFRS 1. These impairment tests indicated no impairment of goodwill at either 1 January 2004 or 31 December 2004. At 31 December 2005, BNP Paribas recognised an impairment loss against goodwill related to the Peregrine sub-group in order to reflect prevailing market conditions in the Corporate Finance and Equity segments in Asia, where the sub-group's entities operate.

Goodwill by core business is as follows:

In millions of euros	Carrying amount at 31 December 2005	Carrying amount at 1 January 2005
International Retail Banking and Financial Services	**6,561**	**5,069**
of which BancWest Corp	*4,206*	*2,968*
of which Consumer Credit	*1,396*	*1,295*
of which Leasing with Services	*744*	*726*
Asset Management and Services	**1,221**	**962**
of which Cortal Consors	*385*	*385*
Corporate and Investment Banking	**84**	**84**
French Retail Banking	**23**	**-**
Other Activities	**190**	**213**
Total	**8,079**	**6,328**

6.m TECHNICAL RESERVES OF INSURANCE COMPANIES

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Liabilities related to insurance contracts	**64,406**	**48,228**
Gross technical reserves		
- Unit-linked contracts	26,146	18,925
- Other insurance contracts	38,260	29,303
Liabilities related to financial contracts	**8,892**	**14,252**
Liabilities related to financial contracts with discretionary participation feature	8,892	14,252
Policyholders' surplus	**3,225**	**2,038**
Total technical reserves of insurance companies	**76,523**	**64,518**
Liabilities related to unit-linked financial contracts (1)	4,090	5,525
Total liabilities related to contracts written by insurance companies	**80,613**	**70,043**

(1) Liabilities related to unit-linked financial contracts are included in "Due to customers" (Note 6.e) .

The deferred policyholders' surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest, set at 95% for France, is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

Movement in liabilities related to insurance contracts:

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Liabilities related to contracts at start of period	**70,043**	**61,121**
Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance	12,417	9,285
Claims and benefits paid	(5,063)	(4,414)
Contracts portfolio disposals	176	-
Effect of changes in scope of consolidation	-	1,015
Effect of movements in exchange rates	87	(20)
Effect of changes in value of admissible investments related to unit-linked business	2,953	942
Effect of adoption of IFRS applicable from 1 January 2005 (note 1.b.4)	-	2,114
Liabilities related to contracts at end of period	**80,613**	**70,043**

Refer to Note 6.i for details of reinsurers' share of technical reserves.

6.n PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	Year to 31 Dec 2005	Year to 31 Dec 2004
Total provisions at start of period	**3,983**	**4,934**
Additions to provisions	1,047	1,052
Reversals of provisions	(585)	(1,126)
Provisions utilised	(620)	(204)
Effect of movements in exchange rates and other movements	25	(80)
Total provisions at end of period	**3,850**	**4,576**
Effect of adoption of IFRS applicable from 1 January 2005		(593)
Total provisions at 1 January 2005		**3,983**

At 31 December 2005, provisions for contingencies and charges mainly include provisions for post-employment benefits (Note 8.b), for impairment related to credit and counterparty risks (Note 3.e), for risks on regulated savings products and for litigation in connection with banking transactions.

The effect on the movement in provisions for contingencies and charges of adopting IFRS applicable at 1 January 2005 includes a reduction of EUR 758 million due to the reclassification of a portion of the impairment of at-risk loans and of provisions for country risk, now shown as a deduction from assets in the balance sheet as presented in Note 1.c.2, and an increase of EUR 165 million for the restatements mentioned in Note 1.b.4.

Provisions for regulated savings product risks

Deposits, loans and savings - home savings plans (PEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings plans	**16,432**	**16,420**
Aged more than 10 years	6,234	5,966
Aged more than 4 years but less than 10 years	8,484	7,057
Aged less than 4 years	1,714	3,397
Outstanding loans granted under home savings plans	**304**	**442**
Provisions recognised in respect of home savings plans	**350**	**305**
Aged more than 10 years	182	97
Aged more than 4 years but less than 10 years	135	84
Aged less than 4 years	33	124

Deposits, loans and savings - home savings accounts (CEL)

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Deposits collected under home savings accounts	3,555	3,519
Outstanding loans granted under home savings accounts	499	596
Provisions recognised in respect of home savings accounts	38	70

Change in provisions for regulated savings products

In millions of euros	Year to 31 Dec 2005	
	Provisions recognised in respect of home savings plans	Provisions recognised in respect of home savings accounts
Total provisions at 1 January 2005	305	70
Additional provisions during the period	78	-
Reversals and utilisations	(33)	(32)
Total provisions at 31 December 2005	350	38

7. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

7.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financing commitments given:		
- to credit institutions	18,165	17,805
- to customers:	191,514	149,093
Confirmed letters of credit	149,525	123,956
Other commitments given to customers	41,989	25,137
Total financing commitments given	**209,679**	**166,898**
Financing commitments received:		
- from credit institutions	54,894	32,418
- from customers	774	4,366
Total financing commitments received	**55,668**	**36,784**

Financing commitments given to customers mainly comprise documentary credits and other confirmed letters of credit.

Financing commitments received mainly comprise standby commitments.

7.b GUARANTEE COMMITMENTS

Financial instruments given and received as guarantees

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Financial instruments received as guarantees	15,800	11,060
Financial instruments given as guarantees	29,694	26,855

Guarantee commitments given

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Guarantee commitments given:		
to credit institutions	8,484	6,840
to customers:	58,670	48,350
- Property guarantees	1,191	965
- Sureties provided to tax and other authorities, other sureties	18,639	15,361
- Other guarantees	38,840	32,024
Total guarantee commitments given	**67,154**	**55,190**

7.c SECURITISATION

The BNP Paribas Group carries out securitisation programmes involving the creation of special-purpose entities, which may be on behalf of customers (in some cases with a guarantee or liquidity facilities) or proprietary programs (in connection with the management of counterparty risk on certain portfolios or asset-liability management for certain subsidiaries). In these cases, the Group retains part of the risk by paying a guarantee deposit or subscribing to subordinated tranches. Special-purpose entities over which the Group does not exercise control are not consolidated.

Customer securitisation programmes

Short-term refinancing

At 31 December 2005, five non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on securitised receivables managed for customers by these entities up to an amount of EUR 629 million, and has granted liquidity facilities totalling EUR 12,176 million to these entities.

Medium/long-term bond refinancing

BNP Paribas also acts as arranger for customers, setting up funds that receive securitised customer assets and issue medium and long-term bonds which are then placed by the Group. However, BNP Paribas does not manage these funds, and they are not consolidated. At 31 December 2005, BNP the Group had granted liquidity facilities totalling EUR 331 million to seven such funds (BEI-Iris 4, Tiepolo Finance, Telecom Italia SV, RCI-Renault, Camber 1, LFE 3 and Tenzing), representing EUR 2,600 million of securitised receivables.

Proprietary securitisation programmes

- For asset/liability management purposes, the subsidiary Centro Leasing has sold finance lease receivables to non-consolidated securitisation vehicles. Centro Leasing has given these vehicles a limited guarantee covering the default risk on the sold receivables. At 31 December 2005, the gross amount of securitised receivables was EUR 865 million (Ponte Vecchio Finance and Ponte Vecchio Finance 2, maturing 2007 and 2010 respectively).

- To reduce the credit risk on certain portfolios, BNP Paribas carries out synthetic securitisations, which involve transferring part of this risk to the market using credit derivatives (purchases of options or credit default swaps) contracted either via special purpose entities or directly with other banks.

  Synthetic securitisation programmes via special purpose entities cover EUR 13 billion of consolidated assets, representing loans to major European and American companies. The risk retained by BNP Paribas relates to the equity instruments issued by the intermediate vehicles and acquired by the Group.

Synthetic securitisation (31 December 2005, EUR million)

Securitisation vehicle	Date launched	Life of the vehicle scheduled to end in	Gross counterparty risk before securitisation	Gross risk retained by the Group (1)
Consolidated vehicle				
Euroliberté (France)	2001	2008	2,001	184
Unconsolidated vehicle				
Global Liberté 1 to 2 (France)	2005	2010	10,517	496
			12,518	**680**

(1) This risk is retained by BNP Paribas because it holds equity instruments issued by entities that will bear the first losses incurred on the assets guaranteed by that entity.

8. SALARIES AND EMPLOYEE BENEFITS

8.a SALARY AND EMPLOYEE BENEFIT EXPENSES

Salary and employee benefit expenses for the year to 31 December 2005 came to EUR 7,903 million (EUR 7,163 million for the year to 31 December 2004).

Fixed and variable remuneration, incentive plans and profit-sharing amounted to EUR 5,935 million (EUR 5,179 million in 2004); retirement bonuses, pension costs and social security taxes to EUR 1,662 million (EUR 1,678 million in 2004); and payroll taxes to EUR 306 million (EUR 306 million in 2004).

8.b EMPLOYEE BENEFIT OBLIGATIONS

Post-employment benefits under defined-contribution plans

In France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, Luxembourg, the United Kingdom, Ireland, Norway and Australia). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan. The amount paid into defined-contribution post-employment plans in France and other countries for the year to 31 December 2005 was approximately EUR 286 million (EUR 275 million for the year to 31 December 2004).

Post-employment benefits under defined-benefit plans

The legacy defined-benefit plans in France and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of economic conditions specific to each country and Group company. Actuarial gains and losses outside the permitted 10% "corridor" are amortised ; these gains and losses are calculated separately for each defined-benefit plan.

Provisions set up to cover obligations under defined-benefit post-employment plans at 31 December 2005 totalled EUR 1,378 million (EUR 1,782 million at 31 December 2004), comprising EUR 865 million for French plans and EUR 513 million for other plans.

1) Pension plans, employee welfare plans and other post-employment benefits

In France, the BNP and Paribas pension funds pay a top-up banking industry pension arising from rights acquired to 31 December 1993 by ex-employees in retirement at that date and active employees in service at that date. These rights vested as a result of employer and employee contributions paid into these funds prior to 31 December 1993. The residual pension obligations are covered by a provision in the consolidated financial statements.

BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their still being with the Group at retirement, were fixed when the previous schemes were closed.

In other countries, pension plans are based either on pensions linked to the employee's final salary and length of service *(United Kingdom)*, or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a pre-defined rate *(United States)*. Some plans are top-up schemes linked to statutory pensions *(Norway)*. Some plans are managed by insurance companies *(Spain)* or by independent fund managers *(United Kingdom)*.

At 31 December 2005, 81% of the gross obligations under these plans were concentrated on 16 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 57% equities, 35% bonds, 8% other financial instruments.

Group employees also have rights under collective welfare benefit plans and miscellaneous contractual post-employment benefits such as bonuses payable on retirement. In 2005, BNP Paribas transferred to a third-party insurer contracts taken out to cover bonuses payable on retirement in France and defined-benefit pension plans, previously managed by French subsidiaries of BNP Paribas.

- *Reconciliation of assets and liabilities recognised in the balance sheet*

In millions of euros	31 december 2005, under EU IFRS	1 January 2005, under EU IFRS
Excess of obligations over plan assets of funded plans	**1,179**	**1,835**
Gross present value of obligations wholly or partially funded by plan assets	2,914	3,063
Fair value of plan assets	(1,735)	(1,228)
of which financial instruments issued by BNP Paribas	*3*	*3*
of which property and other assets used by BNP Paribas	*3*	*3*
Present value of unfunded obligations	**237**	**179**
Fair value of surplus assets	**(78)**	**-**
Fair value of segregated assets (1)	**(73)**	**(249)**
Cost not yet recognised in accordance with IAS 19	**(129)**	**(332)**
Past service cost	76	(194)
Net actuarial losses/gains	(205)	(138)
Other amounts recognised in the balance sheet	**41**	**36**
Net obligation recognised in the balance sheet for defined-benefit plans	**1,177**	**1,469**

(1) Segregated assets are ring-fenced assets held in the balance sheets of Group insurance companies to cover post-employment benefit obligations transferred to the insurance companies for certain categories of employees of other Group entities.

- *Movements in the net obligation in the balance sheet*

In millions of euros	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net obligation at start of period	**1,469**	**1,664**
Pension cost recognised in profit or loss for the period	(10)	158
BNP Paribas contributions to plan assets	(140)	(176)
Benefits paid to recipients of unfunded benefits	(24)	(176)
Other movements	(118)	(1)
Net obligation at end of period	**1,177**	**1,469**

- *Components of pension cost*

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Service cost for the period	126	90
Expense arising on discounting of the obligation	133	155
Expected return on plan assets	(93)	(80)
Amortisation of actuarial gains and losses	28	1
Amortisation of past service cost	6	14
Effect of plan curtailments or settlements	(213)	(20)
Other items	3	(2)
Total expense recorded in "Salary and employee benefit expenses"	**(10)**	**158**

- *Effective rate of return on plan assets (including reimbursement rights)*

In %,	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Actual return on plan assets (1)	4.20%-5.00%	8.45%-14.12%	8.32%-19.49%	3.01%-7.90%	4.30%-4.90%	2.60%-7.63%	7.00%-9.50%	4.65%-9.66%

(1) Range of values, reflecting the existence of several plans within a single country or zone

- *Main actuarial assumptions used in employee benefit calculations at the balance sheet date*

In %	31 december 2005, under EU IFRS				1 January 2005, under EU IFRS			
	France	Euro zone excl. France	UK	USA	France	Euro zone excl. France	UK	USA
Discounting rate	2,76%-3,59%	3,40%-3,82%	4.81%	5.50%	2.52%-4.21%	4.35%	5.20%-5.25%	5.75%
Expected return on plan assets (1)	4,00%-4,20%	2,52%-6,40%	5,40%-7,30%	7,00%-9,00%	4.30%-4.90%	4.50%-6.50%	5.40%-6.30%	7.00%-9.00%
Future rate of salary increases	2,50%-5,50%	2,00%-4,00%	3,75%-5,40%	4.00%	2.50%-5.50%	3.00%-4.50%	3.70%-4.50%	4.00%

(1) Range of values, reflecting the existence of several plans within a single country or zone

2) Post-employment healthcare plans

The Group has several healthcare benefit plans for retired employees, mainly in the United States. Provisions for obligations under these plans at 31 December 2005 amounted to EUR 50 million (EUR 45 million at 31 December 2004).

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

Termination benefits

In France, BNP Paribas is encouraging voluntary redundancy among employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans is provided for where the plan is the subject of an agreement or a draft bilateral agreement. In 2005, the Group set up a provision of EUR 43 million to cover an Employment Adaptation Plan to be implemented from 2006 to 2008 by BNP Paribas in France, in anticipation of the effect of demographic changes and of quantitative and qualitative changes in job requirements.

Provisions for voluntary redundancy and early retirement plans amounted to EUR 171 million at 31 December 2005 (EUR 201 million at 31 December 2004).

8.c SHARE-BASED PAYMENT

BNP Paribas has granted benefits to some employees in the form of share-based loyalty bonus plans and stock option plans.

1) Share-based loyalty bonus plans

As part of the Group's variable remuneration policy, some high-performing employees are awarded a loyalty bonus plan, entitling them to specific share-based remuneration over a three-year period subject to their remaining with the Group. Under IFRS 2, these plans are recognised as an expense over the vesting period of the rights.

The Group recognises share-based deferred bonus entitlements linked to the performance of certain categories of employee in 2002 and 2003 as an expense over the remaining vesting period of the rights. The total recognised as an expense in the year ended 31 December 2005 was EUR 50 million (EUR 92 million in the year ended 31 December 2004).

2) Stock option plans

Various stock option plans have been granted to Group employees by BNP, by Paribas and its subsidiaries, and subsequently by BNP Paribas. All unexpired plans involve potential settlement in BNP Paribas shares.

Expense for the year

The expense recognised in the year to 31 December 2005 in respect of stock subscription option plans granted since November 2002 was EUR 32 million (EUR 23 million in the year to 31 December 2004).

Description of the plans

Under authorisations granted by the Shareholders' General Meeting, BNP Paribas grants a stock subscription option plan every year.

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2005:

Stock subscription option plans

Characteristics of the plan							Number of options exercised during the period (1)	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period (2)	Option expiry date	Exercise price (in euros)		Number of options	Remaining period until expiry of options (years)
BNP	22/05/1997	64	476,000	23/05/2002	22/05/2007	18.45	88,160	119,480	1
BNP	13/05/1998	259	2,074,000	14/05/2003	13/05/2008	37.28	577,421	629,002	2
BNP	03/05/1999	112	670,000	04/05/2004	03/05/2009	37.64	185,349	283,472	3
BNP (4)	22/12/1999	642	5,064,000	23/12/2004	22/12/2009	45.16	1,287,612	3,197,668	4
BNP (4)	07/04/2000	1,214	1,754,200	08/04/2005	07/04/2010	42.50	561,071	899,629	4
BNP Paribas SA (2)	15/05/2001	932	6,069,000	15/05/2005	14/05/2011	49.00	62,511	5,743,489	5
BNP Paribas SA (2)	31/05/2002	1,384	2,158,570	31/05/2006	30/05/2012	60.00	-	2,002,530	6
BNP Paribas SA (3)	21/03/2003	1,302	6,693,000	21/03/2007	20/03/2013	37.10	5,000	6,501,400	7
BNP Paribas SA (3)	24/03/2004	1,458	1,779,850	24/03/2008	21/03/2014	49.80	-	1,703,850	8
BNP Paribas SA (3)	25/03/2005	2,380	4,332,550	25/03/2009	22/03/2013	55.1 (5)	-	4,307,650	7
							2,767,124	**25,388,170**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

(2) The options are subject to vesting conditions related to the financial performance of the Group as measured by the ratio of net income to average shareholders' equity for the year in question. The minimum requirement is an average ratio of 16% over four years starting in the year of grant, or alternatively over three rolling years starting in the second year after the year of grant.

(3) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of BNP Paribas shares relative to the Dow Jones Euro Stoxx Bank index.

(4) Plans granted to employees of the two pre-merger groups, BNP and Paribas. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the merger. This condition has been met.

(5) Rounded average of the opening quoted stock market prices for the twenty trading days preceding 25 March 2005.

Stock purchase option plans

Characteristics of the plan							Number of options exercised during the period	Options outstanding at end of period	
Originating company	Date of grant	Number of grantees	Number of options granted (1)	Start date of exercise period	Option expiry date	Exercise price (in euros) (1)		Number of options (1)	Remaining period until expiry of options (years)
Paribas (CFP)	20/01/1997	526	5,178,206	20/01/2002	20/01/2005	17.30	162,973	-	-
Paribas (CFP)	07/07/1997	4	77,125	07/07/2002	07/07/2005	19.47	8,678	-	-
Cetelem	22/09/1997	117	332,893	23/09/2002	21/09/2005	17.19	108,570	-	-
Paribas (CB)	30/09/1997	149	615,608	01/10/2002	29/09/2005	19.71	225,491	-	-
Paribas (CFP)	26/12/1997	319	6,370,545	26/12/2002	26/12/2005	23.47	1,811,881	-	-
Paribas	17/11/1998	975	7,255,377	17/11/2003	17/11/2006	20.41	1,133,590	1,481,847	1
Paribas	04/05/1999	1	30,850	04/05/2004	04/05/2007	31.88	8,342	22,508	1
							3,459,525	**1,504,355**	

(1) The number of options and the exercise price have been adjusted for the two-for-one BNP Paribas share split that took place on 20 February 2002.

- For Compagnie Bancaire, Compagnie Financière Paribas and Banque Paribas, based on the following conversion rates: 9 Paribas shares for 5 Compagnie Bancaire shares, 1 Paribas share for 1 Compagnie Financière Paribas share, 1 Paribas share for 1 Banque Paribas share, 3.085 BNP Paribas shares for 1 Paribas share.

- For Cetelem (fully consolidated Paribas subsidiary), the number of options and the exercise price are expressed in BNP Paribas shares calculated after the exchange: 1.791 Paribas shares for 1 Cetelem share, 3.085 BNP Paribas shares for 1 Paribas share.

The exercise price and number of options used in the preparation of this table were calculated on the basis of the exchange ratio after 1 July 2002.

(2) Exercise dates set at the time of grant. However, the BNP-Paribas merger agreement stipulates that grantees may not exercise their options until the 5th anniversary of the date of grant, as required under French tax rules, irrespective of the original exercise date.

Movements during the year

Stock subscription option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**24,359,164**	44.58	**23,960,398**	43.30
Options granted during the period	4,332,550	55.10	1,779,850	49.80
Options exercised during the period	(2,767,124)	41.69	(1,381,084)	28.79
Options expired during the period	(536,420)		-	
Options outstanding at 31 December	**25,388,170**	46.63	**24,359,164**	44.58
Options exercisable at 31 December (1)	**8,932,740**	45.38	**6,438,164**	42.27

(1) The number of options exercisable at 31 December 2005 does not take into account the tranche of the options granted on 15 May 2001 of which exercise is contingent upon the financial performance of the Group (1,940,000 options outstanding at the end of 2005). Because the minimum annual average performance requirement of 16% was not reached in the past reference period, the exercise period for this tranche is extended until the requirement is met over a rolling 3-year period.

The average quoted stock market price for the option exercise period in 2005 was EUR 59.11 (EUR 51.54 in 2004).

Stock purchase option plans

	2005		2004	
	Number of options	Weighted average exercise price (euros)	Number of options	Weighted average exercise price (euros)
Options outstanding at 1 January	**4,963,880**	21.39	**8,624,313**	20.86
Options exercised during the period	(3,459,525)	21.74	(3,660,433)	20.14
Options outstanding at 31 December	**1,504,355**	20.58	**4,963,880**	21.39
Options exercisable at 31 December	**1,504,355**	20.58	**4,963,880**	21.39

The average quoted stock market price for the option exercise period in 2005 was EUR 58.76 (EUR 51.54 in 2004).

Value attributed to stock options

As required under IFRS 2, BNP Paribas attributes a value to stock options granted to employees and recognises an expense, determined at the date of grant, calculated on the basis of the fair value of the options. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision to fair value during the vesting period, and hence to an adjustment in the expense, are those related to the population of grantees (loss of rights) or to performance-linked conditions (return on equity).

The Group's stock option plans are valued by an independent specialist firm. Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte Carlo method is used to price in the characteristics of certain secondary grants linking options to the performance of BNP Paribas shares relative to a sector index.

The implied volatility used in measuring stock option plans is estimated on the basis of a range of ratings prepared by various dealing rooms. The level of volatility used by the Group takes account of historical volatility trends for the benchmark index and BNP Paribas shares over a 10-year period.

The value of options granted by BNP Paribas in 2005 was EUR 9.84 (EUR 11.41 euros in 2004).

In millions of euros	Year to 31 Dec 2005,	Year to 31 Dec 2004,
Quoted price of BNP Paribas shares at date of grant	55.60	48.23
Option exercise price	55.10	49.80
Implied volatility of BNP Paribas shares	20.0%	24.7%
Early exercise of options	7.5 years	8 years
Expected dividend on BNP Paribas shares (1)	3.6%	3.0%
Risk-free interest rate	3.7%	4.1%
Loss of rights rate	1.5%	2.0%

(1) The dividend rate shown above is an average of the series of annual dividends over the life of the option.

9. ADDITIONAL INFORMATION

9.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

Operations affecting share capital

Operations affecting share capital	Number of shares	Par value in euros	Date of authorisation by Shareholders' Meeting	Date of decision by Board of Directors
Number of shares outstanding at 31 December 2003	**903,171,615**	**2**		
Increase in share capital by exercise of stock subscription options on 28 January 2004	443,989	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 17 May 2004	(25,000,000)	2	14 May 03	24 March 04
Exercise of stock subscription options on 6 July 2004	606,978	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,477,862	2	14 May 03	04 Feb 04
Number of shares outstanding at 31 December 2004	**884,700,444**	**2**		
Increase in share capital by exercise of stock subscription options on 25 January 2005	518,758	2	23 May 00	05 Sept 00
Reduction in share capital by cancellation of treasury shares on 10 May 2005	(13,994,568)	2	28 May 04	23 March 05
Increase in share capital by exercise of stock subscription options on 20 July 2005	1,397,501	2	23 May 00	05 Sept 00
Capital increase reserved for members of the Company Savings Plan	5,000,000	2	14 May 03	04 Febr 04
Reduction in share capital by cancellation of treasury shares on 29 November 2005	(39,374,263)	2	18 May 05	13 June 05
Number of shares outstanding at 31 December 2005	**838,247,872**	**2**		

At 31 December 2005, the share capital of BNP Paribas SA consisted of 838,247,872 fully-paid ordinary shares with a par value of 2 euros (compared with 884,700,444 ordinary shares at 1 January 2005). Under BNP Paribas stock subscription plans, 1,369,623 new shares with a par value of 2 euros each and ranking for dividend from 1 January 2005 were subscribed for by employees during the year ended 31 December 2005. These shares were issued on 23 January 2006.

The 11th and 12th resolutions of the Shareholders' General Meeting of 28 May 2004 authorised the Board of Directors to increase the share capital by up to EUR 1.34 billion, representing 500,000,000 shares with pre-emptive rights and 170,000,000 securities without pre-emptive rights. The aggregate nominal value of debt securities giving immediate or future access to BNP Paribas shares under these authorisations is limited to EUR 10 billion in the case of shares, and EUR 8 billion in the case of securities without pre-emptive rights. These authorisations were granted for a period of 26 months. No securities had been issued pursuant to these authorisations as of 31 December 2005.

The 13th resolution of the Shareholders' General Meeting of 28 May 2004 also authorised the Board of Directors to increase the share capital by capitalising reserves up to a maximum aggregate par value of EUR 1 billion. This authorisation allows the successive or simultaneous capitalisation of some or all of BNP Paribas SA's retained earnings, profits or additional paid-in capital by the issuance and allotment of consideration-free shares, by raising the par value of the shares, or by a combination of these two methods. This authorisation was granted for a period of 26 months.

The 16th resolutions of the Shareholders' General Meetings of 28 May 2004 and 18 May 2005 authorised the Board of Directors to cancel, by means of a reduction in share capital, some or all of the own shares held or acquired under the authorisation granted by the Shareholders' General Meeting, up to a maximum of 10% of the share capital in any 24-month period. These authorisations were granted for a period of 18 months. In 2005, 53,368,831 shares were cancelled pursuant to these authorisations.

Preferred shares and equivalents

In December 1997, BNP US Funding LLC, a subsidiary under the exclusive control of the Group, made a USD 500 million issue of undated non-cumulative preferred shares governed by the law of the United States, which do not dilute ordinary BNP Paribas shares. The shares pay a dividend of 7.738% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend. The proceeds of this issue are shown under "Minority interests" in the balance sheet, and the dividends are reported in "Minority interests" in the profit and loss account.

In 2000, a further USD 500 million undated non-cumulative preferred share issue was carried out by BNP Paribas Capital Trust, a subsidiary under the exclusive control of the Group. These shares pay a dividend of 9.003% for a period of ten years. Thereafter, the shares are redeemable at par at the issuer's discretion at the end of each calendar quarter, with unredeemed shares paying a Libor-indexed dividend.

In October 2001, a further two undated non-cumulative preferred share issues, of EUR 350 million and EUR 500 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over 5 years minimum, and shares in the second issue pay a dividend of 6.625% over 10 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7%.

Shares in the second issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

In January and June 2002, a further two undated non-cumulative preferred share issues, of EUR 660 million and EUR 650 million respectively, were carried out by two subsidiaries under the exclusive control of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a dividend of 7.2% paid quarterly over 5 years.

Shares in the first issue are redeemable at the issuer's discretion after the end of a ten-year period, and thereafter at each coupon date, with unredeemed shares paying a Euribor-indexed dividend.

Shares in the second issue are redeemable at the issuer's discretion after the end of a five-year period, and thereafter at each coupon date, with unredeemed shares continuing to pay a dividend of 7.20%.

In January 2003, a further non-cumulative preferred share issue of EUR 700 million was carried out by BNP Paribas Capital Trust VI, a subsidiary under the exclusive control of the Group. Shares in this issue pay an annual dividend of 5.868%. The shares are redeemable after the end of a ten-year period, and thereafter at each coupon date. Shares not redeemed in 2013 will pay a Euribor-indexed dividend quarterly.

Issuer	Date of issue	Currency	Amount	Fixed-rate term	Rate after 1st call date
BNP US Funding	December 1997	USD	500 million	10 years	Weekly Libor + 2.8%
BNPP Capital Trust	October 2000	USD	500 million	10 years	3-month Libor + 3.26%
BNPP Capital Trust II	October 2001	EUR	350 million	5 years	7%
BNPP Capital Trust III	October 2001	EUR	500 million	10 years	3-month Euribor + 2.6%
BNPP Capital Trust IV	January 2002	EUR	660 million	10 years	3-month Euribor + 2.33%
BNPP Capital Trust V	June 2002	USD	650 million	5 years	7.20%
BNPP Capital Trust VI	January 2003	EUR	700 million	10 years	3-month Euribor + 2.48%

Undated Super Subordinated Notes, equivalent to preferred shares, issued by BNP Paribas SA

In June 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 1,350 million. The issue pays a fixed annual remuneration of 5.186%. The notes are redeemable at the end of a 10-year period, and thereafter at each annual coupon date. If the notes are not redeemed in 2015, they will pay quarterly coupon at 3-month USD Libor plus 1.68%.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of EUR 1,000 million. The issue pays a fixed annual remuneration of 4.875%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

In October 2005, BNP Paribas SA carried out an issue of Undated Super Subordinated Notes of USD 400 million. The issue pays a fixed annual remuneration of 6.250%. The notes are redeemable at the end of a 6-year period, and thereafter at each annual coupon date. If the notes are not redeemed in October 2011, they will pay coupon at the fixed rate.

The capital raised by this issue is included in “retained earnings” within shareholders’ equity in the balance sheet, with the remuneration on the notes treated as dividend.

Own equity instruments (shares issued by BNP Paribas shares and held by the Group)

The sixth resolution of the Shareholders' Meeting of 28 May 2004 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: stabilising the share price; allotting or selling shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; subsequent cancellation of the shares; sale, exchange or transfer of the shares; or pursuing balance sheet or financial management strategies.

The fifth resolution of the Shareholders' Meeting of 18 May 2005 authorised BNP Paribas to buy back shares representing a maximum of 10% of the share capital, for the following purposes: cancellation of the repurchased shares on the terms approved by an extraordinary resolution of the shareholders; meeting obligations arising from (i) issuance of securities giving access to BNP Paribas shares, (ii) stock purchase option plans, (iii) allotment of consideration-free shares to employees and corporate officers or (iv) allotment or sale of shares to employees under the statutory profit-sharing scheme, employee share ownership plans or company savings plans; retention for future delivery in exchange or as payment for an acquisition; stabilising the share price by buying or selling shares in the light of market conditions.

In addition, a BNP Paribas subsidiary involved in market index trading and arbitrage activities carries out, as part of these activities, short selling of shares issued by BNP Paribas SA.

At 31 December 2005, the BNP Paribas Group held 4,724,282 BNP Paribas shares, representing an amount of EUR 165 million, deducted from shareholders' equity in the balance sheet. At 1 January 2005, a total of 54,512,739 BNP Paribas shares, representing an amount of EUR 2,661 million, were deducted from shareholders' equity in the balance sheet.

	Proprietary transactions		Trading account transactions		Total	
Own equity instruments (shares issued by BNP Paribas and held by the Group)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)	Number of shares	Carrying amount (in millions of euros)
Shares held at 31 December 2003	44,818,443	1,905			44,818,443	1,905
Acquisitions	35,751,407	1,794			35,751,407	1,794
Reduction in share capital	(25,000,000)	(966)			(25,000,000)	(966)
Other movements	(457,241)	(40)	(599,870)	(32)	(1,057,111)	(72)
Shares held at 31 December 2004	55,112,609	2,693	(599,870)	(32)	54,512,739	2,661
Acquisitions	11,677,068	676			11,677,068	676
Reduction in share capital	(53,368,831)	(2,694)			(53,368,831)	(2,694)
Other movements	(4,360,827)	(214)	(3,735,867)	(264)	(8,096,694)	(478)
Shares held at 31 December 2005	9,060,019	461	(4,335,737)	(296)	4,724,282	165

Earnings per share

Diluted earnings per share corresponds to net income for the year divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. Stock subscription options granted are taken into account in the diluted earnings per share calculation. Conversion of these instruments would have no effect on the net income figure used in this calculation.

	Year to 31 Dec 2005, under EU IFRS	Year to 31 Dec 2004, under 2004 IFRS
Net income used to calculate basic and diluted earnings per share (in millions of euros) [(1)]	**5,822**	**4,939**
Weighted average number of ordinary shares outstanding during the year	**829,515,172**	**840,921,530**
Effect of potentially dilutive ordinary shares:		
number of potentially dilutive shares derived from exercisable stock subscription options	5,318,375	3,481,413
Weighted average number of ordinary shares used to calculate diluted earnings per share	**834,833,547**	**844,402,943**
Basic earnings per share (in euros)	**7.02**	**5.87**
Diluted earnings per share (in euros)	**6.97**	**5.85**

(1) Net income used to calculate basic and diluted earnings per share is net income per the profit and loss account, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes are treated as dividends.

A dividend of 2.00 euros per share was distributed in 2005 out of 2004 net income (compared with 1.45 euros paid in 2004 out of 2003 net income).

9.b SCOPE OF CONSOLIDATION

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
BNP Paribas SA					France	Full	100,00%	100,00%
French Retail Banking								
Banque de Bretagne					France	Full	100,00%	100,00%
BNP Paribas Developpement					France	Full	100,00%	100,00%
BNP Paribas Factor					France	Full	100,00%	100,00%
Catesienne de Participation		6			France			
IRBFS								
Retail Bankig - United States of America								
BancWest Corporation					U.S.A.	Full	100,00%	100,00%
Bank of the West					U.S.A.	Full	100,00%	100,00%
FHL Lease Holding Cy					U.S.A.	Full	100,00%	100,00%
First Hawaïan Bank					U.S.A.	Full	100,00%	100,00%
Union Safe Deposit Bank			6		U.S.A.			
Leasing - Finance Leases								
Albury Asset Rentals Limited					UK	Full	100,00%	99,96%
All In One Allemagne					Germany	Full	100,00%	99,96%
Antin Bail					France	Full	100,00%	100,00%
Aprolis Finance					France	Full	51,00%	50,98%
Avelingen Finance BV			1		Netherlands	Equity	50,00%	49,98%
Barloword Heftruck BV			1		Netherlands	Equity	50,00%	49,98%
BNP Paribas Lease Group					France	Full	99,96%	99,96%
BNP Paribas Lease Group BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group Holding SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group Netherlands BV			1		Netherlands	Full	100,00%	99,96%
BNP Paribas Lease Group UK PLC					UK	Full	100,00%	99,96%
BNP Paribas Lease Group SA Belgium					Belgium	Full	100,00%	99,96%
BNP Paribas Lease Group SPA					Italy	Full	100,00%	99,96%
BNP Paribas Lease Group (Rentals) Ltd ex Bureau Services Limited					UK	Full	100,00%	99,96%
BNP Paribas Leasing Gmbh					Germany	Full	100,00%	99,96%
Centro Leasing SPA					Italy	Equity	37,30%	37,28%
Claas Financial Services					France	Full	60,11%	60,09%
Claas Leasing Gmbh					Germany	Full	100,00%	60,09%
CNH Capital Europe					France	Full	50,10%	50,08%
CNH Capital Europe Limited					UK	Full	50,10%	50,08%
Commercial Vehicle Finance Limited					UK	Full	100,00%	99,96%
Diamond Finance UK Limited					UK	Full	60,00%	59,98%
Equipment Lease BV			1		Netherlands	Full	100,00%	99,96%
Evergo Finanzaria	6				Italy			
Finance et Gestion SA					France	Full	70,00%	69,97%
Geveke Rental BV			1		Netherlands	Equity	50,00%	49,98%
H.F.G.L Limited	2				UK	Full	100,00%	99,96%
HIH Management Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N°1 Limited					UK	Full	100,00%	99,96%
Humberclyde Commercial Investments N° 4 Limited					UK	Full	100,00%	99,96%
Humberclyde Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Industrial Finance Limited					UK	Full	100,00%	99,96%
Humberclyde Investments Limited	2				UK	Full	100,00%	99,96%
Humberclyde Management Services Limited					UK	Full	100,00%	99,96%
Humberclyde Spring Leasing Limited					UK	Full	100,00%	99,96%
Leaseco International BV			1		Netherlands	Full	100,00%	99,96%
Natiobail					France	Full	100,00%	99,96%
Natiocrédibail					France	Full	100,00%	99,96%
Natiocrédimurs					France	Full	100,00%	99,96%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Leasing - Finance Leases (cont'd)								
Natioénergie					France	Full	100,00%	99,96%
Norbail Snc			5		France			
Norbail Location			5		France			
Paricomi					France	Full	100,00%	100,00%
S C A U			5		France			
SAS MFF			2		France	Full	51,00%	50,98%
Same Deutz-Fahr Finance					France	Full	99,97%	99,93%
Same Deutz Fahr Finance Limited					UK	Full	100,00%	99,96%
Socappa	6				France			
UFB Asset Finance Limited					UK	Full	100,00%	99,96%
United Care Group Limited					UK	Full	100,00%	99,96%
United Care (Cheshire) Limited					UK	Full	100,00%	99,96%
United Corporate Finance Limited					UK	Full	100,00%	99,96%
United Inns Management Limited					UK	Full	100,00%	99,96%
Consumer Credit								
Attijari Cetelem			1		Marocco	Full	100,00%	93,01%
Axa Banque Financement			5		France			
Banco Cetelem Argentine			5		Argentina			
Banco cetelem Portugal					Portugal	Full	100,00%	100,00%
Banco Cetelem SA					Spain	Full	100,00%	100,00%
Caisse d'Epargne Financement - CEFI					France	Equity	33,00%	33,00%
Carrefour Administration Cartos de Creditos - CACC					Brazil	Equity	40,00%	40,00%
Cetelem					France	Full	100,00%	100,00%
Cetelem America					Brazil	Full	100,00%	100,00%
Cetelem Bank Gmbh					Germany	Full	50,10%	50,10%
Cetelem Bank SA			2		Poland	Full	100,00%	100,00%
Cetelem Belgium					Belgium	Full	100,00%	100,00%
Cetelem Benelux BV					Netherlands	Full	100,00%	100,00%
Cetelem Brésil	9				Brazil	Full	100,00%	100,00%
Cetelem Capital Company Limited	5				South Korea			
Cetelem CR					Czech Rep.	Full	100,00%	100,00%
Cetelem Polska Expansion SA	9				Poland	Full	100,00%	100,00%
Cetelem Thailande					Thailand	Full	100,00%	100,00%
Cetelem UK (ex Halifax Cetelem Credit Limited)	7				UK	Full	100,00%	100,00%
Cofica Bail					France	Full	100,00%	100,00%
Cofidis France					France	Equity	15,00%	15,00%
Cofinoga					France	Prop.	0,00%	48,16%
Cofiparc					France	Full	100,00%	99,99%
Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce					France	Full	100,00%	100,00%
Credial		6			France			
Crédit Moderne Antilles					France	Full	100,00%	100,00%
Crédit Moderne Guyane					France	Full	100,00%	100,00%
Crédit Moderne Océan Indien					France	Full	97,81%	97,81%
Domofinance SA			2		France	Full	55,00%	55,00%
Effico Iberia			2		Spain	Full	100,00%	100,00%
Effico Soreco					France	Full	99,94%	99,94%
Eurocredito					Spain	Full	100,00%	100,00%
Facet					France	Full	99,69%	99,69%
Fidem					France	Full	51,00%	51,00%
Fimestic Expansion SA					Spain	Full	100,00%	100,00%
Findomestic					Italy	Prop.	50,00%	50,00%
Fortis Crédit				4	Belgium			
Laser				11	France	Prop.	48,16%	48,16%
Loisirs Finance					France	Full	51,00%	51,00%
Magyar Cetelem					Hungary	Full	100,00%	100,00%
Norrsken Finance	2				France	Full	51,00%	51,00%

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Consumer Credit (cont'd)								
Sa Leval 3	5				France			
Servicios Financieros Carrefour EFC					Spain	Equity	40,00%	40,00%
Société de Paiement Pass					France	Equity	40,01%	40,01%
Special Purpose Entities								
FCC Findomestic		3			Italy	Prop.		
FCC Master Dolphin		2			France	Prop.		
FCC Master Noria		3			France	Full		
FCC Retail ABS Finance				2	France	Full		
Property Loans								
Abbey National France			1	6	France			
Banca UCB SPA					Italy	Full	100,00%	100,00%
BNP Paribas Invest Immo		2			France	Full	99,99%	99,99%
SAS Prêts et Services					France	Full	100,00%	100,00%
Services et Prêts Immobiliers		6			France			
UCB					France	Full	100,00%	100,00%
UCB Hypotheken	2				Netherlands	Full	100,00%	100,00%
Union de Creditos Immobiliarios - UCI (Groupe)			10		Spain	Prop.	50,00%	50,00%
Special Purpose Entities					France	Full		
FCC Domos 2003					France	Full		
FCC Master Domos		3			France	Full		
FCC Master Domos 4		3			France	Full		
FCC Master Domos 5		3			France	Full		
FCC U.C.I 2-14 (ex FCC U.C.I 2-9)		3	10		Spain	Prop.		
Long term leasing with services								
Arius Finance				6	France			
Arius SA					France	Full	100,00%	99,99%
Arma Beheer BV		1			Netherlands	Full	100,00%	99,99%
Artegy Limited		2			UK	Full	100,00%	99,99%
Artegy SAS					France	Full	100,00%	99,99%
Arval Belgium					Belgium	Full	100,00%	99,99%
Arval BV (ex Arma Nederland)		1			Netherlands	Full	100,00%	99,99%
Arval Deutschland GmbH (ex Arval PHH Deutschland Gmbh)					Germany	Full	100,00%	99,99%
Arval ECL SAS					France	Full	100,00%	99,99%
Arval Limited					UK	Full	100,00%	99,99%
Arval Luxembourg					Luxembourg	Full	100,00%	99,99%
Arval Nederland				6	Netherlands			
Arval NV (ex Arma Belgique)		1			Belgium	Full	100,00%	99,99%
Arval PHH Buisiness Services Limited					UK	Full	100,00%	99,99%
Arval PHH Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Arval PHH Holding SAS					France	Full	100,00%	99,99%
Arval PHH Holdings Limited					UK	Full	100,00%	99,99%
Arval PHH Holdings UK Limited					UK	Full	100,00%	99,99%
Arval PHH Limited					UK	Full	100,00%	99,99%
Arval Portugal					Portugal	Full	100,00%	99,99%
Arval Schweiz AG (ex Leasing Handels und Service AG)					Switzerland	Full	100,00%	99,99%
Arval Service Lease					France	Full	100,00%	99,99%
Arval Service Lease Espagne					Spain	Full	99,98%	99,97%
Arval Service Lease Italia					Italy	Full	100,00%	99,99%
Arval Service Lease Polska SP					Poland	Full	100,00%	99,99%
BNP Paribas Fleet Holdings Limited					UK	Full	100,00%	99,99%
Dialcard Fleet Information Services Limited					UK	Full	100,00%	99,99%
Dialcard Limited					UK	Full	100,00%	99,99%
Gestion et Location Holding					France	Full	99,99%	99,99%

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Long term leasing with services (cont'd)								
Harpur Assets Limited			5		UK			
Harpur UK Limited					UK	Full	100,00%	99,99%
Overdrive Buisiness Solutions Limited					UK	Full	100,00%	99,99%
Overdrive Credit Card Limited					UK	Full	100,00%	99,99%
PHH Financial services Limited					UK	Full	100,00%	99,99%
PHH Holdings (1999) Limited					UK	Full	100,00%	99,99%
PHH Investment Services Limited					UK	Full	100,00%	99,99%
PHH Leasing (N°9) Limited					UK	Full	100,00%	99,99%
PHH Treasury Services Limited					UK	Full	100,00%	99,99%
PHH Truck Management Services Limited					UK	Full	100,00%	99,99%
Pointeuro Limited					UK	Full	100,00%	99,99%
The Harpur Group UK Limited					UK	Full	100,00%	99,99%
Emerging and overseas markets								
Banque International Commerce et Industrie Burkina Faso					Burkina Faso	Full	51,00%	50,47%
Banque International Commerce et Industrie Cote d'Ivoire					Ivory Coast	Full	67,49%	67,32%
Banque International Commerce et Industrie Gabon					Gabon	Full	46,67%	46,67%
Banque International Commerce et Industrie Senegal					Senegal	Full	54,11%	53,89%
Banque Malgache de l'Ocean Indien					Madagascar	Full	75,00%	75,00%
Banque Marocaine du Commerce et de l'Industrie					Marocco	Full	65,05%	65,05%
Banque Marocaine du Commerce et de l'Industrie Leasing					Marocco	Full	72,03%	46,86%
Banque Marocaine du Commerce et de l'Industrie Offshore					Marocco	Full	100,00%	65,05%
Banque pour le Commerce et l'Industrie de la Mer Rouge					Djibouti	Full	51,00%	51,00%
BNP Intercontinentale - BNPI					France	Full	100,00%	100,00%
BNP Paribas BDDI Participations					France	Full	100,00%	100,00%
BNP Paribas Cyprus Limited					Cyprus	Full	100,00%	100,00%
BNP Paribas El Djazair	1				Algeria	Full	100,00%	100,00%
BNP Paribas Guadeloupe					France	Full	100,00%	100,00%
BNP Paribas Guyane					France	Full	100,00%	100,00%
BNP Paribas Le Caire					Egypt	Full	95,19%	95,19%
BNP Paribas Martinique					France	Full	100,00%	100,00%
BNP Paribas Nouvelle Caledonie					France	Full	100,00%	100,00%
BNP Paribas Réunion					France	Full	100,00%	100,00%
Sifida					Luxembourg	Full	91,69%	94,68%
Société Financière pour pays d'Outre Mer - SFOM			5		Switzerland			
Turk Ekonomi Bankasi Yatirimlar Anonim Sirketi (Groupe)			1		Turkey	Prop.	50,00%	50,00%
Union Bancaire pour le Commerce et l'Industrie					Tunisia	Full	50,00%	50,00%
Union Tunisienne de Leasing					Tunisia	Full	70,48%	35,24%

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AMS								
Insurance								
Antarius		4			France			
Banque Financiere Cardif					France	Full	100,00%	100,00%
BNP Paribas Assurance					France	Full	100,00%	100,00%
Cardif Asset Management					France	Full	100,00%	100,00%
Cardif Assicurazioni SPA					Italy	Full	100,00%	100,00%
Cardif Assurance Vie Polska			2		Poland	Full	100,00%	100,00%
Cardif do Brasil Seguros					Brazil	Full	100,00%	100,00%
Cardif Leven					Belgium	Full	100,00%	100,00%
Cardif Levensverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Nederland Holding BV					Netherlands	Full	100,00%	100,00%
Cardif RD					France	Full	100,00%	100,00%
Cardif SA					France	Full	100,00%	100,00%
Cardif Schadeverzekeringen NV					Netherlands	Full	100,00%	100,00%
Cardif Seguros de Vida	5				Chile			
Cardif Société Vie					France	Full	100,00%	100,00%
Centro Vita Assicurazioni					Italy	Prop.	49,00%	49,00%
Compagnie Bancaire Uk Fonds C					UK	Full	100,00%	100,00%
Compania de Seguros de Vida	5				Argentina			
Compania de Seguros Generales					Chile	Full	100,00%	100,00%
Cybele RE					France	Full	100,00%	100,00%
Darnell Limited	2				Ireland	Full	100,00%	100,00%
European Reinsurance	5				UK			
GIE BNP Paribas Assurance					France	Full	59,50%	59,50%
Investlife sa					Luxembourg	Full	100,00%	100,00%
Natio Assurance					France	Prop.	50,00%	50,00%
Natiovie				6	France			
Pinnacle Insurance PLC					UK	Full	100,00%	97,55%
Pinnacle Insurance Holding PLC					UK	Full	97,55%	97,55%
Pinnacle Insurance Management Services PLC					UK	Full	100,00%	97,55%
State Bank of India Insurance Company Limited	5				India			
Private Banking								
Bank von Ernst			1	6	France			
Bergues Finance Holding					Bahamas	Full	100,00%	99,99%
BNP Paribas Espana SA					Spain	Full	99,55%	99,55%
BNP Paribas Investment Services LLC					U.S.A.	Full	100,00%	100,00%
BNP Paribas Private Bank					France	Full	100,00%	100,00%
BNP Paribas Private Bank Monaco					France	Full	100,00%	99,99%
BNP Paribas Private Bank Switzerland					Switzerland	Full	100,00%	99,99%
BNP Paribas Private Banking Japan	4				Japan			
Conseil Investissement					France	Full	100,00%	100,00%
Nachenius				1	Netherlands	Full	100,00%	100,00%
Société Monégasque de Banque Privée			1	6	France			
United European Bank Switzerland					Switzerland	Full	100,00%	99,99%
United European Bank Trust Nassau					Bahamas	Full	100,00%	99,99%
Online Brokerage								
B*Capital					France	Full	99,96%	99,96%
Cortal Consors Belgique	5				Belgium			
Cortal Consors Espana SV		6			Spain			
Cortal Consors France					France	Full	100,00%	100,00%
Cortal Consors Internationa Holding GmbH		6			Germany			
Cortal Consors Luxembourg			6		Luxembourg			
FundQuest (ex Cortal Consors Fund Management)					France	Full	100,00%	100,00%

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Asset Management								
BNP PAM Group					France	Full	100,00%	100,00%
BNP Paribas Asset Management					France	Full	100,00%	100,00%
BNP Paribas Asset Management Brasil Limitada			2		Brazil	Full	100,00%	100,00%
BNP Paribas Asset Management Group Luxembourg					Luxembourg	Full	99,66%	99,66%
BNP Paribas Asset Management SGR Milan SPA			5		Italy			
BNP Paribas Asset Management UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Asset Servicing SAS			2		France	Full	100,00%	100,00%
BNP Paribas Epargne et Retraite Entreprise					France	Full	100,00%	100,00%
BNP Paribas Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
BNP Paribas Gestion Epargne Salariale	6				France			
Fauchier General Partners Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners Asset Management Limited				2	Guernsey	Prop.	100,00%	50,00%
Fauchier Partners LLP				2	UK	Prop.	100,00%	42,50%
Fauchier Partners Limited				2	UK	Prop.	100,00%	50,00%
Fauchier Partners Management Limited			1		UK	Prop.	50,00%	50,00%
Fischer Francis Trees and Watts					U.S.A.	Equity	24,90%	81,42%
Fund Quest Incorporation				1	U.S.A.	Full	100,00%	100,00%
Securities services								
BNP Paribas Fund Services					Luxembourg	Full	100,00%	100,00%
BNP Paribas Fund Services Australasia Limited					Australia	Full	100,00%	100,00%
BNP Paribas Fund Services Dublin Limited					Ireland	Full	100,00%	100,00%
BNP Paribas Fund Services Holdings					UK	Full	100,00%	100,00%
BNP Paribas Fund Services UK Limited					UK	Full	100,00%	100,00%
BNP Paribas Securities Services - BPSS					France	Full	100,00%	100,00%
BNP Paribas Securities Services International Holding SA					France	Full	100,00%	100,00%
Antin Vendôme					France	Full	96,77%	96,77%
Asset Partenaires				1	France	Full	99,95%	96,72%
Atis Real Expertise		1			France	Full	100,00%	100,00%
Atisreal Auguste-Thouard	1	9			France	Full	95,84%	95,84%
Atisreal Auguste-Thouard Habitat Foncier	1	9			France	Full	99,98%	95,98%
Atisreal Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Benelux SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Consult	1	9			France	Full	100,00%	100,00%
Atisreal Consult GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Espana SA	1	9			Spain	Full	100,00%	100,00%
Atisreal GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Holding Belgium SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Holding France	1	9			France	Full	100,00%	100,00%
Atisreal Holding GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal International	1	9			France	Full	100,00%	100,00%
Atisreal Limited	1	9			UK	Full	82,35%	82,35%
Atisreal Luxembourg SA	1	9			Belgium	Full	100,00%	100,00%
Atisreal Management GmbH	1	9		6	Germany			
Atisreal Netherlands BV	1	9			Netherlands	Full	100,00%	100,00%
Atisreal Property Management GmbH	1	9			Germany	Full	100,00%	100,00%
Atisreal Property Management Services	1	9			Belgium	Full	100,00%	100,00%
Atisreal Proplan GmbH	1	9			Germany	Full	75,18%	75,18%
Atisreal Services	1	9			France	Full	96,04%	96,04%
Atisreal USA Inc.	1	9			U.S.A.	Full	100,00%	100,00%
Atisreal Weatheralls Financial Services Limited	1	9			UK	Full	82,35%	82,35%
Auguste-Thouard Fimorem	1	9		6	France			
Auguste-Thouard Residencial SL	1	9		6	Spain			
Banque Centrale de Données Immobilières	1	9		6	France			
BNP Paribas Immobilier					France	Full	100,00%	100,00%
BNP Paribas Participations Finance Immobilier					France	Full	100,00%	100,00%
BNP Paribas Immobilier Property Management (ex Sa Meunier Participation)					France	Full	100,00%	100,00%

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Property services (cont'd)								
BSA Immobilier				1	France	Full	100,00%	100,00%
Chancery Lane Management Services Limited	1	9			UK	Full	82,35%	82,35%
F G Ingenerie et Promotion Immobilière	1				France	Full	100,00%	100,00%
Immobiliere des Bergues					France	Full	100,00%	100,00%
Meunier Promotion					France	Full	100,00%	100,00%
Partenaires Gerance Soprofinance				1	France	Full	100,00%	96,77%
SA Comadim					France	Full	100,00%	100,00%
SA Gerer					France	Full	100,00%	100,00%
SA Procodis					France	Full	100,00%	100,00%
SAS Astrim					France	Full	100,00%	100,00%
SAS Meunier Developpements					France	Full	100,00%	100,00%
SAS Meunier Habitat					France	Full	100,00%	100,00%
SAS Meunier Immobilières d'Entreprises					France	Full	100,00%	100,00%
SAS Meunier Mediterranee					France	Full	96,50%	96,50%
SAS Meunier Rhône Alpes					France	Full	100,00%	100,00%
Sinvim				6	France			
Sofiane				1	France	Full	100,00%	100,00%
SNC Cezanne			5		France			
SNC Comadim Residences Servives					France	Full	100,00%	99,97%
SNC Espaces Immobiliers					France	Full	100,00%	100,00%
SNC Lot 2 Porte d'Asnières		2			France	Full	100,00%	100,00%
SNC Matisse			4		France			
SNC Meunier Gestion					France	Full	100,00%	100,00%
Soprofinance				1	France	Full	100,00%	96,77%
Weatheralls Consultancy Services Limited	1	9			UK	Full	82,35%	82,35%

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Corporate & Investment Banking								
FRANCE								
BNP Paribas Arbitrage					France	Full	100,00%	100,00%
BNP Paribas Equities France					France	Full	99,96%	99,96%
BNP Paribas Equity Strategies France					France	Full	100,00%	100,00%
BNP Paribas Peregrine Group	2				France	Full	100,00%	100,00%
BNP Paribas Stratégies Actions					France	Full	100,00%	100,00%
Capstar Partners Sas					France	Full	93,33%	93,33%
Paribas Dérivés Garantis Snc					France	Full	100,00%	100,00%
Parifergie	2				France	Full	100,00%	100,00%
Parilease					France	Full	100,00%	100,00%
Sas Esomet			2		France	Full	100,00%	100,00%
EUROPE								
BNP AK Dresdner Bank AS			4		Turkey			
BNP AK Dresdner Financial Kiralama			4		Turkey			
BNP Capital Finance ltd					Ireland	Full	100,00%	100,00%
BNP Factor					Portugal	Full	100,00%	100,00%
BNP Ireland Limited					Ireland	Full	100,00%	100,00%
BNP Paribas (Bulgaria) AD					Bulgaria	Full	100,00%	100,00%
BNP Paribas Bank (Hungaria) RT					Hungary	Full	100,00%	100,00%
BNP Paribas Bank (Polska) SA					Poland	Full	100,00%	100,00%
BNP Paribas Bank NV					Netherlands	Full	100,00%	100,00%
BNP Paribas Capital Investments Limited					UK	Full	100,00%	100,00%
BNP Paribas Capital Markets Group Limited					UK	Full	100,00%	100,00%
BNP Paribas Commodity Futures Limited					UK	Full	100,00%	100,00%
BNP Paribas E & B Limited					UK	Full	100,00%	100,00%
BNP Paribas Equities Italia SIM SPA	5				Italy			
BNP Paribas Finance plc					UK	Full	100,00%	100,00%
BNP Paribas Fixed Assets Limited					UK	Full	100,00%	100,00%
BNP Paribas Guernesey Limited	5				UK			
BNP Paribas Luxembourg sa					Luxembourg	Full	100,00%	100,00%
BNP Paribas Net Limited					UK	Full	100,00%	100,00%
BNP Paribas Services					Switzerland	Full	100,00%	99,99%
BNP Paribas Sviluppo					Italy	Full	100,00%	100,00%
BNP Paribas Suisse SA					Switzerland	Full	99,99%	99,99%
BNP Paribas UK Holdings Limited					UK	Full	100,00%	100,00%
BNP Paribas UK Limited					UK	Full	100,00%	100,00%
BNP PUK Holding Limited					UK	Full	100,00%	100,00%
BNP Paribas ZAO					Russia	Full	100,00%	100,00%
Dealremote Limited					UK	Full	100,00%	100,00%
ISIS Factor SPA					Italy	Full	100,00%	100,00%
Paribas Management Service Limited					UK	Full	100,00%	100,00%
Paribas Trust Luxembourg SA					Luxembourg	Full	100,00%	100,00%
Robin Flight Limited			2		Ireland	Full	100,00%	100,00%
Swalow Flight Limited			2		Ireland	Full	100,00%	100,00%
Utexam Limited	2				Ireland	Full	100,00%	100,00%
AMERICAS								
BNP Andes					Perou	Full	100,00%	100,00%
BNP Paribas Asset Management Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Brasil SA					Brazil	Full	100,00%	100,00%
BNP Paribas Brokerage Services Incorporated			6		U.S.A.			
BNP Paribas Canada					Canada	Full	100,00%	100,00%
BNP Paribas Capstar Partners Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas Commodities Futures Incorporated					U.S.A.	Full	100,00%	100,00%

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AMERICAS (cont'd)								
BNP Paribas Leasing Corporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas North America Incorporated					U.S.A.	Full	100,00%	100,00%
BNP Paribas RCC Incorporation					U.S.A.	Full	100,00%	100,00%
BNP Paribas Securities Corporation					U.S.A.	Full	100,00%	100,00%
Capstar Partners LLC					U.S.A.	Full	93,00%	93,00%
Cooper Neff Advisors Incorporated					U.S.A.	Full	100,00%	100,00%
Cooper Neff Group Incorporated					U.S.A.	Full	100,00%	100,00%
French American Banking Corporation - F.A.B.C					U.S.A.	Full	100,00%	100,00%
Paribas North America					U.S.A.	Full	100,00%	100,00%
Petits Champs Participaçoes e Serviços SA					Brazil	Full	100,00%	100,00%
ASIA - OCEANIA								
BNP Equities Asia Limited					Malaysia	Full	100,00%	100,00%
BNP Paribas (China) Limited					China	Full	100,00%	100,00%
BNP Paribas Arbitrage (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Asia Equities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Equities Group Australia Limited	5				Australia			
BNP Paribas Equities Hong Kong	5			12	Hong-Kong		100,00%	100,00%
BNP Paribas Finance (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Futures (Hong-Kong) Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Pacific (Australia) Limited					Australia	Full	100,00%	100,00%
BNP Paribas Peregrine (Malaisie) Limited	5				Malaysia			
BNP Paribas Peregrine (Singapour) Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Peregrine Capital Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Futures Limited	5				Hong-Kong			
BNP Paribas Peregrine Investment Limited	5				Hong-Kong			
BNP Paribas Peregrine Securities (Thailande) Limited					Thailand	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Korea Company Limited					South Korea	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Peregrine Securities Pte Limited					Singapour	Full	100,00%	100,00%
BNP Paribas Securities Australia Limited	5				Australia			
BNP Paribas Securities (Taiwan) Co Limited			2		Taiwan	Full	100,00%	100,00%
BNP Paribas Peregrine Services Limited					Hong-Kong	Full	100,00%	100,00%
BNP Paribas Securities Limited					Hong-Kong	Full	100,00%	100,00%
Credit Agricole Indosuez Securities Limited				1	Japan	Full	100,00%	100,00%
PT Bank BNP Paribas Indonésia					Indonesia	Full	100,00%	99,99%
PT BNP Lippo Utama Leasing			5		Indonesia			
PT BNP Paribas Peregrine	9				Indonesia	Full	99,00%	99,00%
Special Purpose Entities								
54 Lombard Street Investments Limited		1			UK	Full		
APAC Finance Limited				2	New Zeland	Full		
APAC Investments Limited				2	New Zeland	Full		
APAC NZ Holdings Limited (ex BNP Paribas (New Zealand) Finance Limited)		2			New Zeland	Full		
ARV International Limited			2		Cayman Islds	Full		
Altels Investment Limited			2		Cayman Islds	Full		
BNP Paribas Arbitrage Issuance BV					Netherlands	Full		
BNP Paribas Emissions und Handel. GmbH					Germany	Full		
BNP Paribas Finance Incorporated					U.S.A.	Full		
BNP Paribas New Zealand Limited					New Zeland	Full		
BNP Paribas Principal Incorporated					U.S.A.	Full		
Bougainville BV		1			Netherlands	Full		
China Lucie Finance 1				2	France	Full		
China Lucie Finance 2				2	France	Full		
China Lucie Finance 3				2	France	Full		
China Samantha Finance 1			2		France	Full		
China Samantha Finance 2			2		France	Full		

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(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Special Purpose Entities (cont'd)								
China Samantha Finance 3			2		France	Full		
China Samantha Finance 4				2	France	Full		
China Samantha Finance 5				2	France	Full		
China Samantha Finance 6				2	France	Full		
China Samantha Finance 7				2	France	Full		
China Samantha Finance 8				2	France	Full		
China Samantha Finance 9				2	France	Full		
Crisps Limited					Cayman Islds	Full		
Eliopée Limited		3		5	Jersey			
Epimetheus Investments Limited					Cayman Islds	Full		
Epsom Funding Limited				2	Cayman Islds	Full		
Euroliberté PLC		3			Ireland	Full		
European Hedged Equity Limited	2				Cayman Islds	Full		
Fidex PLC					UK	Full		
Filip Partnership	5				UK			
Forsete Investments SA					Luxembourg	Full		
Global Guaranteed Cliquet Investment					Cayman Islds	Full		
Global Guaranteed Equity Limited	2				Cayman Islds	Full		
Global Hedged Equity Investment Limited					Cayman Islds	Full		
Global Protected Alternative Investments Limited	2				Cayman Islds	Full		
Global Protected Equity Limited	2				Cayman Islds	Full		
Harewood Investments N°1 Limited		2			UK	Full		
Harewood Investments N°2 Limited			2		UK	Full		
Harewood Investments N°3 Limited			2		UK	Full		
Harewood Investments N°4 Limited			2		UK	Full		
Harewood Investments N°5 Limited			2		Cayman Islds	Full		
Henaross PTY Limited					Australia	Full		
Iliad Investments PLC			2		Cayman Islds	Full		
Joconde SA					Luxembourg	Full		
Laffitte Participation 2	2				France	Full		
Laffitte Participation 10				2	France	Full		
Laffitte Participation 12				2	France	Full		
Liquidity Trust			2		Cayman Islds	Full		
Lock-In Global equity Limited		2			Cayman Islds	Full		
Marc Finance Limited			2		Cayman Islds	Full		
Mexita Limited N° 2				5	Cayman Islds	Full		
Mexita Limited N° 3					Cayman Islds	Full		
Mexita Limited N° 4					Cayman Islds	Full		
Mistral Investments SA					Luxembourg	Full		
Olan 2 Enterprises PLC		3			Ireland	Full		
Optichamps			2		France	Full		
Paregof					France	Full		
Parritaye Property Pty Limited					Australia	Full		
Robin Flight Limited			2		Ireland	Full		
Singapore Emma Finance 1 SAS					France	Full		
Singapore Emma Finance 2 SAS	2				France	Full		
Sirocco Investments SA					Luxembourg	Full		
Snc Atargatis			2		France	Full		
Snc Méditerranéa			2		France	Full		
St Maarten CDO Limited			2		Cayman Islds	Full		
Starbird Funding Corporation		3		5	U.S.A.			
Sunny Funding Limited			2		Cayman Islds	Full		
Swalow Flight Limited			2		Ireland	Full		
Tender Option Bond Municipal program					U.S.A.	Full		
Thésée Limited		3		5	Jersey			
Thunderbird Investments PLC			2		Ireland	Full		

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Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
OTHER BUSINESS UNITS								
Private Equity (BNP Paribas Capital)								
Banexi Société de Capital-Risque					France	Full	99,99%	99,99%
Carbonne Lorraine		3	4		France			
Claireville					Belgium	Full	100,00%	100,00%
Cobema					Belgium	Full	100,00%	100,00%
Cobepa Technology					Belgium	Full	100,00%	100,00%
Compagnie Benelux Paribas - COBEPA (Groupe)	8		4		Belgium			
Compagnie Financière Ottomane					Luxembourg	Full	96,62%	96,62%
Erbe		3			Belgium	Equity	47,01%	47,01%
Evialis		3			France	Full	63,32%	63,32%
Gepeco					Belgium	Full	100,00%	100,00%
NHG Guyomarc'h		6			France			
Paribas Participation Limitée					Canada	Full	100,00%	100,00%
Sagal		6			France			
Klépierre								
Akciova Spolocnost Arcol					Slovakia	Full	100,00%	53,30%
Belarcol	5				Belgium			
Besloten Vennotschap Capucine BV					Netherlands	Full	100,00%	53,30%
Cinneo	6				Italy			
GIE Klepierre Services					France	Full	100,00%	46,90%
I G C SPA					Italy	Prop.	50,00%	26,65%
ICD SPA					Italy	Full	100,00%	45,31%
Klecar Italia SPA					Italy	Full	100,00%	44,24%
Klefin Italia SPA					Italy	Full	100,00%	53,30%
Klepierre Krakow Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Poznan Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Klépierre Sadyba Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Krakow Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
Plaza Center Management Poland Sp. z.o.o				1	Poland	Full	100,00%	39,98%
Ruda Slaska Plaza Sp. Z.o.o				1	Poland	Full	100,00%	53,30%
SA Brescia					France	Full	100,00%	53,30%
SA Cinéma de l'Esplanade					Belgium	Full	100,00%	53,30%
SA Coimbra					Belgium	Full	100,00%	53,30%
SA Delcis Cr					Czech Rep.	Full	100,00%	53,30%
SA Devimo Consult					Belgium	Equity	35,00%	13,86%
SA Duna Plaza		1			Hungary	Full	100,00%	53,30%
SA Finascente				1	Portugal	Prop.	50,00%	26,65%
SA Foncière de Louvain la Neuve					Belgium	Full	100,00%	53,30%
SA Galiera Parque Nascente					Portugal	Prop.	50,00%	26,65%
SA Gondobrico					Portugal	Prop.	50,00%	26,65%
SA Klecar Foncier Espana					Spain	Full	100,00%	44,24%
SA Klecar Foncier Iberica					Spain	Full	100,00%	44,24%
SA Klelou Immobiliare					Portugal	Full	100,00%	53,30%
SA Klenord Immobiliaria					Portugal	Full	100,00%	53,30%
SA Klepierre					France	Full	53,52%	53,30%
SA Klepierre Athinon AE					Greece	Full	100,00%	44,24%
SA Klépierre Foncier Makedonia					Greece	Full	100,00%	44,24%
SA Klepierre NEA Efkarpia AE					Greece	Full	100,00%	44,24%
SA Klepierre Peribola Patras AE					Greece	Full	100,00%	44,24%
SA Klepierre Portugal SGPS					Portugal	Full	100,00%	53,30%
SA Klepierre Vallecas		2			Spain	Full	100,00%	53,30%
SA Klepierre Vinaza					Spain	Full	100,00%	53,30%
SA Kletel Immobiliaria					Portugal	Full	100,00%	53,30%

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Klépierre (cont'd)								
SA Place de l'acceuil				1	Belgium	Full	100,00%	53,30%
SA Poznan Plaza				1	Poland	Full	100,00%	53,30%
SA Sadyba Center				1	Poland	Full	100,00%	53,30%
SA Sogecaec					Portugal	Full	100,00%	39,98%
SARL Assago		2			Italy	Equity	100,00%	53,30%
SARL Collegno	1				Italy	Full	100,00%	53,30%
SARL Csepel 2002		1			Hungary	Full	100,00%	53,30%
SARL Debrecen 2002		1			Hungary	Full	100,00%	53,30%
SARL Effe Kappa	1				Italy	Prop.	50,00%	26,65%
SARL Galiera Commerciale Cavallino				1	Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Klepierre			2		Italy	Full	100,00%	53,30%
SARL Galiera Commerciale Solbiate				1	Italy	Full	100,00%	53,30%
SARL Gyor 2002		1			Hungary	Full	100,00%	53,30%
SARL Immobiliare Magnolia					Italy	Full	100,00%	45,31%
SARL Kanizsa 2002		1			Hungary	Full	100,00%	53,30%
SARL Kaposvar 2002		1			Hungary	Full	100,00%	53,30%
SARL Klepierre Pologne				1	Poland	Full	100,00%	53,30%
SARL Miskolc 2002		1			Hungary	Full	100,00%	53,30%
SARL Novate					Italy	Full	100,00%	45,31%
SARL Nyiregyhaza Plaza		1			Hungary	Full	100,00%	53,30%
SARL P S G					Italy	Prop.	50,00%	19,72%
SARL Plaza Center Management		1			Hungary	Prop.	100,00%	39,98%
SARL Szeged Plaza		1			Hungary	Full	100,00%	53,30%
SARL Szolnok Plaza		1			Hungary	Full	100,00%	53,30%
SARL Uj Alba		1			Hungary	Full	100,00%	53,30%
SARL Zalaegerszeg Plaza		1			Hungary	Full	100,00%	53,30%
SAS 192 avenue Charles De Gaulle					France	Full	100,00%	53,30%
SAS 21 Kleber					France	Full	100,00%	53,30%
SAS 21 la Perouse					France	Full	100,00%	53,30%
SAS 43 Grenelle					France	Full	100,00%	53,30%
SAS 43 Kleber					France	Full	100,00%	53,30%
SAS 46 Notre-Dame des victoires					France	Full	100,00%	53,30%
SAS 5 Turin					France	Full	100,00%	53,30%
SAS Baudot Massy			6		France			
SAS Cande					France	Full	100,00%	53,30%
SAS CB Pierre					France	Full	100,00%	53,30%
SAS Cecobil					France	Prop.	50,00%	26,65%
SAS Cecoville					France	Full	100,00%	53,30%
SAS Centre Jaude Clermont					France	Full	100,00%	53,30%
SAS Concorde Puteaux					France	Full	100,00%	53,30%
SAS Doumer Caen					France	Full	100,00%	53,30%
SAS du 23 avenue Marignan					France	Full	100,00%	53,30%
SAS Espace Cordeliers					France	Prop.	50,00%	26,65%
SAS Espace Dumont D'Urville					France	Full	100,00%	53,30%
SAS Espace Kleber					France	Full	100,00%	53,30%
SAS Flandre					France	Full	100,00%	53,30%
SAS Holding Gondomar 1					France	Full	100,00%	53,30%
SAS Holding Gondomar 3					France	Full	100,00%	53,30%
SAS Issy Desmoulins					France	Full	100,00%	53,30%
SAS KLE 1 (ex SAS Klepierre Transactions)					France	Full	100,00%	53,30%
SAS Kleber Levallois					France	Full	100,00%	53,30%
SAS Klecar Participations Italie					France	Full	100,00%	44,24%
SAS Klemurs					France	Full	100,00%	53,30%
SAS Klepierre Finance					France	Full	100,00%	53,30%
SAS Klepierre Hongrie		1			France	Full	100,00%	53,30%
SAS Le Havre Capelet					France	Full	100,00%	53,30%
SAS Le Havre Tourneville					France	Full	100,00%	53,30%

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Klépierre (cont'd)								
SAS Leblanc Paris 15					France	Full	100,00%	53,30%
SAS Louis David		6			France			
SAS LP7					France	Full	100,00%	53,30%
SAS Marseille Le Merlan					France	Full	100,00%	53,30%
SAS Melun Saint-Peres					France	Full	100,00%	53,30%
SAS Odysseum Place de France					France	Full	100,00%	37,31%
SAS Oise Cergy		6			France			
SAS Opale					France	Full	100,00%	53,30%
SAS Poitiers Alienor					France	Full	100,00%	53,30%
SAS Saint-Andre Pey berland					France	Full	100,00%	53,30%
SAS Segecar	6				France			
SAS Soaval					France	Prop.	50,00%	19,72%
SAS Socoseine					France	Full	100,00%	50,10%
SAS Strasbourg La Vigie					France	Full	100,00%	53,30%
SAS Suffren Paris 15					France	Full	100,00%	53,30%
SAS Toulouse Mermoz		2	6		France			
SAS Tours Nationale					France	Full	100,00%	53,30%
SC Antin Vendome			5		France			
SC Centre Bourse					France	Full	100,00%	53,30%
SC Solorec					France	Full	100,00%	42,64%
SCI 8 rue du Sentier		6			France			
SCI Aurora		1	6		France			
SCI Bassin Nord					France	Prop.	50,00%	26,65%
SCI Beausevran				1	France	Full	100,00%	44,24%
SCI Bègles Papin		2			France	Full	100,00%	53,30%
SCI Chaptal Alun		6			France			
SCI La Plaine du Moulin à vent				2	France	Prop.	50,00%	26,65%
SCI Noble Cafetaria		1	6		France			
SCI Noble Galerie		1	6		France			
SCI Noble Restauration		1	6		France			
SCI Orengal		1	6		France			
SCI Secovalde					France	Full	100,00%	21,32%
SCI Tour Marcel Brot					France	Full	100,00%	53,30%
SCS Begles Arcins					France	Prop.	50,00%	26,65%
SCS Klecar Europe Sud					France	Full	100,00%	44,24%
SCS Ségécé					France	Full	100,00%	54,98%
Ségécé Hellas Réal Estate Management		2	2		Greece	Full	100,00%	39,98%
Seravalle SPA		1			Italy	Full	100,00%	53,30%
SL Centros Shopping Gestion		7			Italy	Full	100,00%	39,98%
SNC Angoumars				2	France	Full	100,00%	53,30%
SNC Fonciere Saint Germain					France	Full	100,00%	53,30%
SNC Galae					France	Full	100,00%	46,37%
SNC General Leclerc 11-11bis Levallois					France	Full	100,00%	53,30%
SNC Jardins des Princes					France	Full	100,00%	53,30%
SNC KC1					France	Full	100,00%	44,24%
SNC KC10					France	Full	100,00%	44,24%
SNC KC11					France	Full	100,00%	44,24%
SNC KC12					France	Full	100,00%	44,24%
SNC KC2					France	Full	100,00%	44,24%
SNC KC20					France	Full	100,00%	44,24%
SNC KC3					France	Full	100,00%	44,24%
SNC KC4					France	Full	100,00%	44,24%
SNC KC5					France	Full	100,00%	44,24%
SNC KC6					France	Full	100,00%	44,24%
SNC KC7					France	Full	100,00%	44,24%
SNC KC8					France	Full	100,00%	44,24%
SNC KC9					France	Full	100,00%	44,24%

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Klépierre (cont'd)								
SNC Kleber la Perouse					France	Full	100,00%	53,30%
SNC Klecar France					France	Full	100,00%	44,24%
SNC Klegestion					France	Full	100,00%	53,30%
SNC Klepierre Conseil					France	Full	100,00%	53,30%
SNC Kletransactions		2			France	Full	100,00%	53,30%
SNC Le Barjac Victor					France	Full	100,00%	53,30%
SNC Le Havre Lafayette					France	Prop.	50,00%	26,65%
SNC Le Havre Vauban					France	Prop.	50,00%	26,65%
SNC SCOO (ex Sas Secmarne)					France	Full	100,00%	62,70%
SNC Ségécé Loisirs Transactions					France	Full	100,00%	39,98%
SNC Soccendre					France	Full	100,00%	39,98%
SNC Sodevac					France	Full	100,00%	53,30%
SRO F M C Central europe					Czech Rep.	Full	100,00%	29,85%
SRO Klepierre CZ				1	Czech Rep.	Full	100,00%	53,30%
Vignate	6				Italy			
Zobel Investment BV	5				Netherlands			
Property companies (property used in operations)								
Capefi					France	Full	100,00%	100,00%
Compagnie Immobiliere de France					France	Full	100,00%	100,00%
Ejesur					Spain	Full	100,00%	100,00%
SAS 5 Kleber					France	Full	100,00%	100,00%
SAS Foncière de la Compagnie Bancaire					France	Full	100,00%	100,00%
SCI Immobilière Marché Saint-Honoré					France	Full	100,00%	100,00%
SCI Rueil Caudron	2				France	Full	100,00%	99,98%
Société d'Etudes Immobilières de Constructions - Setic					France	Full	100,00%	100,00%
Investment companies and other subsidiaries								
Antin Participation 4					France	Full	100,00%	100,00%
Antin Participation 5					France	Full	100,00%	100,00%
Axa Re-finance	4				France			
BNP Paribas de Réassurance au Luxembourg					Luxembourg	Full	100,00%	100,00%
BNP Paribas Emergis					France	Full	100,00%	100,00%
BNP Paribas International BV					Netherlands	Full	100,00%	100,00%
BNP Paribas Partners for Innovation (Groupe)	1				France	Equity	50,00%	50,00%
BNP Paribas UK Treasury Limited					UK	Full	100,00%	100,00%
Compagnie Auxiliaire d'Entreprises et de Chemins de Fer					France	Full	99,99%	99,99%
Compagnie d'Entreprises Industrielles et Commerciales		5			France			
Compagnie Bancaire Uk Fonds B					UK	Full	100,00%	100,00%
Compagnie d'Investissements de Paris - C.I.P					France	Full	100,00%	100,00%
Financière BNP Paribas					France	Full	100,00%	100,00%
Financière Marché Saint Honoré					France	Full	100,00%	100,00%
Finaxa				4	France			
GIE Groupement Auxiliaire et de Moyens - GAM	2				France	Full	100,00%	100,00%
Kle 65					France	Full	100,00%	100,00%
Kle 66					France	Full	100,00%	100,00%
Luxpar-Ré					Luxembourg	Full	100,00%	100,00%
Omnium Gestion Developpement Immobilier					France	Full	100,00%	100,00%
Paribas International					France	Full	100,00%	100,00%
Placement, Gestion, Finance Holding - Plagefin					Luxembourg	Full	99,99%	99,99%
Quatch					France	Full	99,96%	99,96%
Sagip					Belgium	Full	100,00%	100,00%
Sas Klefinances					France	Full	100,00%	100,00%
SNC Bincofi			5		France			
Société Auxiliaire de Construction Immobilière - SACI		2			France	Full	100,00%	100,00%
Société Centrale d'Investissement					France	Full	100,00%	100,00%
Societe Française Auxiliaire - S.F.A.					France	Full	100,00%	100,00%

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(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

Name	(A)	(B)	(C)	(D)	Country	Method	Group voting interest (%)	Group ownership interrest (%)
Investment companies and other subsidiaries								
Société Jovacienne de Participations					France	Full	100,00%	100,00%
UCB Bail					France	Full	100,00%	100,00%
UCB Entreprises					France	Full	100,00%	100,00%
UCB Group Limited		5			UK			
UCB Locabail immobilier					France	Full	100,00%	100,00%
Verner Investissements (Groupe)	1				France	Equity	43,00%	43,00%
Special Purpose Entities								
Antin Participation 7					France	Full		
Antin Participation 13					France	Full		
BNP Paribas Capital Trust LLC 1					U.S.A.	Full		
BNP Paribas Capital Trust LLC 2					U.S.A.	Full		
BNP Paribas Capital Trust LLC 3					U.S.A.	Full		
BNP Paribas Capital Trust LLC 4					U.S.A.	Full		
BNP Paribas Capital Trust LLC 5					U.S.A.	Full		
BNP Paribas Capital Trust LLC 6					U.S.A.	Full		
BNP Paribas US Medium Term Notes Program					U.S.A.	Full		
BNP Paribas US Structured Medium Term Notes LLC					U.S.A.	Full		
BNP US Funding LLC					U.S.A.	Full		

(A) Movements for 6 months to 30 June 2004	
(B) Movements for 6 months to 31 December 2004	
(C) Movements for 6 months to 30 June 2005	
(D) Movements for 6 months to 31 December 2005	
(1) Acquisition	(7) Change of method - Proportionate method to full consolidation
(2) Entity newly incorporated or passing qualifying threshold	(8) Change of method - Full consolidation to equity method
(3) First-time consolidation to comply with IFRS	(9) Change of method - Equity method to full consolidation
(4) Disposal	(10) Change of method - Full consolidation to proportionate method
(5) Deconsolidation	(11) Change of method - Equity method to proportionate method
(6) Merger between consolidated entities	(12) Reconsolidation

9.c BUSINESS COMBINATION

Business combinations in the year ended 31 December 2005

Acquisition of TEB Mali (International Retail Banking and Financial Services)

In February 2005, BNP Paribas acquired a 50% interest in the holding company TEB Mali, which owns 84.25% of the Turkish bank Turk Ekonomi Bankasi (TEB). The Colakoglu group retained a 50% interest in TEB Mali.

TEB is a mid-sized universal bank which, via its subsidiaries, offers corporate and retail customers a full range of financial services and products including export financing, leasing, factoring, consumer credit, deposit-taking, treasury and asset management, insurance, investment banking and brokerage. On the acquisition date, TEB had a network of 85 branches and also owned two banks outside Turkey.

The assets and liabilities of TEB Mali, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 1,476 million (BNP Paribas share : EUR 738 million) ;
- Liabilities: customer deposits of EUR 1,781 million (BNP Paribas share : EUR 891 million).

The acquisition price was USD 252 million, or an equivalent value of EUR 198 million at the acquisition date. A price adjustment contingent on the future profitability of TEB, payable at the start of 2008, was agreed by the parties. Acquisition costs of EUR 6 million were incurred. Goodwill on this acquisition was provisionally measured at an equivalent value of EUR 121 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill is supported by the highly favourable growth prospects of TEB. In addition, the acquisition by BNP Paribas of an interest in the TEB Group's holding company provides an opportunity to forge many operational alliances in a wide variety of fields such as export financing and commodities, consumer credit, mortgage lending, leasing and retail banking, thereby enhancing the TEB group's expertise and product range.

TEB Mali has been consolidated with effect from the acquisition date, and contributed EUR 28 million to consolidated net income for the year ended 31 December 2005. The acquisition generated a net cash inflow of EUR 42 million for the BNP Paribas Group.

Acquisition of Nachenius Tjeenk & Co NV (Asset Management and Services)

In July 2005, BNP Paribas Private Bank, a subsidiary of BNP Paribas, paid EUR 45 million in cash for the entire share capital of Nachenius, Tjeenk & Co NV, a Dutch private bank with over EUR 1.3 billion of assets under management for high net worth individuals, not-for-profit organisations and trusts.

The assets and liabilities of Nachenius, Tjeenk & Co NV, recognised at fair value as of the acquisition date, mainly comprised:

- assets: loans to other banks totalling EUR 111 million;
- liabilities: customer deposits totalling EUR 162 million.

Goodwill on this acquisition was provisionally measured at EUR 40 million at 31 December 2005, and was recognised as an asset in the balance sheet. The value of this goodwill reflects the opportunity offered by this unique platform for expansion into the Dutch private banking market and the existence of a brand with a strong reputation, especially among customers seeking wealth management services.

Nachenius, Tjeenk & Co NV has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash inflow of EUR 52 million for the BNP Paribas Group in 2005.

Acquisition of Fund Quest Inc (Asset Management and Services)

In August 2005, Paribas North America, a subsidiary of BNP Paribas, paid USD 100 million in cash for the entire share capital of Fund Quest Inc., based in the United States, an open-architecture turnkey platform dedicated to management and advisory services for institutional investors.

The assets and liabilities of Fund Quest Inc. were recognised at fair value as of the acquisition date, with total assets amounting to EUR 6 million.

Goodwill on this acquisition, provisionally measured at USD 98 million (equivalent to EUR 82 million), at 31 December 2005, has been recognised as an asset in the balance sheet. The value of this goodwill is supported by the strong growth prospects for the open architecture market and by the fundamental qualities of FundQuest Inc., an acknowledged managed accounts expert in the United States with a flexible but robust architecture that can be rolled out to the European market.

FundQuest Inc. has been consolidated with effect from the acquisition date, and did not make a material contribution to consolidated net income in the year to 31 December 2005. The acquisition generated a net cash outflow of EUR 73 million for the BNP Paribas Group in 2005.

Acquisition of Commercial Federal Corporation by BancWest (International Retail Banking and Financial Services)

On 2 December 2005, Bank of the West, a BNP Paribas subsidiary, paid USD 1,329 million in cash for the entire share capital of Commercial Federal Corporation, which provides a full range of commercial and retail banking services and operates mainly in Colorado, Missouri and Nebraska. At the acquisition date, Commercial Federal Corporation had 198 branches.

The assets and liabilities of Commercial Federal Corporation, recognised at fair value as of the acquisition date, mainly comprised:

- assets : customer loans of EUR 6,609 million ;
- liabilities : customer deposits of EUR 5,052 million.

Goodwill arising on the absorption of this company into Bank of the West was provisionally measured at EUR 793 million at 31 December 2005, and recognised as an asset in the balance sheet. The value of this goodwill is supported by the growth prospects in the States where Commercial Federal operates and by the significant synergies achievable from its integration with Bank of the West, especially in terms of pooled resources and cross-selling.

Commercial Federal Corporation has been consolidated with effect from the acquisition date, and contributed a loss of EUR 29 million to consolidated pre-tax net income for the year ended 31 December 2005 (including the effect of restructuring costs recognised in the final quarter of 2005). The acquisition generated a net cash outflow of EUR 998 million for the BNP Paribas Group in 2005.

Business combinations in the year ended 31 December 2004

Acquisition of Atis Real International (Asset Management and Services)

On 27 January 2004, Atis Real and BNP Paribas Immobilier signed an agreement under which the latter acquired a 49.9% interest in the capital of Atis Real International SAS, the remaining 50.1% being retained by the Vendôme Rome group and Crédit Lyonnais Private Equity. In October 2004, BNP Paribas Immobilier acquired the remaining 50.1%.

Atis Real International is the property services arm of Atis Real, providing estate agency, consultancy, and international property management services. The business trades as Atis Real Auguste Thouard, ATHF and Expertim in France, as Atis Real Weatheralls in the United Kingdom and as Atis Real Müller in Germany, and also through Atis Real offices in Spain and the Benelux countries.

The assets and liabilities of Atis Real International, recognised at fair value as of the acquisition date, mainly comprised:

- Assets : trade receivables of EUR 36 million and cash of EUR 23 million. These items are reported in "Accrued income and other assets" in accordance with the financial statement presentation applicable to banks.
- Liabilities : tax and employee-related liabilities of EUR 55 million and debt of EUR 23 million, (both reported in "Accrued expenses and other liabilities" in accordance with the financial statement presentation applicable to banks), and provisions for contingencies and charges amounting to EUR 17 million.

Acquisitions of Community First Bankshares and Union Safe Deposit Bank by BancWest (International Retail Banking and Financial Services)

Acquisition of Community First Bankshares

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Community First Bankshares group. Community First Bankshares operates in the western United States and offers a wide range of commercial and retail banking services, as well as having interests in property, insurance brokerage, savings products and private banking.

The assets and liabilities of Community First Bankshares, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 2,654 million ;
- Liabilities: customer deposits of EUR 3,527 million.

Community First Bankshares was acquired for USD 1,200 million in cash, or an equivalent value in euros of EUR 938 million at the acquisition date. Goodwill on this acquisition was measured at USD 948 million, or an equivalent value in euros of EUR 801 million at 31 December 2005.

Acquisition of Union Safe Deposit Bank

On 1 November 2004, BancWest, a BNP Paribas Group subsidiary, acquired 100% of the Union Safe Deposit Bank group, which operates in California. The group is active in personal loans (mortgages and other types of consumer credit) and commercial loans (mortgages, construction loans, industrial loans, agricultural loans, and leasing).

The assets and liabilities of Union Safe Deposit Bank, recognised at fair value as of the acquisition date, mainly comprised:

- Assets: customer loans of EUR 524 million ;
- Liabilities: customer deposits of EUR 700 million.

Union Safe Deposit Bank was acquired for USD 245 million in cash, or an equivalent value in euros of EUR 192 million at the acquisition date. Goodwill recognised on this acquisition was measured at USD 174 million, or an equivalent value in euros of EUR 147 million at 31 December 2005.

The value of the goodwill recognised on Community First Bankshares and Union Safe Deposit Bank is based on the intrinsic return on equity of the two companies, the strategic and geographic fit with the Bank of the West network, the strong growth prospects in the local markets in which the two companies operate, and the synergies expected from pooling resources, know-how and the Bank of the West product range across the combined entities.

The contribution made by Community First Bankshares and Union Safe Deposit Bank to BNP Paribas pre-tax net income for the year ended 31 December 2004 was not material, given the restructuring costs incurred by the two companies. The acquisition of the two companies generated an estimated net cash outflow of EUR 945 million for the BNP Paribas Group in the year ended 31 December 2004.

9.d ADDITIONAL INFORMATION ON THE GALERIES LAFAYETTE TRANSACTION

On 29 March 2005, BNP Paribas acquired 29.5% of the shares of Galeries Lafayette under an agreement the terms of which included arrangements for joint control of Cofinoga. Under the terms of the agreement, BNP Paribas transferred these shares in the second half of 2005 to Motier SAS, the holding company controlling the Galeries Lafayette group, in which BNP Paribas now owns an interest of 37%. Also under the terms of the agreement, a shareholders' agreement was signed on 19 July 2005 stipulating terms regarding the liquidity of the interest held by BNP Paribas. In substance, these terms require half of the BNP Paribas interest to be accounted for as a loan, and the other half to be accounted for as an available-for-sale asset.

The inception of joint control by Galeries Lafayette and BNP Paribas over LaSer (the company which owns Cofinoga) resulted in the signature of a shareholders' agreement dated 20 September 2005 and effective from 1 October 2005, setting out operating arrangements and shared decision-making rules. Based on the terms of this agreement, the LaSer-Cofinoga group has been accounted for using the proportionate consolidation method with effect from the final quarter of 2005.

9.e ADDITIONAL INFORMATION ON THE AXA – FINAXA TRANSACTION

On 12 September 2001, Axa group companies (Axa, Finaxa, and the Axa mutual insurance companies) and BNP Paribas signed an agreement[1], later amended on 26 October 2004, to maintain a minimum level of cross-shareholdings and to grant (i) mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and (ii) a reciprocal call option in the event of a change in control of either party. The Axa group also agreed to guarantee the liquidity of the BNP Paribas stake in Finaxa by allowing BNP Paribas to substitute Axa shares for its Finaxa shares at any time.

The merger of Finaxa into Axa on 16 December 2005 enabled BNP Paribas to take possession of Axa shares in exchange for its existing holding of Finaxa shares, as it was already entitled to do under the agreement mentioned above. Because this exchange had no commercial substance for BNP Paribas, the difference between the carrying amount of the Finaxa shares in the consolidated financial statements and the fair value of the Axa shares (recorded in "Available-for-sale financial assets") has been retained in shareholders' equity under "Unrealised and deferred gains and losses".

The merger of Finaxa into Axa led to the signature of a new agreement between Axa group companies (excluding the Axa mutual insurance companies) and BNP Paribas, effective from 16 December 2005, to maintain a minimum level of cross-shareholdings and to grant a reciprocal call option in the event of a hostile change in majority control of either party. This agreement was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 21 December 2005.

[1] The agreement was disclosed in a notice issued by the *Conseil des Marchés Financiers* on 28 September 2001, and the amendment was disclosed in a notice issued by the *Autorité des Marchés Financiers* on 28 October 2004.

9.f RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method), entities managing post-employment benefit plans offered to Group employees[1], and key executive officers of the BNP Paribas Group.

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

A) Relations between consolidated companies

A list of companies consolidated by BNP Paribas is provided in Note 9b. Because transactions and period-end balances between fully-consolidated entities are eliminated in full on consolidation, the tables below only show figures relating to transactions and balances with (i) companies over which BNP Paribas exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas exercises significant influence (accounted for by the equity method).

Related-party balance sheet items:

In millions of euros	31 December 2005		1 January 2005	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS				
Loans and receivables				
Demand accounts	-	6	-	-
Loans	2,472	1,493	1,123	1,115
Finance leases	-	16	-	73
Other assets	2	8	1	1
Total	**2,474**	**1,523**	**1,124**	**1,189**
LIABILITIES				
Borrowings				
Demand accounts	1	82	1	32
Other borrowings	45	-	-	168
Subordinated debt	39	-	-	-
Other liabilities	-	1	-	-
Total	**85**	**83**	**1**	**200**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	103	16	-	508
Guarantee commitments given	7	-	15	-
Total	**110**	**16**	**15**	**508**

[1] Except for multi-employer and multi-industry schemes

Related-party profit and loss items:

In millions of euros	Year to 31 Dec 2005		Year to 31 Dec 2004	
	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	58	31	27	36
Interest expense	(1)	(1)	-	-
Commissions income	2	1	1	-
Commissions expense	(1)	-	-	-
Rendering of services	1	20	-	1
Receiving of services	(1)		-	-
Leases income	1	1	-	-
Total	**59**	**52**	**28**	**37**

B) Entities managing post-employment benefit plans offered to Group employees

The main post-employment benefits of the BNP Paribas Group are top-up funded pension plans, retirement bonus plans, and other top-up defined-benefit and defined-contribution plans.

In France, some of these benefits are paid by the BNP and Paribas pension funds (*Caisses de retraite*) and the BNP welfare benefit fund (*Caisse de Prévoyance*). Some Group companies – principally BNP Paribas Asset Management, BNP Paribas Securities Services and BNP Paribas SA – play a role in the management of these benefits, especially in the areas of fund management, custody, and banking services. Top-up pension plans are also contracted out to insurance companies, in particular BNP Assurance, which manage the plans.

In other countries, post-employment benefit plans are generally managed by independent firms or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Assurance, Bank of the West and First Hawaiian Bank).

At 31 December 2005, the fair value of plan assets managed by Group companies was EUR 1,231 million (EUR 1,371 million at 1 January 2005). Services provided by Group companies in the year to 31 December 2005 totalled EUR 3 million, mainly management and custody fees (2004: EUR 3 million).

As regards healthcare benefits, in 2004 the Group made a lump-sum payment of EUR 152 million to the BNP Paribas mutual insurance plan (*Mutuelle BNP Paribas*) in full and final settlement of the Group's post-employment healthcare benefit obligations to retired employees.

In September 2004, the BNP pension fund repaid in full a EUR 21 million advance made to it by the Group.

At 31 December 2005, the BNP and Paribas pension funds and the BNP welfare benefit fund showed a debit balance of EUR 785,257 (compared with a credit balance of EUR 1,681,521 at 1 January 2005).

C) Relations with key executive officers

Remuneration of corporate officers

Remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers

The remuneration paid to corporate officers is determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

This remuneration comprises both a fixed and a variable component, the levels of which are determined on the basis of benchmarks established by firms specialising in surveys of executive remuneration in the European banking sector.

The fixed portion is determined in the light of market rates of pay for positions carrying equivalent responsibilities.

The variable portion is determined partly as a basic bonus established by reference to market practices, and partly on the basis of criteria linked to the Group's financial performance and the attainment of personal objectives. Performance-linked criteria (70% of the basic bonus) relate to growth in consolidated net income and core business pre-tax net income, and to fulfilment of gross operating income budgets at consolidated and core business level. Personal objective-based criteria (30% of the basic bonus) relate to the Group's strategy and preparing its future.

Previously, a portion of the variable remuneration of corporate officers was deferred in accordance with the terms of the BNP Paribas deferred bonus plan. However, the entire amount of variable remuneration payable in respect of a financial year will now be paid during the next financial year, starting with payments in 2006 in respect of the 2005 financial year. This change is designed to facilitate year-on-year comparison.

The tables below show (i) gross remuneration payable to corporate officers in respect of the year ended 31 December 2005, including benefits in kind and directors' fees; and (ii) gross remuneration paid in 2005, including benefits in kind and directors' fees.

In euros, year to 31 December 2005	Remuneration		Directors' fees (3)	Benefits in kind (4)	TOTAL Remuneration
	Fixed (1)	Variable (2)			
Michel Pébéreau Chairman of the Board of Directors					
2005	700,000	1,081,601	29,728	4,816	1,816,145
(2004)	*(700,000)*	*(1,036,303)*	*(22,868)*	*(4,781)*	(1,763,952)
Baudoin Prot Chief Executive Officer					
2005	788,333	1,878,895	91,024	4,930	2,763,182
(2004)	*(730,000)*	*(1,469,774)*	*(22,868)*	*(4,895)*	(2,227,537)
Georges Chodron de Courcel Chief Operating Officer					
2005	491,667	1,405,477	89,230	4,303	1,990,677
(2004)	*(450,000)*	*(1,182,486)*	*(6,468)*	*(4,271)*	(1,643,225)
Jean Clamon Chief Operating Officer					
2005	455,000	681,598	92,297	4,703	1,233,598
(2004)	*(430,000)*	*(537,983)*	*(47,013)*	*(4,845)*	(1,019,841)

(1) Salary actually paid in 2005.
(2) Variable remuneration payable in respect of 2005, to be paid in 2006.
(3) The Chairman of the Board of Directors and the Chief Executive Officer do not receive directors' fees from any Group companies other than BNP Paribas SA (and Erbé for the Chief Executive Officer).
Georges Chodron de Courcel receives fees in his capacity as Director of BNP Paribas Suisse, BNP Paribas Holdings UK Ltd and Erbé. Jean Clamon receives fees in his capacity as Director of Cetelem, BNP Paribas Lease Group, Paribas International and Erbé.
(4) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers each have a company car and a mobile telephone.

	Remuneration			Directors' fees	Benefits in kind	TOTAL Remuneration
	Fixed	Variable	Deferred			
Michel Pébéreau Chairman of the Board of Directors						
2005	700,000	831,553	342,062	29,728	4,816	1,908,159
(2004)	*(700,000)*	*(839,119)*	*(358,312)*	*(22,868)*	(4,781)	*(1,925,080)*
Baudoin Prot Chief Executive Officer						
2005	788,333	1,171,274	234,982	91,024	4,930	2,290,543
(2004)	*(730,000)*	*(801,952)*	*(218,103)*	*(22,868)*	(4,895)	*(1,777,818)*
Georges Chodron de Courcel Chief Operating Officer						
2005	491,667	943,518	258,985	89,230	4,303	1,787,703
(2004)	*(450,000)*	*(707,810)*	*(252,613)*	*(6,468)*	(4,271)	*(1,421,162)*
Jean Clamon Chief Operating Officer						
2005	455,000	406,970	102,640	92,297	4,703	1,061,610
(2004)	*(430,000)*	*(286,169)*	*(100,572)*	*(47,013)*	(4,845)	*(868,599)*

(5) Non-deferred portion of variable remuneration due in respect of 2004, paid in 2005.
(6) Transfer of the final third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares, of the second third of the deferred bonus awarded in 2002 in the form of BNP Paribas shares and of the first third of the deferred bonus awarded in 2003 in the form of BNP Paribas shares.
(7) Georges Chodron de Courcel's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 6,468 corresponding to directors' fees received in 2004.
(8) Jean Clamon's variable remuneration in respect of 2004, paid in 2005, was reduced by EUR 47,013 corresponding to directors' fees received in 2004.
(9) The average rate of social security taxes on this remuneration in 2005 was 35.8% (30% in 2004).

Neither the Chairman of the Board of Directors nor the Chief Executive Officer receives any remuneration from any other Group company. Nor do they receive directors' fees from Group companies, other than in their capacities as directors of BNP Paribas SA and, for the Chief Executive Office, as director of Erbé. These last directors' fees received in 2005 by the Chief Executive Officer will be deducted from its variable remuneration paid in 2006.

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers are entitled to the same flexible welfare benefits (death and disability cover) as all BNP Paribas SA employees. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 9,673 (EUR 9,520 in 2004). They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death/disability cover plan as all BNP Paribas SA employees, and to the top-up plan set up for members of the Group Executive Committee, which pays out additional capital of EUR 1.08 million in the event of work-related death or total and permanent infirmity. The total amount of premiums paid into this plan by BNP Paribas during 2005 on behalf of these corporate officers was EUR 10,696 (EUR 9,441 in 2004).

Remuneration of employee-elected directors

Total remuneration paid in 2005 to employee-elected directors during their term of office amounted to EUR 104,604 (EUR 102,785 in 2004), excluding directors' fees. The total amount of directors' fees paid in 2005 to employee-elected directors was EUR 97,360 (EUR 73,752 in 2004). These sums were paid directly to their trade union bodies.
Employee-elected directors are entitled to the same death/disability cover and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees. The total amount of premiums paid into these schemes by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 1,152 (EUR 1,095 in 2004).

Loans, advances and guarantees

The total amount outstanding on loans contracted by directors as of 31 December 2005 was EUR 3,717,763 (EUR 404,206 as of 1 January 2005).

Directors' fees

Directors of BNP Paribas S.A. receive directors' fees. The overall amount of directors' fees allocated in respect of the year ended 31 December 2005 was EUR 780,000, in accordance with the 12th resolution approved by the Shareholders' General Meeting of 18 May 2005. The previous annual overall amount of EUR 600,000 was set by the Shareholders' General Meeting of 23 May 2000.

On the recommendation of the Compensation and Nominations Committee, the Board has changed how the overall amount of fees is allocated between individual directors, although the underlying principle has been retained that half of the fees allocated to each director are contingent upon attendance at Board and Committee meetings.

The amount of directors' fees allocated to each director for the year ended 31 December 2005 was set at EUR 29,728 (compared with EUR 22,868 per year since 2000, a rise in line with the overall amount of fees).

The fixed portion of the fee allocated to the chairmen of the Financial Statements Committee and the Internal Control and Risk Management Committee has been raised to EUR 15,000 to reflect their responsibilities and workload. The fixed portion of the fee allocated to the chairman of the Compensation and Nominations Committee for 2005 is set at EUR 9,909, and the fixed portion of the fee allocated to members of Board Committees is EUR 5,946. Directors not resident in France receive, on the same terms, an additional allocation equal to half the standard fee.

Directors' fees, 2005 and 2004

BNP Paribas : Directors' fees paid, in euros	2005	2004
M. PEBEREAU	29,728	22,868
P. AUGUSTE	35,674	27,442
C. BEBEAR	29,233	23,669
JL. BEFFA	31,215	23,669
G. CROMME	40,134	20,010
J. DELAGE	-	3,430
M. FRANCOIS-PONCET (†)	2,973	21,439
J. FRIEDMANN	31,564	33,845
J.M. GIANNO	33,444	17,152
F. GRAPPOTTE	38,020	25,556
MC. HAMONIC	-	2,858
A. JOLY	32,700	29,728
D. KESSLER	33,940	25,841
JF. LEPETIT	30,471	10,005
JM. MESSIER	-	1,886
J. MORIO	-	5,718
L. OWEN-JONES	22,296	15,722
D. PEAKE	-	15,608
L. DE PALACIO	19,496	-
H. PLOIX	33,693	27,442
B. PROT	29,728	22,868
L. SCHWEITZER	46,710	30,530
JF. TRUFELLI	28,242	17,152
TOTAL	**549,261**	**424,438**

In accordance with section 243 *bis* of the French General Tax Code, directors' fees received by members of the Board do not qualify for the 50% reduction applicable to individual shareholders resident in France for tax purposes, as provided for by 158-3 of the French General Tax Code.

Total directors' fees paid in 2003 amounted to EUR 476,662 and EUR 476,511 in 2002.

Post-employment benefits

Compensation for loss of office

Corporate officers are not entitled to any contractual compensation for loss of office.

Retirement bonuses

Michel Pébereau is not entitled to any retirement bonus. Baudouin Prot (Chief Executive Officer), Georges Chodron de Courcel and Jean Clamon (Chief Operating Officers), and the employee-elected directors are entitled under their contracts of employment to the standard retirement bonus benefits enjoyed by all BNP Paribas employees. Under this plan, employees receive a bonus on retirement from the Group of up to 11.66 months' final basic salary, depending on their initial contractual position and length of service at retirement.

The total present value of the obligations in respect of these retirement bonuses as at 31 December 2005 was EUR 471,285 (EUR 425,685 at 31 December 2004).

Pension plans

- **Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers**

The defined benefit plans previously granted to executive managers of the Group who were formerly employed by BNP, Paribas or Compagnie Bancaire have all been converted into top-up type plans. The amounts allocated to the beneficiaries were fixed when the previous schemes were closed to new entrants.

A similar procedure was applied to Michel Pébereau (now Chairman of the Board of Directors), Baudouin Prot (now Chief Executive Officer), and to Georges Chodron de Courcel and Jean Clamon (now Chief Operating Officers). Consequently, these four corporate officers now belong to a contingent collective top-up pension plan. Under this plan, their pensions will be calculated (subject to their still being employed by the Group on retirement) on the basis of the fixed and variable remuneration received in 1999 and 2000, with no possibility of subsequent vesting of rights.

The amount of retirement benefits, including the pensions paid out by the general French Social Security scheme and the ARRCO and AGIRC top-up schemes, plus any additional banking industry pension arising from the industry-wide agreement that took effect on 1 January 1994 and pension rights acquired as a result of payments by the employer into top-up funded schemes[1], is capped at 50% of the amount of remuneration calculated as described in the preceding paragraph.

These amounts will be revalued from 1 January 2002 to the actual payment date of the benefit based on the average annual rate of increase in pension benefits paid by the French Social Security, ARRCO and AGIRC schemes. On payment of the benefits, the top-up pensions will be equal to the differential between these revalued amounts and the pension benefits provided by the above-mentioned general and top-up schemes. Once the amount of these top-up benefits has been finally determined by means of these calculations, the benefit will then be indexed to the growth rate in the benefit value per point under the AGIRC scheme.

If the specified conditions were to be met, the total present value of the obligations arising under these schemes would be approximately EUR 30 million, compared with EUR 27.5 million in 2004, the difference being due to adjustments to actuarial assumptions. These obligations were covered by provisions recorded in the books of BNP or Paribas as appropriate. The amount of these provisions was adjusted when the legacy plans were closed and the obligations transferred to an insurance company outside the Group.

If Baudouin Prot, Georges Chodron de Courcel or Jean Clamon die before the age of 60, their heirs will receive an insurance payout. The premium payable under the related insurance policy is paid by the Group and treated in accordance with the rules applicable to employers' contributions to top-up welfare schemes in France. The total annual amount involved for 2005 was EUR 214,343.

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[1] The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of these corporate officers was EUR 1,329 (EUR 1,308 in 2004).

- **Employee-elected directors**

The employee-elected directors belong to the defined-contribution pension plan (art. 83) set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2005 on behalf of the employee-elected directors was EUR 769 (2004: EUR 807). They are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

Stock subscription option plans

BNP Paribas normally issues a stock subscription option plan every year, under an authorisation granted by the Shareholders' Extraordinary General Meeting (EGM).

These plans are intended to give various categories of executive an interest in creating value for the Group, thereby creating goal congruence between Group executives and the shareholders. The executives chosen for these plans represent the best of the Group's talents, including the next generation of leaders: executives in key management positions, line managers and technical experts, high-potential executives, and high-performing young managers with good career development prospects.

The number of options granted to corporate officers is decided by the Board of Directors on the recommendation of the Compensation and Nominations Committee.

The exercise price of these plans is determined at the time of issue in accordance with the terms of the authorisation granted by the EGM. No discount is offered. Some plans impose vesting conditions relating to the Group's financial performance or to the performance of BNP Paribas shares relative to the stock market. These conditions may apply to some or all of the options granted (see Note 8c).

The table below shows stock options granted to and/or exercised by corporate officers in 2005.

Stock options granted to/exercised by corporate officers

Options granted to and exercised by corporate officers	Number of options granted/exercised	Exercise price (in euros)	Date of grant	Plan expiry date
OPTIONS GRANTED IN 2005				
Michel PEBEREAU	100,000	55.1	25/03/2005	22/03/2013
Baudouin PROT	150,000	55.1	25/03/2005	22/03/2013
Georges CHODRON DE COURCEL	60,000	55.1	25/03/2005	22/03/2013
Jean CLAMON	40,000	55.1	25/03/2005	22/03/2013
OPTIONS EXERCISED IN 2005				
Michel PEBEREAU	50,000	18.45	22/05/1997	22/05/2007
Georges CHODRON DE COURCEL	60,000	45.16	22/12/1999	22/12/2009
Georges CHODRON DE COURCEL	19,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	27,125	23.47	26/12/1997	26/12/2005
Jean CLAMON	22,550	20.4	17/11/1998	17/11/2006
OPTIONS GRANTED IN 2004	-			
OPTIONS EXERCISED IN 2004				
Michel FRANCOIS-PONCET (†)	177,650	23.47	26/12/1997	26/12/2005
Georges CHODRON DE COURCEL	50,000	37.28	13/05/1998	13/05/2008
Georges CHODRON DE COURCEL	5,500	37.64	03/05/1999	03/05/2009
Jean CLAMON	50,000	23.47	26/12/1997	26/12/2005
Jean CLAMON	37,020	17.3	20/01/1997	20/01/2005

The table below shows the number of outstanding options held by corporate officers at 31 December 2005.

Originating company	BNP Paribas	BNP Paribas	BNP Paribas	BNP	BNP	BNP	Paribas	BNP	Total
Date of grant	23/05/2005	21/03/2003	15/05/2001	22/12/1999	03/05/1999	13/05/1998	17/11/1998	22/05/1997	
Number of options outstanding at end of 2005	350,000	560,000	500,000	410,000	5,000	190,000	70,000	100,000	2,185,000

9.g BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

In millions of euros, at 31 December 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		7,115						7,115
Financial assets at fair value through profit or loss	700,525							700,525
Derivatives used for hedging purposes	3,087							3,087
Available-for-sale financial assets	15,098		6,675	6,838	10,641	18,571	34,883	92,706
Loans and receivables due from credit institutions		10,760	11,047	8,817	5,847	3,342	5,196	45,009
Loans and receivables due from customers		20,529	40,959	23,865	43,267	97,202	75,374	301,196
Remeasurement adjustment on interest-rate risk hedged portfolios	(61)							(61)
Held-to-maturity financial assets			74	597	272	1,127	13,375	15,445
Financial assets by maturity	**718,649**	**38,404**	**58,755**	**40,117**	**60,027**	**120,242**	**128,828**	**1,165,022**
Due to central banks and post office banks		742						742
Financial liabilities at fair value through profit or loss	567,706		1,684	1,069	3,642	21,529	15,051	610,681
Derivatives used for hedging purposes	1,015							1,015
Due to credit institutions		27,442	52,613	16,160	13,179	6,935	2,564	118,893
Due to customers		132,466	68,916	24,181	10,113	2,426	9,392	247,494
Debt securities			29,234	19,862	15,263	10,975	9,295	84,629
Subordinated debt	1,871		679	284	516	1,953	11,403	16,706
Remeasurement adjustment on interest-rate risk hedged portfolios	901							901
Financial liabilities by maturity	**571,493**	**160,650**	**153,126**	**61,556**	**42,713**	**43,818**	**47,705**	**1,081,061**

In millions of euros, at 1 January 2005	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks		6,888						6,888
Financial assets at fair value through profit or loss	539,510							539,510
Derivatives used for hedging purposes	2,581							2,581
Available-for-sale financial assets	11,304		9,513	9,262	7,635	16,792	21,272	75,778
Loans and receivables due from credit institutions		9,480	14,485	5,185	3,766	5,270	2,797	40,983
Loans and receivables due from customers		20,952	58,680	24,093	29,627	64,015	46,861	244,228
Remeasurement adjustment on interest-rate risk hedged portfolios								-
Held-to-maturity financial assets			3,313	6,486	2,352	1,284	12,695	26,130
Financial assets by maturity	**553,395**	**37,320**	**85,991**	**45,026**	**43,380**	**87,361**	**83,625**	**936,098**
Due to central banks and post office banks		256						256
Financial liabilities at fair value through profit or loss	426,473		892	1,549	2,639	15,659	9,914	457,126
Derivatives used for hedging purposes	450							450
Due to credit institutions		8,905	49,277	17,651	9,640	9,944	4,771	100,188
Due to customers		117,559	54,343	18,991	7,517	8,819	4,258	211,487
Debt securities			25,581	23,916	14,074	7,014	7,012	77,597
Subordinated debt	2,685		667	593	333	2,578	6,186	13,042
Remeasurement adjustment on interest-rate risk hedged portfolios	1,022							1,022
Financial liabilities by maturity	**430,630**	**126,720**	**130,760**	**62,700**	**34,203**	**44,014**	**32,141**	**861,168**

9.h FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2005. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

In millions of euros	31 december 2005, under EU IFRS		1 January 2005, under EU IFRS	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	45,009	45,014	40,983	41,009
Loans and receivables due from customers	301,196	302,916	244,228	246,611
Held-to-maturity financial assets	15,445	16,813	26,130	26,963
FINANCIAL LIABILITIES				
Due to credit institutions	118,893	119,663	100,188	100,298
Due to customers	247,494	247,502	211,487	211,501
Debt securities	84,629	84,531	77,597	77,777
Subordinated debt	16,706	17,041	13,042	13,419

The fair values shown above relate solely to financial instruments recognised in the balance sheet, and hence do not include non-financial assets and liabilities.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in Note 2, "Principal accounting policies applied by the BNP Paribas Group". In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to carrying amount. The same applies to most regulated savings products.

10. FINANCIAL STATEMENTS PREPARED UNDER FRENCH GAAP FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

The consolidated financial statements for the years to 31 December 2003 and 31 December 2004 were prepared under French generally accepted accounting principles and published in the Document de Référence filed with the Autorité des Marchés Financiers on 25 February 2005 as no. D.05-0151.

The principal accounting policies used in the preparation of the profit and loss account for the year to 31 December 2004 and of the balance sheet as at that date, which form the basis for the transition schedules provided in Notes 1a and 1b, are reproduced below.

CONSOLIDATED BALANCE SHEET

A S S E T S

In millions of euros, at 31 December	2004	2003
Interbank and money market items :		
Cash and amounts due from central banks and post office banks	6,843	5,287
Treasury bills and money market instruments	128,400	106,671
Due from credit institutions	180,443	162,950
Total interbank and money market items	**315,686**	**274,908**
Customer items :		
Due from customers	237,508	201,611
Leasing receivables	20,572	20,362
Total customer items	**258,080**	**221,973**
Bonds and other fixed income instruments	**66,899**	**55,005**
Equities and other variable income instruments	**72,254**	**52,506**
Insurance company investments	**69,501**	**62,275**
Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment		
Investments in non-consolidated undertakings and other participating interests	2,609	2,160
Equity securities held for long-term investment	3,514	4,612
Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment	**6,123**	**6,772**
Investments in companies carried under the equity method:		
Financial sector companies	737	1,436
Non-financial sector companies	1,024	195
Total investments in companies carried under the equity method	**1,761**	**1,631**
Tangible and intangible assets	**9,582**	**9,008**
Goodwill	**6,244**	**5,578**
Accrued income and other assets	**99,808**	**93,420**
Total assets	**905,938**	**783,076**

COMMITMENTS GIVEN

Financing commitments given	172,641	156,287
Guarantees and endorsements given	66,148	56,865
Commitments related to securities to be delivered	8,241	7,389
Insurance company commitments	466	1,297
Commitments incurred on forward and options contracts	20,556,393	18,356,809

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros, at 31 December	2004	2003
Interbank and money market items :		
Due to central banks and post office banks	256	60
Due to credit institutions	244,707	191,194
Total interbank and money market items	**244,963**	**191,254**
Customer items	**237,712**	**210,621**
Debt securities:		
Retail certificates of deposit	6,712	4,933
Interbank market securities	1,175	1,025
Negotiable certificates of deposit	83,844	67,014
Bonds, including short-term portion	11,094	9,952
Other debt instruments	1,141	177
Total debt securities	**103,966**	**83,101**
Technical reserves of insurance companies	**69,378**	**61,808**
Accrued expenses and other liabilities	**198,128**	**184,820**
Badwill	**15**	**18**
Provision for contingencies and charges	**3,764**	**4,045**
Subordinated debt	**12,242**	**13,226**
Reserve for general banking risks	**752**	**843**
Minority interests in consolidated subsidiaries	**4,824**	**5,019**
Shareholders' equity :		
Share capital	1,769	1,806
Additional paid-in capital in excess of par and premium on acquisition	10,340	11,017
Retained earnings	13,417	11,737
Net income	4,668	3,761
Total shareholders' equity	**30,194**	**28,321**
Total liabilities and shareholders' equity	**905,938**	**783,076**
COMMITMENTS RECEIVED		
Financing commitments received	35,251	43,976
Guarantees and endorsements received	50,212	42,951
Commitments related to securities to be received	9,570	7,852
Insurance company commitments	1,807	2,801

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	2004	2003
Interest income	*28,332*	*27,174*
Interest expense	*(22,213)*	*(20,663)*
Net interest income	6,119	6,511
Income on equities and other variable income instruments	294	283
Commission income	*7,098*	*6,319*
Commission expense	*(2,411)*	*(2,026)*
Net commission income	4,687	4,293
Net gains on trading account securities	4,713	4,407
Net gains on securities available for sale	453	190
Other banking income	*1,005*	*970*
Other banking expenses	*(904)*	*(880)*
Net other banking income	101	90
Underwriting result and net investment income of insurance companies	1,919	1,658
Net income from other activities	537	503
Net banking income	**18,823**	**17,935**
Operating expense:		
Salaries and employee benefits, including profit-sharing	(6,872)	(6,763)
Other administrative expenses	(3,965)	(3,764)
Total operating expense	(10,837)	(10,527)
Depreciation, amortisation and provisions on tangible and intangible assets	(755)	(758)
Gross operating income	**7,231**	**6,650**
Net additions to provisions for credit risks and country risks	(678)	(1,361)
Operating income	**6,553**	**5,289**
Share of earnings of companies carried under the equity method	194	131
Gains on long-term investments and changes in provisions	843	912
Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks	**7,590**	**6,332**
Net non-recurring expense	(389)	(494)
Corporate income tax	(1,830)	(1,481)
Amortisation of goodwill	(384)	(399)
Movements in the reserve for general banking risks	88	147
Minority interests	(407)	(344)
Net income	**4,668**	**3,761**
Basic earnings per share, in euros (1)	**5.55**	**4.31**
Diluted earnings per share, in euros (2)	**5.53**	**4.28**

(1) After the two-for-one share-split in 2002.
(2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 “Earnings per share”. Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.

ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with French generally accepted accounting principles applicable in the banking industry.

YEAR-ON-YEAR COMPARISONS

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

PRINCIPLES AND BASIS OF CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.
Entities over which a Group company exercises de facto control, by virtue of contractual provisions or the entity's articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

De facto control is considered as being exercised when more than one of the following three criteria are met:

- The Group has decision-making powers, with or without management powers, over the routine operations or the assets of the entity, as evidenced in particular by the power to wind up the business, amend its articles of association or formally oppose any such amendments;

- The Group is entitled to all or the majority of the entity's economic benefits, whether distributed or appropriated to reserves, and has the right to sell one or several assets and to benefit from any assets remaining after the entity has been liquidated;

- The Group is exposed to the majority of the risks relating to the entity. This is the case if a Group company gives a guarantee to external investors, in order to substantially reduce those investors' risk.

In cases where the Group does not hold an interest in the capital, an entity is consolidated when two of the above three criteria are met. In accordance with standard CRC 2004-04, the first of these three criteria is critical to assessing whether de facto control is exercised over entities set up in connection with the sale of proprietary loan portfolios, including fonds communs de créances (securitization funds) governed by French law and foreign entities offering equivalent guarantees to those existing in France. Retaining the majority of risks and rewards related to sold loans is equivalent to presuming that a substantial portion of decision-making powers has been retained.

Entities whose shares have been acquired exclusively with a view to their subsequent disposal are not consolidated. This is the case of shares which are intended to be sold in connection with the active management of the portfolio held by BNP Paribas Capital. Additionally, if the Group's ability to control the operating policies and assets of a subsidiary or affiliate is severely and permanently restricted, the subsidiary or affiliate is not consolidated. Shares in these companies are recorded in the consolidated balance sheet under "Investments in non-consolidated undertakings and other participating interests".

CONSOLIDATION METHODS

- **Fully-consolidated Companies**

Subsidiaries over which the Group exercises exclusive control are fully consolidated, including subsidiaries whose financial statements are presented in a different format and which are engaged in a business that represents an extension of the Group's banking and financial services businesses or a related business, including insurance, real estate investment, real estate development and data processing services.

Exclusive control is considered as being exercised in cases where the Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business, as a result of :

- direct or indirect ownership of the majority of voting rights of the subsidiary; or
- the designation in two successive years of the majority of the members of the Board of Directors, Supervisory Board or equivalent. This is considered to be the case if a Group company holds over 40% of the voting rights during the two-year period and no other shareholder holds a larger percentage, directly or indirectly; or
- the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or the articles of association, provided that the Group company exercising the dominant influence is a shareholder or partner of the subsidiary. Dominant influence is considered as being exercised in cases where the Group company is in a position to use or decide on the utilisation of the subsidiary's assets, liabilities or off balance sheet items as if they were its own. In the absence of contractual provisions or provisions of the articles of association, a Group company is considered as exercising dominant influence over a credit institution in cases where it holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a larger percentage.

- **Proportionally-consolidated Companies**

Jointly-controlled companies are consolidated by the proportional method. Joint control is considered as being exercised in cases where the concerned company is managed jointly by a limited number of shareholders or partners which together determine the company's financial and operating policies.

- **Companies Accounted for by the Equity Method**

Companies in which the Group exercises significant influence over financial and operating policies without having control are accounted for by the equity method. Significant influence may be exercised through representation on the Board of Directors, Supervisory Board or equivalent, or participation in strategic decisions, or as a result of significant business dealings with the company, or exchanges of management personnel or technical dependence. Significant influence over financial and operating policies is considered as being exercised in cases where the Group holds at least 20% of the voting rights, directly or indirectly.

Companies that are less than 20% owned are not consolidated except in cases where they constitute a strategic investment and the Group effectively exercises significant influence. This is the case of companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions affecting the company as a member of the Board of Directors, Supervisory Board or equivalent, exercises influence over the company's operational management by supplying management systems or decision-making aids, and provides technical assistance to support the company's development.

CONSOLIDATION PRINCIPLES

Cost of Shares in Consolidated Companies, Goodwill, Valuation Adjustments

- **Cost of Shares in Consolidated Companies**

The cost of shares in consolidated companies is equal to the purchase price paid to the vendor by the buyer plus material transaction costs, net of the corresponding tax savings.

- **Goodwill**

Goodwill, corresponding to the difference between the cost of shares in consolidated companies and the Group's equity in the assets, liabilities and off balance sheet items of the company at the date of acquisition, after valuation adjustments, is amortised by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortisation period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Where there is an indication that the recoverable value of goodwill could be lower than its net carrying value, an impairment test is carried out in order to assess whether an impairment loss should be recorded. The impairment test may be based on several different methods, depending on the business concerned, including discounted future cash flows estimated using the company's medium-term business plan.

- **Valuation Adjustments**

Valuation adjustments, corresponding to the difference between the amount of assets, liabilities and off balance sheet items of the acquired company as restated according to Group accounting policies and their book value in the accounts of the acquired company, are recorded in the consolidated balance sheet in accordance with generally accepted accounting principles applicable to the items concerned.

Valuation adjustments of assets and liabilities of companies accounted for under the equity method are included in "Investments in companies carried under the equity method".

Change in Percent Interests in Consolidated Companies

In the case of an increase in the Group's percent interest in a consolidated company, additional goodwill is recorded and amortised by the method described above. If the Group's percent interest is reduced without resulting in the subsidiary being deconsolidated, a corresponding percentage of the unamortised goodwill is written off. This is the case, in particular, following a capital transaction that has the effect of diluting the interest of the company holding the shares.

Intercompany Balances and Transactions

Income and expenses on material intercompany transactions involving fully or proportionally consolidated companies or companies accounted for by the equity method are eliminated in consolidation. Intercompany receivables, payables, commitments, income and expenses between fully or proportionally consolidated companies are also eliminated.

Lease Financing

Finance leases where the Group is lessor are recorded in the consolidated balance sheet under "Leasing receivables" in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts determined in accordance with legal and tax rules. Lease payments are analysed between amortisation of the net investment and interest income.

Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortisation of the net investment in the lease. This difference is recorded under "Shareholders' equity" net of deferred taxes.

Foreign Currency Translation

All monetary and non-monetary assets and liabilities of foreign subsidiaries and branches that are denominated in foreign currencies are translated at the year-end exchange rate. Differences arising from the translation of profit and loss account items of foreign subsidiaries at the average rate for the period and the period-end rate are recorded in shareholders' equity, under "Cumulative translation adjustment", net of minority interests. The same accounting treatment is applied to differences arising from the translation of capital made available to foreign branches. Differences arising from the translation of the results of foreign branches are treated as operating positions that can be repatriated and are therefore recognised in the consolidated profit and loss account.

BNP Paribas Shares Held Within the Group

BNP Paribas shares held within the Group are valued and accounted for as follows:

- Shares acquired in order to stabilise the share price or in connection with index trading and arbitrage transactions are recorded under "Trading account securities" at their market price.

- Shares held for allocation to employees are recorded at the lower of cost and market price under "Securities available for sale". Where appropriate, a provision is booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired specifically for any of the above purposes or that are intended to be cancelled are deducted from consolidated shareholders' equity at cost. If the shares are subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax are posted to retained earnings.

Consolidation of Insurance Companies

The specific accounting principles and valuation rules applicable to insurance companies are also used for BNP Paribas consolidation purposes. The balance sheet, profit and loss account and off balance sheet items of fully consolidated insurance subsidiaries are included under similar captions in the consolidated financial statements, with the exception of the following items:

- **Insurance Company Investments**

The investments of insurance companies include admissible assets related to unit-linked business, as well as property investments and various other investments, including shares in related companies, concerning life and other business. Property investments are stated at cost, excluding transaction costs. Buildings are depreciated over their estimated useful lives. Admissible assets related to unit-linked business are stated at the realisable value of the underlying assets at the year-end.

Fixed or variable income marketable securities are stated at cost. Fixed income securities are valued and accounted for using the same method as debt securities held to maturity. However, when the market value of listed variable income securities consistently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months, an analysis is carried out to ascertain whether or not it is necessary to record a provision for permanent impairment in value. If such a provision is considered necessary, it is calculated based on the realisable value of the securities concerned. Realisable value is determined using a multi-criteria approach including the discounted future cash flows and net asset value methods, as well as analysis of ratios commonly used to assess future yields and exit opportunities. The valuation is performed separately for each line of securities, taking into account the planned holding period. Securities held for sale are written down to their probable realisable value, based on stock market prices, where appropriate.

The realisable value of buildings is calculated when the valuation performed by professional qualified valuers is more than 20% below the net book value, and is based on the discounted future cash flows expected to be generated by each building over the planned holding period. A provision is recorded when necessary, on a building-by-building basis, to cover the difference between the net book value and the realisable value. In the case of buildings held for sale, provisions are calculated based on the valuation performed by the professional qualified valuers.

- **Technical Reserves of Insurance Companies**

Technical reserves correspond to the insurance company's commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer's commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following period or periods) and outstanding claims reserves, which include reserves for claims handling costs.

In the individual statutory accounts of Group insurance companies, a capitalisation reserve is set up at the time of sale of amortisable securities, in order to defer part of the net realised gain and thus maintain the yield-to-maturity of the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified under "Policyholders' surplus".

Policyholders' surplus also includes the funds set aside to top up the return offered to holders of life insurance policies in future years, as necessary.

- **Underwriting Result and Net Investment Income of Insurance Companies**

This caption mainly includes earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

OTHER SIGNIFICANT ACCOUNTING POLICIES

INTERBANK AND MONEY MARKET ITEMS, CUSTOMER ITEMS

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer accounts in debit and other loans.

Outstanding loans and confirmed credit facilities are classified into sound loans – including sound restructured loans – and doubtful loans. The same classification is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks on outstanding loans and confirmed credit facilities are monitored using an internal rating system, based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are 12 counterparty ratings, ten covering sound loans and two corresponding to doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the bank considers that there is a risk of borrowers being unable to honour all or part of their commitments. This is considered to be the case of all loans on which one or more instalments are more than three months overdue (six months in the case of real estate loans and twelve months for loans to local governments), as well as loans for which legal collection procedures have been launched. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

A provision is booked on these loans, for an amount corresponding to the portion of the outstanding principal that is not expected to be recovered plus unpaid interest. In all cases, the provision at least covers the total amount of accrued interest, unless the value of the guarantees held by the bank covers the principal and all or part of the interest due. Guarantees include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses.

In the case of doubtful loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are met. If a restructured loan reclassified as sound is not at market terms, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the new interest rate and the lower rate between the original rate of interest and the market rate prevailing at the time of the restructuring. If any instalments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Small loans to private individuals in France which have been the subject of a “Neiertz Act” restructuring (loans to consumers who have accumulated unmanageable levels of debt) are reclassified as sound only when the account manager is satisfied that the client will be able to fulfil his or her repayment commitments until the entire loan has been repaid. No discount is applied to loans that are reclassified as sound, mainly by the specialised credit companies. However, a statistical provision is recorded, based on the estimated risk of losses. This provision is at least equal to the sum of the discounts that would have been deducted from the loans’ carrying value.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in doubtful loans, no reclassification as sound loans is foreseeable, loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering substantially all of the amount due.

Irrecoverable loans are written off when all legal and other avenues open to the Bank to secure payment of the amounts due have been exhausted.

Interbank and customer items are stated at their nominal value plus accrued interest. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortised over the remaining life of the loan by the yield-to-maturity method.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions related to off balance sheet commitments, provisions for losses on interests in real estate development programmes, provisions for claims and litigation, provisions for unidentified contingencies and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions, bad debts written off, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under “Net additions to provisions for credit risks and country risks”, with the exception of additions to provisions for accrued interest on non-performing loans which are included in net banking income together with the interest accrual. Amortisation of discounts on restructured loans, calculated by the yield-to-maturity method, is included in net banking income along with the interest on the loans.

Accrued interest is recorded periodically on sound loans – including restructured loans – and on doubtful loans that are not classified as irrecoverable. Interest on doubtful loans classified as irrecoverable is recorded in the profit and loss account on a cash basis.

SECURITIES

The term “securities” covers interbank market securities (mainly promissory notes and mortgage notes); Treasury bills and negotiable certificates of deposit; bonds and other fixed income instruments (whether fixed- or floating-rate); and equities and other variable income instruments.

In application of standard CRC 2000-02, securities are classified as “Trading account securities”, “Securities available for sale”, “Equity securities available for sale in the medium-term”, “Debt securities held to maturity”, “Equity securities held for long-term investment”, “Other participating interests”, and “Investments in non-consolidated undertakings”. Investments in companies carried under the equity method are recorded on a separate line of the consolidated balance sheet.

Where a credit risk has occurred, fixed income securities held in the "available for sale" or "held to maturity" portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.
Variable income securities may also be classified as doubtful if an issuer default risk has occurred. This is the case, in particular, where the issuer has filed for bankruptcy.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in “Provisions for credit risks and country risks”.

- **Trading Account Securities**

Securities held for up to six months are recorded under "Trading account securities" and valued individually at market. Changes in market values are posted to income.

- **Securities Available for Sale**

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed income instruments are valued at the lower of cost (excluding accrued interest) and probable market value, which is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed income instruments".

The difference between cost and the redemption price of fixed income securities purchased on the secondary market is prorated over the life of the securities and posted to the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost and probable market value, which is generally determined on the basis of stock market prices, for listed equities, or the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

The cost of sold securities available for sale is determined on a first in, first out (FIFO) basis. Disposal gains or losses and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Net gains on sales of securities available for sale".

- **Equity Securities Available for Sale in the Medium-Term**

This category corresponds to investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. "Equity securities available for sale in the medium-term" include venture capital investments.

"Equity securities available for sale in the medium-term" are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general development outlook and the planned holding period. The fair value of listed stocks corresponds primarily to the average stock market price determined over an appropriately long period.

- **Debt Securities Held to Maturity**

Fixed income securities (mainly bonds, interbank market securities, Treasury bills and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect the BNP Paribas Group's intention of holding them on a long-term basis, in principle to maturity. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is posted to income under "Interest income on bonds and other fixed income instruments".

A provision is made when a decline in the credit standing of an issuer jeopardises redemption at maturity.

- **Equity Securities Held for Long-Term Investment**

This category includes shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

"Equity securities held for long-term investment" are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Gains and losses on sales of equity securities held for investment and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

- **Non-Consolidated Undertakings and Other Participating interests**

This category includes affiliates in which the Group exercises significant influence over management and investments considered strategic to the Group's business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

Investments in non-consolidated undertakings and other participating interests are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Disposal gains and losses and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends are posted to "Income on equities and other variable income instruments" when they have been declared by the issuers' shareholders or on a cash basis when the shareholders' decision is not known.

- **Investments in Companies Carried under the Equity Method**

Changes in net assets of companies carried under the equity method are posted to assets under "Investments in companies carried under the equity method" and to consolidated reserves under "Retained earnings".

Valuation adjustments to these companies' assets and liabilities, recorded at the time of acquisition, are included in "Investments in companies carried under the equity method".

Goodwill arising on the acquisition of companies carried under the equity method is recorded in "Goodwill".

FIXED ASSETS

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialised subsidiaries. These buildings are intended to be held on a long-term basis. The revaluation arising from this transaction has been posted to consolidated shareholders' equity net of the related deferred tax effect and a provision for deferred taxes has been recorded. Effective from 1994, the resulting unrealised capital gain is being written back to the consolidated profit and loss account in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what appeared to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above real estate in 1997. The impact of this adjustment, net of the related deferred tax effect, was posted to consolidated shareholders' equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France's appropriation laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these legal revaluations, are included in share capital.

Assets leased by the Bank from specialised subsidiaries are recorded as buildings, equipment and other under "Tangible and intangible assets".

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight-line method. Depreciation of other fixed assets is computed using the straight-line method over their estimated useful lives.

BNP Paribas and its French subsidiaries depreciate tangible assets by the accelerated method in their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straight-line method) to write off the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Depreciation of assets leased from Group leasing subsidiaries is reflected in the profit and loss account under "Depreciation, amortisation and provisions on tangible and intangible assets".

The capitalised cost of software purchased or developed for internal use is recorded under "Intangible assets" and amortised by the straight-line method over the probable period of use of the software, not to exceed five years.

Trade marks identified by the Group which have been acquired in a business combination are tested for impairment when there is an indication that they may be impaired.

INTERBANK AND MONEY-MARKET ITEMS AND CUSTOMER DEPOSITS

Amounts due to credit institutions are classified into demand accounts and time deposits and borrowings. Customer deposits are classified into regulated savings accounts and other customer deposits. These captions include securities and other assets sold under repurchase agreements. Accrued interest is recorded on a separate line.

DEBT SECURITIES

Debt securities are classified into retail certificates of deposit, interbank market securities, negotiable certificates of deposit, bonds and other debt instruments. This caption does not include subordinated notes which are recorded under “Subordinated debt”.

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised by the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised by the straight-line method over the life of the bonds.

COUNTRY RISK PROVISIONS

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries. Country risk provisions and writebacks are reflected in the profit and loss account under “Net additions to provisions for credit risks and country risks”.

PROVISIONS FOR UNFORESEEABLE INDUSTRY RISKS

The Group records provisions for unforeseeable industry and other risks in order to cover losses and expenses that are not certain of being incurred and the amount of which cannot be reliably estimated. These provisions are reversed and replaced by specific provisions in cases where the loss or expense becomes certain and can be reliably estimated.

RESERVE FOR GENERAL BANKING RISKS

The BNP Paribas Group has set up a reserve for general banking risks in accordance with the principle of prudence.

Specific additions to, and deductions from, this reserve are reflected in the profit and loss account under “Movements in the reserve for general banking risks”.

PROVISIONS NOT SET UP IN CONNECTION WITH BANKING OR BANKING-RELATED TRANSACTIONS

The Group records provisions for clearly identified risks and charges, of uncertain timing or amount. In accordance with current regulations, these provisions which are not connected with banking or banking-related transactions may only be recorded if the Group has an obligation to a third party at the year-end and no equivalent economic benefits are expected from that third party.

FORWARD FINANCIAL INSTRUMENTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

- **Market Value of Financial Instruments**

Financial instruments are measured based on their market value when they are listed, or based on internal models where no organised market exists. The value determined by applying these models is adjusted to take into account inherent model and liquidity risks.

The market value of financial instruments for which a quoted price is not directly available is determined on the basis of the price of transactions carried out close to the year-end or prices obtained from brokers or counterparties, backed up by qualitative analyses.

- **Forward Interest Rate Instruments**

Interest rate futures and options contracts forming part of the trading portfolio and traded on organised exchanges are marked to market at the balance sheet date. Realised and unrealised gains and losses are taken to income under “Net gains (losses) on sales of trading account securities”.

Gains and losses on certain OTC contracts representing isolated open positions are taken to income either when the contracts are unwound or on an accruals basis, depending on the nature of the instruments. Provisions for contingencies are booked to cover unrealised losses on a contract by contract basis, taking into account potential gains and losses on related specific hedges.

Income and expenses on interest rate contracts designated at the outset as hedging operations are recognised on a symmetrical basis with the income or expense on the underlying instrument.

- **Forward Currency Instruments**

Options contracts are marked to market and the resulting unrealised gains and losses are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the spot rate prevailing at the end of the year. Differences between the spot and forward rates (contango and backwardation) for hedged forward currency transactions are recognised on an accruals basis and posted to the profit and loss account over the life of the hedged transaction.

- **Equity And Equity Index Derivatives**

The BNP Paribas Group buys and sells equity and equity index options for trading and hedging purposes. In the case of trading transactions, unrealised gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on equity and equity index contracts designated as hedges are recognised on a symmetrical basis with the gain or loss on the underlying hedged instrument.

- **Composite Instruments**

Composite instruments (synthetic combinations of instruments recorded as a single instrument) are valued by aggregating the individual values of each basic instrument included in the composite. However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated profit and loss account.

- **Credit Risk Management Instruments**

Instruments intended to protect loan portfolios against counterparty risks are treated as guarantees received. Credit derivatives purchased and sold in connection with trading transactions and structured product sales are valued using internal models, based on market data where available. The revenue determined by applying these models is adjusted to take into account inherent model and liquidity risks.

CORPORATE INCOME TAX

BNP Paribas Group companies are subject to corporate income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard corporate income tax rate is 33 1/3%. Long-term capital gains are currently taxed at a rate of 19%. Under the French Finance Act passed at the end of 2004, long-term capital gains will be taxed at 15% as from 2005 and gains on disposals of certain investments in non-consolidated undertakings will be taxed at 8% in 2006 and at 0% thereafter. Dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% and which are covered by the parent-subsidiary tax regime are non-taxable.

The French government imposed a 3% surtax on corporate income for financial years 2002 to 2004 in addition to the 3.3% surtax levied on corporate income since 1 January 2000. The 2005 French Finance Act has reduced this surtax to 1.5% in 2005 and will eliminate it as of 2006. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned.

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. BNP Paribas Group companies recognise deferred taxes based on all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method, as well as future applicable tax rates once these have been approved. Recognition of deferred tax assets depends on the probability of recovery.

PROFIT-SHARING

As required by French law, BNP Paribas and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in "Operating expense" in the consolidated profit and loss account.

PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

Provision is made for long-service awards, supplementary pension benefits and other awards payable to active and retired employees, except where employer contributions are in full discharge of any future liabilities, in which case the contributions are charged to the profit and loss account in the period of payment.

PENSION OBLIGATIONS TOWARDS RETIRED EMPLOYEES

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

In France, retired employees of the BNP Paribas Group's banking subsidiaries and affiliates are entitled to the following pension benefits starting 1 January 1994, pursuant to an industry-wide agreement on pensions signed in September 1993 between the *Association Française des Banques* and employee representatives:

– retirees receive pension benefits from the social security system and two nation-wide organisations, which are financed by contributions received from employers and employees. The systems operate on a pay-as-you-go basis.

– retirees receive additional benefits relative to services rendered prior to 1 January 1994, from the pension fund of the BNP Paribas Group and the banking industry pension funds with which certain French subsidiaries are affiliated. Funding for these additional benefits is provided by transfers from the pension funds' existing reserves and, if necessary, by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The contributions paid by BNP Paribas to these schemes are recorded in expenses for the period.

The working capital contributions made to the two nation-wide pension organisations in 1994 are treated as prepaid expenses and amortised over the average number of years left to retirement of BNP SA participating employees, which is currently twenty years. For Paribas employees, the contribution has been deducted from the reserves of the Paribas pension fund.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, the Group records provisions for benefit obligations where the present value of the obligation exceeds the market value of the plan assets. Benefit obligations are determined on an actuarial basis at each year end. The year-on-year increase or decrease in the net funded obligation, corresponding to actuarial differences arising from changes in demographic and financial assumptions or in estimated yields on plan assets, is recognised over the expected average remaining service lives of employees covered by the plans, net of an amount equal to a certain percentage of the discounted benefit obligation, set by convention at 10%. In the interest of prudence, the deferred portion of the actuarial difference is limited in all cases to an amount equivalent to that of the net change in the benefit obligation over the year.

For defined contribution plans, the Group records the contributions as an expense in the period they are paid.

OTHER EMPLOYEE BENEFITS

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees in France and in most of the countries in which the Group does business.

Each year, BNP Paribas estimates the net present value of these commitments and adjusts the related provision, applying the same method as for pension benefits.

RECOGNITION OF REVENUE AND EXPENSES

Interest and fees and commissions qualified as interest are recognised on an accruals basis. Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed.

NET ADDITIONS TO PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

Net additions to provisions for credit risks and country risks include expenses arising from the identification of counterparty risks, including country risks, litigation and fraud inherent to banking operations conducted with third parties. Net movements in provisions for contingencies and charges that do not fall under the category of such risks are classified in the profit and loss account according to their type.

FOREIGN CURRENCY TRANSACTIONS

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recorded in the profit and loss account.

Exchange differences arising from the conversion at the year-end exchange rate of assets denominated in foreign currencies that are held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches and other foreign equity investments, are not recognised in the profit and loss account.