BNP PARIBAS

# REFERENCE CONSOLIDATED FINANCIAL STATEMENTS FOR INFORMATION TO BE PUBLISHED IN RESPECT OF THE 2005 FINANCIAL YEAR

## EFFECTS OF THE TRANSITION TO IFRS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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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 are likely to have been adopted within the European Union by 31 December 2005.

The financial statements for the year ended 31 December 2004 reproduced below have been prepared in anticipation of the publication of financial statements relating to the 2005 financial year, in particular with a view to providing all material information necessary for an understanding of interim periods, especially the period ended 30 June 2005. The financial statements for the year ended 31 December 2004 already 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, to provide comparatives with the financial statements to be 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 will serve as comparatives for the balance sheets produced at 30 June and 31 December 2005.

### Developments in IFRS

BNP Paribas has assumed that the European Union will be in a position to adopt prior to 31 December 2005 the amendment to IAS 39, issued by the International Accounting Standards Board (IASB) in June 2005, which 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. This amendment reduces IAS 39 compliance costs in terms of documenting hedge effectiveness, but with no material impact on profit for the period. BNP Paribas has applied this amendment as though it had taken effect from 1 January 2005 so as to achieve consistency with the accounting standards it expects to apply for the 2005 financial year as a whole.

The Financial Statements prepared for future periods in compliance with IFRS may differ from those presented here if new standards, versions of standards, amendments or interpretations are published by the IASB and adopted by the European Union to apply either in 2005 or in subsequent periods with an election for early adoption.

## 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.

- *Financial statements previously published under French GAAP*

The financial statements previously published under French GAAP are reproduced for information purposes in Note 10.

# PRO FORMA PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

| In millions of euros | Note | Year to 31 Dec 2004<br>2004 IFRS |
|---|---|---|
| Interest income | 3.a | 23,496 |
| Interest expense | 3.a | (15,942) |
| Commission income (1) | | 7,164 |
| Commission expense (1) | | (2,791) |
| Net gain/loss on financial instruments at fair value through profit or loss(2) | 3.b | 3,366 |
| Net gain/loss on available-for-sale financial assets(3) | 3.c | 1,450 |
| Income from other activities | 3.d | 16,544 |
| Expenses on other activities | 3.d | (13,918) |
| **NET BANKING INCOME** | | **19,369** |
| Operating expense | | (11,243) |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 6.k | (800) |
| **GROSS OPERATING INCOME** | | **7,326** |
| Cost of risk | 3.e | (685) |
| **OPERATING INCOME** | | **6,641** |
| Share of earnings of associates | | 407 |
| Net gain/loss on non-current assets | | 64 |
| Change in value of goodwill | | 7 |
| **PRE-TAX NET INCOME** | | **7,119** |
| Corporate income tax | 3.f | (1,764) |
| **NET INCOME** | | **5,355** |
| of which minority interests | | 416 |
| **NET INCOME BEFORE MINORITY INTERESTS** | | **4,939** |
| Basic earnings per share | 9.a | 5.87 |
| Diluted earnings per share | 9.a | 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 is not applicable in 2004.

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

(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.

# PRO FORMA BALANCE SHEET AT 31 DECEMBER 2004 AND BALANCE SHEET AT 1 JANUARY 2005

| In millions of euros | Note | 1 January 2005 EU IFRS | 31 December 2004 2004 IFRS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and amounts due from central banks and post office banks | | 6,888 | 6,845 |
| Securities portfolio | | | 338,603 |
| *- Treasury bills and money-market instruments* | | | *128,401* |
| *- Bonds and other fixed-income instruments* | | | *106,522* |
| *- Equities and other variable-income instruments* | | | *98,050* |
| *- Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment* | | | *5,630* |
| Financial assets at fair value through profit or loss | 6.b | 539,510 | |
| Derivatives used for hedging purposes | 6.c | 2,581 | |
| Available-for-sale financial assets | 6.d | 75,225 | |
| Loans and receivables due from credit institutions | 6.a | 40,983 | 181,655 |
| Loans and receivables due from customers | 6.e | 244,228 | 265,026 |
| Held-to-maturity financial assets | 6.g | 26,650 | |
| Current and deferred tax assets | 6.h | 2,129 | 1,876 |
| Accrued income and other assets | 6.i | 41,332 | 100,063 |
| Investments in associates | 6.j | 2,720 | 2,434 |
| Investment property | 6.k | 4,551 | 5,172 |
| Property, plant and equipment | 6.k | 8,159 | 8,159 |
| Intangible assets | 6.k | 1,175 | 1,175 |
| Goodwill | 6.l | 6,328 | 6,408 |
| **TOTAL ASSETS** | | **1,002,459** | **917,416** |
| **LIABILITIES** | | | |
| Due to central banks and post office banks | | 256 | 256 |
| Financial liabilities at fair value through profit or loss | 6.b | 457,093 | |
| Derivatives used for hedging purposes | 6.c | 450 | |
| Due to credit institutions | 6.a | 100,188 | 244,764 |
| Due to customers | 6.e | 205,962 | 237,919 |
| Debt securities | 6.f | 77,597 | 116,510 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | | 1,022 | |
| Current and deferred tax liabilities | 6.h | 1,653 | 1,366 |
| Accrued expenses and other liabilities | 6.i | 33,978 | 196,211 |
| Technical reserves of insurance companies | 6.m | 70,043 | 67,929 |
| Provisions for contingencies and charges | 6.n | 3,983 | 4,576 |
| Subordinated debt | 6.f | 13,042 | 12,596 |
| **TOTAL LIABILITIES** | | **965,267** | **882,127** |
| **SHAREHOLDERS' EQUITY** | | | |
| *Share capital and additional paid-in capital* | | *12,109* | *12,109* |
| *Retained earnings* | | *11,719* | *13,500* |
| *Net income for the period attributable to shareholders* | | *4,939* | *4,939* |
| Total capital and retained earnings attributable to shareholders | | 28,767 | 30,548 |
| Unrealised or deferred gains and losses attributable to shareholders | | 3,560 | (172) |
| **Shareholders' equity** | | **32,327** | **30,376** |
| **Minority interests** | | **4,865** | **4,913** |
| **Total consolidated equity** | | **37,192** | **35,289** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,002,459** | **917,416** |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 31 DECEMBER 2003 AND 1 JANUARY 2005

| | Shareholders' equity | | | |
|---|---|---|---|---|
| In millions of euros | Share capital and additional paid-in capital | 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)** |
| **Effect of acquisitions and disposals on minority interests** | | | | **-** |
| **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** | **(1,813)** | **(1,781)** |
| **Consolidated equity at 1 January 2005 under EU IFRS** | **12,109** | **(2,661)** | **19,319** | **28,767** |

(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 |
| | 3,296 | 436 | 3,732 | 1,951 | (44) | (4) | (48) | 1,903 |
| (172) | 3,296 | 436 | 3,560 | 32,327 | 4,976 | (111) | 4,865 | 37,192 |

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2004

| In millions of euros | Note | Year to 31 Dec 2004 |
|---|---|---|
| **Pre-tax net income** | | **7,119** |
| **Non-monetary items included in pre-tax net income and other adjustments** | | **6,613** |
| Net depreciation/amortisation expense on property, plant and equipment and intangible assets | | 800 |
| Impairment of goodwill and other non-current assets | | (7) |
| Net addition to provisions | | 5,501 |
| Share of earnings of associates | | (407) |
| Net loss from investing activities | | 47 |
| Net income from financing activities | | (159) |
| Other movements | | 838 |
| **Net decrease in cash related to assets and liabilities generated by operating activities** | | **(8,019)** |
| Net increase in cash related to transactions with credit institutions | | 12,313 |
| Net increase in cash related to transactions with credit institutions | | (10,688) |
| Net decrease in cash related to transactions involving other financial assets and liabilities | | (7,640) |
| Net increase in cash related to transactions involving non-financial assets and liabilities | | (519) |
| Taxes paid | | (1,485) |
| **NET INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES** | | **5,713** |
| Net decrease in cash related to acquisitions and disposals of consolidated entities | 9.c | (816) |
| Net decrease related to property, plant and equipment and intangible assets | | (764) |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES** | | **(1,580)** |
| Decrease in cash and equivalents related to transactions with shareholders | | (3,151) |
| Other increases in cash and equivalents generated by financing activities | | 958 |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES** | | **(2,193)** |
| **EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS** | | **(183)** |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **1,757** |
| **Balance on cash and equivalent accounts at the start of the period** | | **5,118** |
| Net balance of cash accounts and accounts with central banks and post office banks | | 5,228 |
| Net balance of demand loans and deposits - credit institutions | | (110) |
| **Balance on cash and equivalent accounts at the end of the period** | | **6,875** |
| Net balance of cash accounts and accounts with central banks and post office banks | | 6,387 |
| Net balance of demand loans and deposits - credit institutions | | 488 |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **1,757** |

# NOTES TO THE FINANCIAL STATEMENTS 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 | Reclassifications | Restatements | 31 Dec 2004 | Reclassifications | 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 banks** | **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** | | | | | **69,241** | **5,984** | **75,225** |
| **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** | | | | | **26,650** | | **26,650** |
| **Insurance company investments** | **69,501** | **(69,501)** | | **-** | | | **-** |
| **Current and deferred tax assets** | | **1,474** | **402** | **1,876** | **-** | **253** | **2,129** |
| **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** | **8,791** | **1,002,459** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | | |
| **Due to central banks and post office banks** | **256** | | | **256** | **-** | | **256** |
| **Financial liabilities at fair value through profit or loss** | | | | | **454,704** | **2,389** | **457,093** |
| **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** | **(31,956)** | **(1)** | **205,962** |
| **Debt securities** | **103,966** | | **12,544** | **116,510** | **(38,923)** | **10** | **77,597** |
| **Remeasurement adjustment on interest-rate risk hedged portfolios** | | | | | **-** | **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** | **-** | **2,114** | **70,043** |
| **Accrued expenses and other liabilities** | **198,128** | **(2,021)** | **104** | **196,211** | **(162,236)** | **3** | **33,978** |
| **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** | **-** | **1,951** | **32,327** |
| Share capital and additional paid-in capital | 12,109 | | | 12,109 | - | | 12,109 |
| Retained earnings | 14,206 | | (706) | 13,500 | - | (1,781) | 11,719 |
| Unrealised or deferred gains and losses | (789) | | 617 | (172) | - | 3,732 | 3,560 |
| Net income for the period | 4,668 | | 271 | 4,939 | - | | 4,939 |
| **Minority interests** | **4,824** | | **89** | **4,913** | **-** | **(48)** | **4,865** |
| **Total liabilities and shareholders' equity** | **905,938** | **(527)** | **12,005** | **917,416** | **76,252** | **8,791** | **1,002,459** |

### 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

Unamortised goodwill arising on investments in associates (companies accounted for under the equity method), 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 customers 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 | 68,712 | | | | | 529 | 69,241 |
| 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 | 26,650 | | | | | | 26,650 |
| 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) | | | 6,493 | (31,956) |
| Debt securities | (163) | (31,634) | | | | (7,126) | (38,923) |
| Accrued expenses and other liabilities | 1,019 | | | (59,812) | (103,012) | (431) | (162,236) |
| 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 68,712 million as available-for-sale assets, EUR 26,650 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. Consequently, on the assumption that the European Union will have adopted the IASB amendment by 31 December 2005, BNP Paribas has applied the fair value option to designate the following as “Financial liabilities at fair value through profit or loss”: 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<br>IAS19 | Consolidation<br>IAS27,28,31&36 | Reserve for general banking risks<br>IAS37 | Other IAS/IFRS | TOTAL Restatements<br>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 |

| Employee benefit obligations<br>IAS19 | Consolidation<br>IAS27,28,31&36 | Reserve for general banking risks<br>IAS37 | Other IAS/IFRS | TOTAL Restatements<br>2004 IFRS |
|---|---|---|---|---|
| | 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 | 237 | 134 | 129 |
| Accrued income and other assets | | (103) | | |
| Investments in associates | (78) | 22 | | |
| Total assets | (720) | 845 | 190 | 101 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | | | | |
| Financial liabilities at fair value through profit or loss | | 1,359 | 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) | (415) | (501) | (246) |
| Retained earnings | (635) | (415) | (501) | (246) |
| Unrealised or deferred gains and losses | | | | |
| Minority interests | (12) | (23) | - | - |
| Total liabilities & shareholders' equity | (720) | 845 | 190 | 101 |

| 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 |
| 5,591 | | 168 | 225 | 5,984 |
| | | 25 | 6 | 30 |
| | | 7 | 63 | (878) |
| | | (503) | (32) | 253 |
| | | (5) | 61 | (47) |
| 350 | (2) | | (6) | 286 |
| 5,941 | 546 | 1,323 | 565 | 8,791 |

| | | | | |
|---|---|---|---|---|
| | | | 370 | 2,389 |
| | 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) | | 50 | 3 |
| | | | (25) | 165 |
| | | 509 | - | 509 |
| 3,296 | 436 | - | 16 | 1,951 |
| | | | 16 | (1,781) |
| 3,296 | 436 | | - | 3,732 |
| 3 | (7) | | (9) | (48) |
| 5,941 | 546 | 1,323 | 565 | 8,791 |

## 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.

| 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) |

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.

### 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 corresponding options 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 385 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 | 237 |
| Accrued income and other assets | (103) |
| Investments in associates | 22 |
| Total assets | 845 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | |
| Financial liabilities at fair value through profit or loss | 1,359 |
| Derivatives used for hedging purposes | 35 |
| Debt securities | 4 |
| Accrued expenses and other liabilities | (31) |
| Provisions for contingencies & charges | (84) |
| Shareholders' equity: | (415) |
| Retained earnings | (415) |
| Minority interests | (23) |
| Total liabilities & shareholders' equity | 845 |

**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 residual maturity of the instruments, 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 3,296 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 | 5,591 |
| Investments in associates | 350 |
| Total assets | 5,941 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | |
| Current and deferred tax liabilities | 677 |
| Technical reserves of insurance companies | 1,965 |
| Shareholders' equity: | 3,296 |
| Unrealised or deferred gains and losses | 3,296 |
| Minority interests | 3 |
| Total liabilities & shareholders' equity | 5,941 |

## 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 are not applied to periods ending prior to 1st Januaray 2005, the accounting policies previously applied under French GAAP and described in Note 10 (Note 1 – Accounting policies) continue 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 relating 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 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 proportional 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 inherent 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 financial 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

The BNP Paribas Group accounts for all business combinations using the purchase method. 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 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 less costs to sell and its value in use.

Fair value is the price that would be obtained from selling the unit in an arm's length transaction, as determined mainly by reference to actual prices of recent transactions involving similar entities, or on the basis of stock market multiples.

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.

## 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 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 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;
- post-employment benefits, including top-up banking industry pensions in France and pension plans operated through various pension funds in other countries;
- other long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits.

- Short-term benefits

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

- 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 inherent 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. The value of any plan assets (including reimbursement rights) is deducted from this amount.

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 period until the amended benefits become fully vested.

- 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 related service.

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.

## 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 operates stock option plans for employees under which they can subscribe 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.

- 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 employee, 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.

A deferred tax liability is recognised for all deductible temporary differences other than:

- temporary differences on initial recognition of goodwill;
- 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.

A deferred tax asset is 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.

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 set out in Note 10.c (Note 1 – Accounting Policies), as 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 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.

- Impairment of loans and receivables, provisions for financing and guarantee commitments

An impairment loss is recognised against a loan when there is objective evidence of an event occurring after inception of the loan which is liable to result in a measurable loss. Loans are assessed for evidence of impairment initially on an individual basis, and subsequently on a portfolio basis.

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 loan, of those components of the loan (principal, interest, collateral, etc.) regarded as recoverable. Changes in the value of loans due to impairment are recognised in the profit and loss account in "Cost of risk". Increases in the value of impaired loans resulting from a reduction in risk are credited to the profit and loss account under "Cost of risk".

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, which identifies groups of counterparties where the probability of default on maturity requires an impairment loss to be recognised and estimates the amount of the loss (taking into account trends in the economic cycle during the assessment period). Changes in value arising on impaired portfolios are taken to the profit and loss account under "Cost of risk".

Impairments of loans are deducted from the relevant assets, and provisions for financing and guarantee commitments entered into by the Group are recognised as liabilities.

## REGULATED SAVINGS AND LOAN CONTRACTS

Home savings (*épargne-logement*) accounts and plans are regulated products sold in France, combining an initial savings phase followed by a loan phase. The amount and maturity of the loan depend on the rights acquired during the savings phase. The interest rates applicable to each phase are regulated, and the rates for each generation of home savings plan are set at inception of the contract.

A provision is recognised when the Group's obligation under a generation of contracts, determined by modelling saver/borrower behaviour and measured by reference to the market rate for equivalent deposits or loans, represents a future expense for the Group. The variations in this provision are carried under the section "Net Interest Income" of 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.

  Individual and portfolio impairments of held-to-maturity financial assets are determined using the same principles as applied to loans and receivables.

- 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", as are impairment losses on variable-income securities. 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.

Changes in impairment of fixed-income securities classified as available-for-sale financial assets are taken to the profit and loss account under "Cost of risk".

- 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.

- Impairment

An impairment loss is recognised in the profit and loss account for securities classified as available-for-sale financial assets or held-to-maturity financial assets 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 and significant decline in the quoted price below acquisition cost is regarded as objective evidence of impairment.

Securities classified as held-to-maturity financial assets are also eligible for portfolio provisions, which are determined using the same criteria as for financial assets classified as loans and receivables.

Impairment losses taken against fixed-income securities 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 may not be reversed through the profit and loss account until the securities in question are sold.

- 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".

- Other financial transactions

  - 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".

  - Securities denominated in foreign currencies

    Foreign exchange differences on monetary financial assets (fixed-income securities) are recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss".

    Foreign exchange differences on non-monetary financial assets (variable-income securities) are recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss" if the asset is classified as a financial asset at fair value through profit or loss, and in shareholders' equity if the asset is classified as available-for-sale.

    Investments in non-consolidated undertakings denominated in a foreign currency and financed by borrowings in the same currency are treated as a fair value hedge of foreign exchange risk, ensuring that changes in the value of the asset and the liability due to currency movements are accounted for symmetrically in the profit and loss account.

    Investments in consolidated undertakings denominated in a foreign currency and financed by borrowings in the same currency are treated as a net investment hedge of foreign exchange risk, ensuring that changes in the value of the asset and the liability due to currency movements are accounted for symmetrically in shareholders' equity.

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 as financial assets at fair value through profit or loss when their fair value is positive, and as 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 used for hedging purposes

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.

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".

- Embedded derivatives

Derivatives embedded in hybrid financial instruments are extracted from the value of the instrument 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 partially non 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 initial life of the instrument for as long as the valuation parameters 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.

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 rate 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.

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

- As equity instruments if they are settled by physical delivery. Such instruments are not revalued.
- 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.
- As debt instruments if the contract may result in the issuer repurchasing its own shares. Contracts of this type are accounted for at amortised cost.

## 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;
- liabilities relating to other financial contracts, which are covered by IAS 39.

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 insurrance, 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. 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.

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 2004

*The notes to the profit and loss account are presented after restatement to comply with 2004 IFRS.*

## 3.a NET INTEREST INCOME

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS | | |
|---|---|---|---|
| | Income | Expense | Net |
| **Customer items** | **11,955** | **(3,441)** | **8,514** |
| Deposits, loans and borrowings | 10,952 | (3,400) | 7,552 |
| Repurchase agreements | 24 | (41) | (17) |
| Finance leases | 979 | - | 979 |
| **Interbank items** | **3,716** | **(5,112)** | **(1,396)** |
| Deposits, loans and borrowings | 3,509 | (4,980) | (1,471) |
| Repurchase agreements | 207 | (132) | 75 |
| **Debt securities issued** | **-** | **(3,646)** | **(3,646)** |
| **Trading book** | **4,769** | **(3,665)** | **1,104** |
| Fixed-income securities | 1,676 | - | 1,676 |
| Repurchase agreements | 3,093 | (3,665) | (572) |
| **Available-for-sale financial assets** | **1,347** | **(78)** | **1,269** |
| **Held-to-maturity financial assets** | **1,709** | **-** | **1,709** |
| **Total interest income/(expense)** | **23,496** | **(15,942)** | **7,554** |

## 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, except interest income and expense, which are recorded in "Net interest income" (Note 3.a).

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| Fixed-income securities | 190 |
| Variable-income securities | 4,164 |
| *of which dividends* | *1,198* |
| Derivative instruments | (791) |
| Remeasurement of currency positions | (197) |
| **Total** | **3,366** |

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

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 2004, under 2004 IFRS |
|---|---|
| **Fixed-income securities (1)** | **168** |
| Gains and losses on disposals | 168 |
| **Equities and other variable-income securities** | **1,282** |
| Dividend income | 329 |
| Net reversal of impairment losses | 361 |
| Gains and losses on disposals | 592 |
| **Total** | **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).

## 3.d NET INCOME FROM OTHER ACTIVITIES

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS | | |
|---|---|---|---|
| | Income | Expense | Net |
| Net income from insurance activities | 12,931 | (11,464) | 1,467 |
| Investment property | 620 | (241) | 379 |
| Assets leased under operating leases | 2,389 | (1,821) | 568 |
| Property development activities | 173 | (51) | 122 |
| Other | 431 | (341) | 90 |
| **Total net income from other activities** | **16,544** | **(13,918)** | **2,626** |

### Net income from insurance activities

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| Gross premiums written | 10,775 |
| Movement in technical reserves | (4,820) |
| Claims and benefits expense | (5,423) |
| Reinsurance ceded, net | (14) |
| Change in value of admissible investments related to unit-linked business | 942 |
| Other income and expense | 7 |
| **Total net income from insurance activities** | **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 | 1 January 2005, under EU IFRS |
|---|---|
| **Future minimum lease payments receivable under non-cancellable leases** | **2,185** |
| Payments receivable within less than 1 year | 1,055 |
| Payments receivable after more than 1 year but within less than 5 years | 1,121 |
| Payments receivable after more than 5 years | 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

"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**<br>in millions of euros | **Year to 31 Dec 2004, under 2004 IFRS** |
|---|---|
| Additions to impairment provisions | (2,198) |
| Reversals of impairment provisions | 1,552 |
| Recoveries on loans and receivables previously written off | 97 |
| Irrecoverable loans and receivables not covered by impairment provisions | (136) |
| **Total cost of risk for the period** | **(685)** |

| **Cost of risk for the period by asset type**<br>in millions of euros | **Year to 31 Dec 2004, under 2004 IFRS** |
|---|---|
| Loans and receivables due from credit institutions | 8 |
| Loans and receivables due from customers | (707) |
| Available-for-sale financial assets | 1 |
| Off balance sheet commitments and other items | 13 |
| **Total cost of risk for the period** | **(685)** |

## Provisions for impairment: credit and counterparty risks

| Movement in impairment provisions during the period in millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| **Total impairment provisions at start of period** | **11,705** |
| Additions to impairment provisions | 2,198 |
| Reversals of impairment provisions | (1,552) |
| Utilisation of impairment provisions | (1,497) |
| Effect of exchange rate movements and other items | (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** | **10,466** |

| In millions of euros | |
|---|---|
| **Total impairment provisions at 31 December 2004** | **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 | 1 January 2005, under EU IFRS |
|---|---|
| **Impairment provisions deducted from assets** | |
| Loans and receivables due from credit institutions | 148 |
| Loans and receivables due from customers | 10,696 |
| Available-for-sale financial assets | 219 |
| **Total impairment provisions against financial assets** | **11,063** |
| **Impairment provisions recognised as liabilities** | |
| Impairment provisions for off balance sheet commitments | |
| - to credit institutions | 6 |
| - to customers | 105 |
| Other items subject to impairment | 154 |
| **Total impairment provisions recognised as liabilities** | **265** |
| **Total impairment provisions** | **11,328** |

## 3.f CORPORATE INCOME TAX

### Net corporate income tax expense

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

The tax saving arising in the year ended 31 December 2004 due to the recognition of unused carryforwards of tax losses or the deduction for tax purposes of expenses recognised in previous periods was EUR 57 million.

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 as the result of a reduction in deferred tax assets.

### Analysis of effective tax rate

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| Net income | 4,939 |
| Corporate income tax expense | (1,764) |
| **Effective tax rate** | **26.3%** |
| Standard tax rate in France | 33.3% |
| Differential in tax rates applicable to foreign entities | -5.2% |
| Items taxed at reduced rate in France | -4.0% |
| Permanent timing differences | 1.9% |
| Effect of tax losses | 1.9% |
| Other items | -1.6% |
| **Effective tax rate** | **26.3%** |

# 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 sheet other than tax assets and liabilities. 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 under 2004 IFRS

| In millions of euros, year to 31 December 2004 | French Retail Banking | IRBFS | AMS | Advisory & Capital Markets | Financing | Other Activities [1] | Total |
|---|---|---|---|---|---|---|---|
| **Net banking income** | **4,945** | **5,016** | **3,032** | **3,392** | **2,292** | **692** | **19,369** |
| Operating expense | (3,454) | (2,867) | (1,975) | (2,340) | (1,021) | (386) | (12,043) |
| Cost of risk | (222) | (445) | (6) | (9) | (49) | 46 | (685) |
| **Operating income** | **1,269** | **1,704** | **1,051** | **1,043** | **1,222** | **352** | **6,641** |
| Share of earnings of associates | | 123 | 4 | (6) | | 286 | 407 |
| Other non-operating items | | 16 | 7 | 36 | 22 | (10) | 71 |
| **Pre-tax net income** | **1,269** | **1,843** | **1,062** | **1,073** | **1,244** | **628** | **7,119** |

- ### Assets and liabilities by business segment under EU IFRS

| In millions of euros, at 1 January 2005 | French Retail Banking | IRBFS | AMS | Corporate & Investment Banking | Other Activities [1] | Total |
|---|---|---|---|---|---|---|
| **Total segment assets** | **96,194** | **110,859** | **115,038** | **649,505** | **30,863** | **1,002,459** |
| *- of which goodwill on acquisitions during the period* | | *994* | *185* | *14* | *66* | *1,259* |
| *- of which investments in associates* | | *665* | *46* | *191* | *1,818* | *2,720* |
| **Total segment liabilities** | **91,236** | **100,348** | **110,380** | **640,947** | **22,356** | **965,267** |

## Information by geographic area

- ### Net banking income by geographic area under 2004 IFRS

| In millions of euros, year to 31 December 2004 | France | Other EU countries | Americas | Asia | Other countries | Total |
|---|---|---|---|---|---|---|
| **Net banking income** | **10,901** | **4,298** | **2,794** | **941** | **435** | **19,369** |

- ### Assets and liabilities by geographic area under EU IFRS

| In millions of euros, at 1 January 2005 | France | Other EU countries | Americas | Asia | Other countries | Total |
|---|---|---|---|---|---|---|
| **Total segment assets** | **558,058** | **225,862** | **117,466** | **93,204** | **7,869** | **1,002,459** |
| **Goodwill on acquisitions during the period** | **320** | **8** | **902** | | **29** | **1,259** |

(1): including BNP Paribas Capital

# 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, ethics and compliance, tax affairs, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analysing the list of identified risks and the proposed methods of minimising them, and determining the essential prerequisites for the sound development of the business.

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 fullfil 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 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 provisions for problem loans, based on the recommendations of the business line and GRM. A tailored system is applied in the Retail Banking business.

- *Provisioning procedures*

GRM reviews all customer loans in default at monthly intervals to determine the amount of any impairment loss to be recognised, either by reducing the carrying amount or by recording a loan loss provision, 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 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 portfolio provision. 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 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. Eight 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 before the effect of unrecognised netting and collateral equates to the carrying amount of financial assets in the balance sheet net of impairment.

| In millions of euros | 1 January 2005 |
|---|---|
| Financial assets at fair value through profit or loss (excluding variable-income securities) | 448,825 |
| Derivatives used for hedging purposes | 2,581 |
| Available-for-sale financial assets (excluding variable-income securities) | 64,173 |
| Loans and receivables due from credit institutions | 40,983 |
| Loans and receivables due from customers | 244,228 |
| Held-to-maturity financial assets | 26,650 |
| **Balance sheet commitment exposure, net of impairment provisions** | **827,440** |
| Financing commitments given | 166,898 |
| Guarantee commitments given | 55,190 |
| Provisions for off balance sheet commitments | (111) |
| **Off balance sheet commitment exposure, net of provisions** | **221,977** |
| **Total net exposure** | **1,049,417** |

This exposure does not take account of the effect of master netting agreements in force at 1 January 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 1 January 2005 by approximately EUR 113 billion.

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 2004, total average Value at Risk was EUR 93 million (with a minimum of EUR 37 million and a maximum of EUR 215 million), after taking account of the effect of netting the different types of risk (EUR 57 million). These amounts break down as follows:

| | Year to 31 Dec 2004 | | | 1 January 2005 |
|---|---|---|---|---|
| | Average | Minimum | Maximum | |
| Interest rate risk | 89 | 37 | 261 | 57 |
| Currency risk | 6 | 2 | 16 | 8 |
| Equity price risk | 47 | 31 | 97 | 36 |
| Commodity price risk | 8 | 3 | 14 | 6 |
| *Effect of netting* | *(57)* | *(29)* | *(109)* | *(46)* |
| **TOTAL** | **93** | **37** | **215** | **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.

The Asset/Liability Management & Treasury (ALM Treasury) Department, 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 lending/ borrowing transactions 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 two limits, which are monitored on a monthly basis and adjusted each year by the ALM Commercial Banking Committee.

- The main limit concerns the sensitivity of revenues to a gradual change in nominal and real interest rates and in the inflation rate. 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.

- The second limit concerns the banking book interest rate gap and is expressed as a percentage of customer deposits. The percentage is a declining function of the management period. This limit is used to manage medium-term and 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.

At 31 December 2004, 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 819,000.

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

| In thousands of euros | 1 January 2005 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | (2,906) | (49) |
| GBP | (1) | 6 | (108) | (42) | (35) | (181) |
| Other currencies | (2) | (13) | (17) | 8 | 16 | (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 provisions 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 | 1 January 2005 | | | |
|---|---|---|---|---|
| Period to realisation | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Cash flows hedged | 936 | 1,235 | 1,528 | 3,699 |

## 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 subsidiaries and branches, 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 1 JANUARY 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 | 1 January 2005, under EU IFRS |
|---|---|
| Demand accounts | 5,195 |
| Loans | 28,651 |
| Repurchase agreements | 7,285 |
| **Total loans and receivables due from credit institutions** | **41,131** |
| Provisions for impairment of loans and receivables due from credit institutions | (148) |
| **Total loans and receivables due from credit institutions, net of provisions** | **40,983** |

Amounts due to credit institutions

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| Demand accounts | 4,486 |
| Borrowings | 85,761 |
| Repurchase agreements | 9,941 |
| **Total due to credit institutions** | **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 1 January 2005 was EUR 33,087 million.

| In millions of euros | 1 January 2005, under EU IFRS | | |
|---|---|---|---|
| | Trading book | Assets designated at fair value through profit or loss | TOTAL |
| **I. FINANCIAL ASSETS** | | | |
| **Negotiable certificates of deposit** | **54,143** | **281** | **54,424** |
| Treasury bills and other bills eligible for central bank refinancing | 49,552 | 7 | 49,559 |
| Other negotiable certificates of deposit | 4,591 | 274 | 4,865 |
| **Bonds** | **78,998** | **5,405** | **84,403** |
| Government bonds | 37,590 | 25 | 37,615 |
| Other bonds | 41,408 | 5,380 | 46,788 |
| **Equities and other variable-income securities** | **64,860** | **25,825** | **90,685** |
| **Repurchase agreements** | **165,184** | **2** | **165,186** |
| **Loans** | **68** | **430** | **498** |
| *to credit institutions* | *-* | *430* | *430* |
| *to corporate customers* | *68* | *-* | *68* |
| **Trading book forward financial instruments** | **144,314** | **-** | **144,314** |
| **TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | **507,567** | **31,943** | **539,510** |
| *of which loaned securities* | *14,818* | *-* | *14,818* |
| **II. FINANCIAL LIABILITIES** | | | |
| Borrowed securities and short selling | 90,553 | - | 90,553 |
| Repurchase agreements | 182,359 | - | 182,359 |
| Borrowings | | 1,038 | 1,038 |
| *Credit institutions* | | *690* | *690* |
| *Corporate customers* | | *348* | *348* |
| Debt securities | | 31,963 | 31,963 |
| Trading book forward financial instruments | 151,180 | - | 151,180 |
| **TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **424,092** | **33,001** | **457,093** |

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 derivatives bought 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 | 1 January 2005, under EU IFRS | | |
|---|---|---|---|
| | Notional amounts | Negative fair value | Positive fair value |
| Currency derivatives | 680,465 | 11,480 | 11,382 |
| Interest rate derivatives | 17,969,779 | 110,921 | 110,793 |
| Equity derivatives | 523,065 | 26,535 | 19,671 |
| Credit derivatives | 413,487 | 1,737 | 1,910 |
| Other derivatives | 73,163 | 507 | 558 |
| **Total trading book derivatives** | **19,659,959** | **151,180** | **144,314** |

Derivatives traded on organised markets represent 50% of total trading account derivatives.

## 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 | 1 January 2005, under EU IFRS | | |
|---|---|---|---|
| | Notional amounts | Negative fair value | Positive fair value |
| **DERIVATIVES USED AS FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | |
| Currency derivatives | 11,003 | 1 | - |
| Interest rate derivatives | 90,835 | 338 | 2,011 |
| Other derivatives | 731 | - | - |
| **FAIR VALUE HEDGES** | **102,569** | **339** | **2,011** |
| **DERIVATIVES USED AS CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | |
| Currency derivatives | 39,319 | - | 28 |
| Interest rate derivatives | 33,478 | 111 | 542 |
| Other derivatives | 5 | - | - |
| **CASH FLOW HEDGES** | **72,802** | **111** | **570** |
| **DERIVATIVES USED FOR HEDGING PURPOSES** | **175,371** | **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 | 1 January 2005, under EU IFRS | |
|---|---|---|
| | Carrying amount | *of which unrealised gains and losses* |
| **Negotiable certificates of deposit** | **16,524** | **227** |
| Treasury bills and other bills eligible for central bank refinancing | 9,520 | 224 |
| Other negotiable certificates of deposit | 7,004 | 3 |
| **Bonds** | **47,649** | **2,630** |
| Government bonds | 29,491 | 1,695 |
| Other bonds | 18,158 | 935 |
| **Equities and other variable-income securities** | **12,663** | **2,734** |
| **Total available-for-sale financial assets, before provisions** | **76,836** | **5,591** |
| *of which fixed-income securities* | *64,173* | *2,857* |
| *of which loaned securities* | *60* | *-* |
| **Provisions for impairment of available-for-sale financial assets** | **(1,611)** | |
| Fixed-income securities | (219) | |
| Variable-income securities | (1,392) | |
| **Total available-for-sale financial assets, net of provisions** | **75,225** | **5,591** |

## 6.e CUSTOMER ITEMS

### Loans and receivables due from customers

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| Demand accounts | 18,938 |
| Loans to customers | 217,254 |
| Repurchase agreements | 2,563 |
| Finance leases | 16,169 |
| **Total loans and receivables due from customers, before impairment provisions** | **254,924** |
| Impairment of loans and receivables due from customers | (10,696) |
| **Total loans and receivables due from customers, net of impairment provisions** | **244,228** |

Detail of finance leases

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Gross investment** | **17,905** |
| Receivable within less than 1 year | 5,922 |
| Receivable after more than 1 year but within less than 5 years | 9,373 |
| Receivable after more than 5 years | 2,610 |
| **Unearned interest income** | (1,736) |
| **Net investment before impairment provisions** | **16,169** |
| Receivable within less than 1 year | 5,335 |
| Receivable after more than 1 year but within less than 5 years | 8,251 |
| Receivable after more than 5 years | 2,583 |
| **Impairment provisions** | (375) |
| **Net investment after impairment provisions** | **15,794** |

### Due to customers

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| Demand deposits | 78,769 |
| Term accounts | 77,731 |
| Regulated savings accounts | 39,712 |
| Retail certificates of deposit | 6,713 |
| Repurchase agreements | 3,037 |
| **Total due to customers** | **205,962** |

## 6.f DEBT SECURITIES AND SUBORDINATED DEBT

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Debt securities at fair value through profit or loss (note 6.b)** | **31,963** |
| **Other debt securities** | **77,597** |
| Negotiable certificates of deposit | 66,048 |
| Bond issues | 11,549 |
| **Subordinated debt** | **13,042** |
| Redeemable subordinated debt | 11,217 |
| Undated subordinated debt | 1,825 |
| **TOTAL** | **122,602** |

### Redeemable subordinated debt

The redeemable subordinated debt issued by the Group is in the form of medium/long-term junior debt securities redeemable prior to the contractual maturity date in the event of liquidation of the issuer, ranking after the other creditors but before holders of participating debt and participating subordinated notes.

These debt issues usually 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 in the event that 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 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 at 1 January 2005 |
|---|---|
| Undated floating-rate subordinated notes (TSDIs) | 812 |
| Other undated notes | 550 |
| Undated participating subordinated notes | 304 |
| Issue costs and fees, accrued interest | 159 |
| **TOTAL** | **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. These TSDIs meet the definition of debt instruments.

  Some of 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:

| Issuer | Issue date | Currency | Original amount in issue currency | In millions of euros at 1 January 2005 |
|---|---|---|---|---|
| Paribas SA | September 1984 | USD | 24 million | 17 |
| BNP SA | October 1985 | EUR | 305 million | 305 |
| Paribas SA | July 1986 | USD | 165 million | 122 |
| BNP SA | September 1986 | USD | 500 million | 368 |
| | | | **TOTAL** | **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.

| Issuer | Issue date | Call option or interest uplift date | Currency | Original amount in issue currency | In million of euros at 1 January 2005 |
|---|---|---|---|---|---|
| BNP SA | July 1996 | July 2006 | USD | 20 million | 15 |
| BNP SA | December 1996 | December 2006 | USD | 200 million | 147 |
| BNP SA | January 1997 | January 2007 | USD | 50 million | 37 |
| BNP SA | January 1997 | December 2006 | USD | 50 million | 37 |
| BNP SA | May 1997 | May 2007 | EUR | 191 million | 191 |
| BNP SA | July 1997 | July 2007 | USD | 50 million | 37 |
| BNP SA | November 1997 | November 2007 | EUR | 9 million | 9 |
| BNP SA | April 1998 | April 2008 | EUR | 77 million | 77 |
| | | | | **TOTAL** | **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. These undated notes are currently recognised as undated debt instruments at a value of EUR 304 million.

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) | 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 | 1 January 2005, under EU IFRS |
|---|---|
| **Negotiable certificates of deposit** | **6,290** |
| Treasury bills and other bills eligible for central bank refinancing | 3,294 |
| Other negotiable certificates of deposit | 2,996 |
| **Bonds** | **20,360** |
| Government bonds | 19,451 |
| Other bonds | 909 |
| **Total held-to-maturity financial assets** | **26,650** |

## 6.h CURRENT AND DEFERRED TAXES

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| Current taxes | 1,052 |
| Deferred taxes | 1,077 |
| **Current and deferred tax assets** | **2,129** |
| Current taxes | 472 |
| Deferred taxes | 1,181 |
| **Current and deferred tax liabilities** | **1,653** |

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

| 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 | (692) | (5) | (565) |
| Other items | (300) | (50) | 248 | 113 | 11 |
| **Net deferred taxes** | **(146)** | **(7)** | **(28)** | **77** | **(104)** |
| *of which* | | | | | |
| Deferred tax assets | 2,375 | | | | 1,077 |
| Deferred tax liabilities | (2,521) | | | | (1,181) |

Carryforwards of tax losses account for EUR 65 million of total deferred tax assets at 1 January 2005.

Unrecognised deferred tax assets amounted to 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 | 1 January 2005, under EU IFRS |
|---|---|
| Guarantee deposits and bank guarantees paid | 17,016 |
| Settlement accounts related to securities transactions | 4,226 |
| Collection accounts | 3,545 |
| Reinsurers' share of technical reserves | 2,075 |
| Accrued income and prepaid expenses | 1,830 |
| Other debtors and miscellaneous assets | 12,640 |
| **Total accrued income and other assets** | **41,332** |
| Guarantee deposits received | 6,260 |
| Settlement accounts related to securities transactions | 5,679 |
| Collection accounts | 4,799 |
| Accrued expenses and deferred income | 3,456 |
| Other creditors and miscellaneous liabilities | 13,784 |
| **Total accrued expenses and other liabilities** | **33,978** |

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

| In millions of euros | Year to 31 Dec 2004 under 2004 IFRS |
|---|---|
| **Reinsurers' share of technical reserves at start of period** | **1,029** |
| Increase in technical reserves borne by reinsurers | 292 |
| Amounts received in respect of claims and benefits passed on to reinsurers | (72) |
| Effect of changes in scope of consolidation | 826 |
| **Reinsurers' share of technical reserves at end of period** | **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 | 1 January 2005, under EU IFRS |
|---|---|
| Finaxa | 931 |
| Erbe | 746 |
| Cofinoga | 232 |
| Verner Investissement | 184 |
| Other associates | 627 |
| **Investments in associates** | **2,720** |

Financial data for the year ended 31 December 2004 as published by the Group's principal associates under local generally accepted accounting principles are as follows:

| In millions of euros | Total assets | Net banking income or net sales | Net income |
|---|---|---|---|
| Finaxa | 5,210 | - | 360 |
| Erbe | 1,615 | - | 139 |
| Cofinoga | 8,250 | 878 | 115 |
| Verner Investissement | 1,963 | 205 | - |

## 6.k Property, plant and equipment and intangible assets used in operations, investment property

| In millions of euros | 1 January 2005, under EU IFRS | | |
|---|---|---|---|
| | Gross value | Accumulated depreciation, amortisation and impairment | Carrying amount |
| **INVESTMENT PROPERTY** | **5,345** | **(794)** | **4,551** |
| Land and buildings | 2,547 | (734) | 1,813 |
| Equipment, furniture and fixtures | 3,399 | (2,247) | 1,152 |
| Plant and equipment leased as lessor under operating leases | 6,819 | (2,267) | 4,552 |
| Other property, plant and equipment | 1,160 | (518) | 642 |
| **PROPERTY, PLANT AND EQUIPMENT** | **13,925** | **(5,766)** | **8,159** |
| Purchased software | 1,091 | (799) | 292 |
| Internally-developed software | 543 | (236) | 307 |
| Other intangible assets | 788 | (212) | 576 |
| **INTANGIBLE ASSETS** | **2,422** | **(1,247)** | **1,175** |

The main changes in investment property in the year to 31 December 2004 relate to the acquisition of shopping centres by Klépierre for EUR 673 million. The main changes in property, plant and equipment relate to the acquisitions of Union Safe Deposit Bank and Community First Bankshares (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 is EUR 6,651 million.

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 2004 was EUR 775 million. Impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account amounted to EUR 25 million.

## 6.1 GOODWILL

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| **Gross value at start of period** | **5,578** |
| **Accumulated impairment at start of period** | **-** |
| **Carrying amount at start of period** | **5,578** |
| Acquisitions | 1,259 |
| Divestments | (61) |
| Translation adjustments | (247) |
| Other movements | (201) |
| **Carrying amount at end of period** | **6,328** |
| **Accumulated impairment recognised during the period** | **-** |
| **Gross value at end of period** | **6,328** |

As part of the impairment testing process for the relevant cash-generating unit, goodwill was tested for impairment at 1 January 2004 and 31 December 2004. 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.

Goodwill by core business is as follows:

| In millions of euros at 1 January 2005 | Carrying amount at end of period |
|---|---|
| **International Retail Banking and Financial Services** | **5,069** |
| *of which BancWest Corp* | *2,968* |
| *of which Consumer Credit* | *1,295* |
| *of which Leasing with Services* | *726* |
| **Asset Management and Services** | **962** |
| *of which Cortal Consors* | *385* |
| **Corporate and Investment Banking** | **84** |
| **Other Activities** | **213** |
| **Total** | **6,328** |

## 6.m TECHNICAL RESERVES OF INSURANCE COMPANIES

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Liabilities related to insurance contracts** | **48,228** |
| Gross technical reserves | |
| - Unit-linked contracts | 18,925 |
| - Other insurance contracts | 29,303 |
| **Liabilities related to financial contracts** | **19,777** |
| Liabilities related to financial contracts with discretionary participation feature | 14,252 |
| Liabilities related to unit-linked financial contracts | 5,525 |
| **Policyholders' surplus** | **2,038** |
| **Total liabilities related to contracts written by insurance companies** | **70,043** |

The 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 2004 |
|---|---|
| **Liabilities related to contracts at start of period** | **61,121** |
| Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance | 9,285 |
| Claims and benefits paid | (4,414) |
| Effect of changes in scope of consolidation | 1,015 |
| Effect of movements in exchange rates | (20) |
| Effect of changes in value of admissible investments related to unit-linked business | 942 |
| Effect of adoption of IFRS applicable from 1 January 2005 | 2,114 |
| **Liabilities related to contracts at end of period** | **70,043** |

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

The effect of adopting IFRS as applicable at 1 January 2005 on technical reserves of insurance companies is shown in Note 1.b.4.

## 6.n PROVISIONS FOR CONTINGENCIES AND CHARGES

| In millions of euros | Year to 31 Dec 2004 |
|---|---|
| **Total provisions at start of period** | **4,934** |
| Additions to provisions | 1,052 |
| Reversals of provisions | (1,126) |
| Provisions utilised | (204) |
| Effect of adoption of IFRS applicable from 1 January 2005 | (592) |
| Effect of movements in exchange rates and other movements | (81) |
| **Total provisions at end of period** | **3,983** |

At 1 January 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 savings products at regulated rates of interest 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 756 million due to the reclassification of a portion of the provision for 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.

# 7. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

## 7.a FINANCING COMMITMENTS

Contractual value of financing commitments given and received:

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Financing commitments given:** | |
| - to credit institutions | 17,805 |
| - to customers: | 149,093 |
| Confirmed letters of credit | 123,956 |
| Other commitments given to customers | 25,137 |
| **Total financing commitments given** | **166,898** |
| **Financing commitments received:** | |
| - from credit institutions | 32,418 |
| - from customers | 4,366 |
| **Total financing commitments received** | **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 | 1 January 2005, under EU IFRS |
|---|---|
| Financial instruments received as guarantees | 11,060 |
| Financial instruments given as guarantees | 26,855 |

### Guarantee commitments given

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Guarantee commitments given:** | |
| to credit institutions | 6,840 |
| to customers: | 48,350 |
| - Property guarantees | 965 |
| - Sureties provided to tax and other authorities, other sureties | 15,361 |
| - Other guarantees | 32,024 |
| **Total guarantee commitments given** | **55,190** |

# 8. SALARIES AND EMPLOYEE BENEFITS

## 8.a SALARY AND EMPLOYEE BENEFIT EXPENSES

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

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

Gross remuneration and benefits paid to Executive Committee members in 2004 amounted to EUR 20.5 million. This amount includes fixed remuneration, variable remuneration paid in 2004 in respect of 2003, directors' fees paid by Group companies, and the 2004 portion of share-based deferred bonuses awarded to Executive Committee members in 2001 and 2002.

## 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 2004 is approximately EUR 275 million.

**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 2004 totalled EUR 1,782 million (EUR 1,374 million for French plans, EUR 408 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, Ireland),* 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, Portugal*).

At 31 December 2004, 90% of the gross obligations under these plans were concentrated on 13 plans in the United Kingdom and the United States. The fair value of the related plan assets was split as follows: 58% equities, 38% bonds, 5% other financial instruments.

Group employees also have rights under collective or contractual welfare benefit plans in a variety of forms, such as bonuses payable on retirement.

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

| In millions of euros | 1 January 2005, under EU IFRS |
|---|---|
| **Excess of obligations over plan assets of funded plans** | **1,896** |
| Gross present value of obligations wholly or partially funded by plan assets | 3,063 |
| Fair value of plan assets | (1,167) |
| *of which financial instruments issued by BNP Paribas* | *3* |
| *of which property and other assets used by BNP Paribas* | *3* |
| **Present value of unfunded obligations** | **179** |
| **Fair value of reimbursement rights** | **(61)** |
| **Fair value of segregated assets (1)** | **(249)** |
| **Cost not yet recognised in accordance with IAS 19** | **(332)** |
| Past service cost | (194) |
| Net actuarial losses/gains | (138) |
| **Other amounts recognised in the balance sheet** | **36** |
| **Net obligation recognised in the balance sheet for defined-benefit plans** | **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 2004, under 2004 IFRS |
|---|---|
| **Net obligation at start of period** | **1,664** |
| Pension cost recognised in profit or loss for the period | 158 |
| BNP Paribas contributions to plan assets | (176) |
| Benefits paid to recipients of unfunded benefits | (176) |
| Other movements | (1) |
| **Net obligation at end of period** | **1,469** |

- *Components of pension cost*

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| Service cost for the period | 90 |
| Expense arising on discounting of the obligation | 155 |
| Expected return on plan assets | (70) |
| Expected return on reimbursement rights | (10) |
| Amortisation of actuarial gains and losses | 1 |
| Amortisation of past service cost | 14 |
| Effect of plan curtailments or settlements | (20) |
| Other items | (2) |
| **Total expense recorded in "Salary and employee benefit expenses"** | **158** |

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

| In %, year to 31 December 2004 | France | Euro zone excl. France | UK | USA |
|---|---|---|---|---|
| Actual return on plan assets (1) | 4.30%-4.90% | 2.60%-7.63% | 7.00%-9.50% | 4.65%-9.66% |
| Actual return on reimbursement rights | 4.30% | - | - | - |

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

| In %, at 1 January 2005 | France | Euro zone excl. France | UK | USA |
|---|---|---|---|---|
| Discounting rate | 2.52%-4.21% | 4.35% | 5.20%-5.25% | 5.75% |
| Expected return on plan assets (1) | 4.30%-4.90% | 4.50%-6.50% | 5.40%-6.30% | 7.00%-9.00% |
| Expected return on reimbursement rights | 4.30% | - | - | - |
| Future rate of salary increases | 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 2004 amounted to EUR 45 million.

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 or early retirement 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 2003, the Group set up a provision of EUR 70 million to cover the Employment Adaptation Plan introduced at the end of that year 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 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 2004 was EUR 92 million.

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 2004 in respect of stock subscription option plans granted since November 2002 was EUR 23 million.

**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 1 January 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) |
| UFB | 16/10/1996 | 37 | 200,976 | 17/10/2001 | 15/10/2004 | 13.72 | 101,123 | 0 | 0 |
| Cetelem | 04/11/1996 | 95 | 482,903 | 05/11/2001 | 03/11/2004 | 15.51 | 124,726 | 0 | 0 |
| Paribas (CB) | 05/11/1996 | 100 | 624,696 | 06/11/2001 | 04/11/2004 | 13.89 | 204,912 | 0 | 0 |
| Cardif | 21/11/1996 | 35 | 198,832 | 22/11/2001 | 20/11/2004 | 17.50 | 71,752 | 0 | 0 |
| BNP | 22/05/1997 | 64 | 476,000 | 23/05/2002 | 22/05/2007 | 18.45 | 47,380 | 207,640 | 2 |
| BNP | 13/05/1998 | 259 | 2,074,000 | 14/05/2003 | 13/05/2008 | 37.28 | 525,192 | 1,206,423 | 3 |
| BNP | 03/05/1999 | 112 | 670,000 | 04/05/2004 | 03/05/2009 | 37.64 | 189,179 | 468,821 | 4 |
| BNP (4) | 22/12/1999 | 642 | 5,064,000 | 23/12/2004 | 22/12/2009 | 45.16 | 56,720 | 4,555,280 | 5 |
| BNP (4) | 07/04/2000 | 1,214 | 1,754,200 | 08/04/2005 | 07/04/2010 | 42.50 | 1,000 | 1,492,700 | 5 |
| BNP Paribas SA (2) | 15/05/2001 | 932 | 6,069,000 | 15/05/2005 | 14/05/2011 | 49.00 | 28,000 | 5,905,000 | 6 |
| BNP Paribas SA (2) | 31/05/2002 | 1,384 | 2,158,570 | 31/05/2006 | 30/05/2012 | 60.00 | 3,500 | 2,092,050 | 8 |
| BNP Paribas SA (3) | 21/03/2003 | 1,302 | 6,693,000 | 21/03/2007 | 20/03/2013 | 37.10 | 25,600 | 6,653,400 | 8 |
| BNP Paribas SA (3) | 24/03/2004 | 1,458 | 1,779,850 | 24/03/2008 | 21/03/2014 | 49.80 | 2,000 | 1,777,850 | 9 |
| | | | | | | | **1,381,084** | **24,359,164** | |

(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.

## 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 | 1,220,477 | 162,973 | 0 |
| Paribas (CFP) | 07/07/1997 | 4 | 77,125 | 07/07/2002 | 07/07/2005 | 19.47 | 16,002 | 8,678 | 1 |
| Cetelem | 22/09/1997 | 117 | 332,893 | 23/09/2002 | 21/09/2005 | 17.19 | 112,128 | 108,570 | 1 |
| Paribas (CB) | 30/09/1997 | 149 | 615,608 | 01/10/2002 | 29/09/2005 | 19.71 | 149,110 | 225,491 | 1 |
| Paribas (CFP) | 26/12/1997 | 319 | 6,370,545 | 26/12/2002 | 26/12/2005 | 23.47 | 1,075,355 | 1,811,881 | 1 |
| Paribas | 17/11/1998 | 975 | 7,255,377 | 17/11/2003 | 17/11/2006 | 20.41 | 1,087,361 | 2,615,438 | 2 |
| Paribas | 04/05/1999 | 1 | 30,850 | 04/05/2004 | 04/05/2007 | 31.88 | 0 | 30,850 | 2 |
| | | | | | | | **3,660,433** | **4,963,881** | |

(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

| | 2004 | |
|---|---|---|
| | Number of options | Weighted average exercise price (euros) |
| **Options outstanding at 1 January** | **23,960,398** | 43.30 |
| Options granted during the period | 1,779,850 | 49.80 |
| Options exercised during the period | (1,381,084) | 28.79 |
| **Options outstanding at 31 December** | **24,359,164** | 44.58 |
| **Options exercisable at 31 December** | **6,438,164** | 42.27 |

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

### Stock purchase option plans

| | 2004 | |
|---|---|---|
| | Number of options | Weighted average exercise price (euros) |
| **Options outstanding at 1 January** | **8,624,314** | 20.86 |
| Options exercised during the period | (3,660,433) | 20.14 |
| **Options outstanding at 31 December** | **4,963,881** | 21.39 |
| **Options exercisable at 31 December** | **4,963,881** | 21.39 |

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

## 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 2004 is 11.41 euros.

| In millions of euros | Year to 31 Dec 2004, under 2004 IFRS |
|---|---|
| Quoted price of BNP Paribas shares at date of grant | 48.23 |
| Option exercise price | 49.80 |
| Implied volatility of BNP Paribas shares | 24.7% |
| Early exercise of options | 8 years |
| Expected dividend on BNP Paribas shares | 3.0% |
| Risk-free interest rate | 4.1% |
| Loss of rights rate | 2.0% |

# 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** | | |

At 1 January 2005, the share capital of BNP Paribas SA consisted of 884,700,444 fully-paid ordinary shares with a par value of 2 euros.

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. No securities had been issued pursuant to these authorisations as of 1 January 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.

### Preferred shares

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 fixed 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 October 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 fixed 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 fixed dividend of 7% over 5 years minimum, and shares in the second issue pay a fixed 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 fixed dividend of 6.342% paid annually over 10 years, and shares in the second issue pay a fixed 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 a fixed 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 | Currenc y | Amount | Fixed-rate term | Rate after 1st call date |
|---|---|---|---|---|---|
| BNP US Funding | December 1999 | 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 2002 | 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% |

## 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.

At 1 January 2005, the Group held 54,512,739 BNP Paribas shares, representing an amount of EUR 2,661 million, 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 |

## 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 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 2004, under 2004 IFRS |
|---|---|
| **Net income used to calculate basic and diluted earnings per share (in millions of euros)** | **4,939** |
| **Weighted average number of ordinary shares outstanding during the year** | **840,921,530** |
| Effect of potentially dilutive ordinary shares: | |
| *number of potentially dilutive shares derived from exercisable stock subscription options* | 3,481,413 |
| **Weighted average number of ordinary shares used to calculate diluted earnings per share** | **844,402,943** |
| **Basic earnings per share (in euros)** | **5.87** |
| **Diluted earnings per share (in euros)** | **5.85** |

A dividend of 1.45 euros per share was distributed in 2004 out of 2003 net income. The Shareholders' Meeting of 18 May 2005 approved the distribution of a dividend of 2.00 euros per share in 2005 out of 2004 net income.

# 9.b SCOPE OF CONSOLIDATION

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| BNP Paribas SA | | France | Full | 100.00% |
| **French Retail Banking** | | | | |
| Banque de Bretagne | | France | Full | 100.00% |
| BNP Paribas Developpement | | France | Full | 100.00% |
| BNP Paribas Factor | | France | Full | 100.00% |
| Catesienne de Participation | 6 | France | | |
| **IRBFS** | | | | |
| **Retail Banking – United States** | | | | |
| BancWest Corporation | | United States | Full | 100.00% |
| BancWest Investment Services | | United States | Full | 100.00% |
| Bank of the West | | United States | Full | 100.00% |
| FHL Lease Holding Cy | | United States | Full | 100.00% |
| First Hawaiian Bank | | United States | Full | 100.00% |
| Union Safe Deposit Bank | 1 | United States | Full | 100.00% |
| **Leasing - Finance Leases** | | | | |
| Albury Asset Rentals Limited | | UK | Full | 99.96% |
| All In One Allemagne | | Germany | Full | 99.96% |
| Antin Bail | | France | Full | 100.00% |
| Aprolis Finance | | France | Full | 50.98% |
| BNP Paribas Lease Group | | France | Full | 99.96% |
| BNP Paribas Lease Group Holding SPA | | Italy | Full | 99.96% |
| BNP Paribas Lease Group PLC | | UK | Full | 99.96% |
| BNP Paribas Lease Group SA Belgique | | Belgium | Full | 99.96% |
| BNP Paribas Lease Group SPA | | Italy | Full | 99.96% |
| BNP Paribas Leasing GmbH | | Germany | Full | 99.96% |
| Bureau Services Limited | | UK | Full | 99.96% |
| Centro Leasing SPA | | Italy | Equity | 37.28% |
| Claas Financial Services | | France | Full | 89.46% |
| Claas Leasing GmbH | | Germany | Full | 89.46% |
| CNH Capital Europe | | France | Full | 50.08% |
| CNH Capital Europe Limited | | UK | Full | 50.08% |
| Commercial Vehicle Finance Limited | | UK | Full | 99.96% |
| Diamond Finance UK Limited | | UK | Full | 59.98% |
| Evergo Finanzaria | 6 | Italy | | |
| Finance et Gestion SA | | France | Full | 69.97% |
| H.F.G.L Limited | | UK | Full | 99.96% |
| HIH Management Limited | | UK | Full | 99.96% |
| Humberclyde Commercial Investment Limited | | UK | Full | 99.96% |
| Humberclyde Commercial Investment n°1 Limited | | UK | Full | 99.96% |
| Humberclyde Commercial Investment n°4 Limited | | UK | Full | 99.96% |
| Humberclyde Finance Limited | | UK | Full | 99.96% |
| Humberclyde Industrial Finance Limited | | UK | Full | 99.96% |
| Humberclyde Investments Limited | | UK | Full | 99.96% |
| Humberclyde Management Services Limited | | UK | Full | 99.96% |
| Humberclyde Spring Leasing Limited | | UK | Full | 99.96% |
| Natiobail | | France | Full | 95.42% |
| Natiocrédibail | | France | Full | 99.96% |
| Natiocrédimurs | | France | Full | 99.96% |
| Natioénergie | | France | Full | 99.96% |
| Norbail Snc | | France | Full | 99.96% |
| Norbail Location | | France | Full | 99.96% |
| Paricomi | | France | Full | 100.00% |
| S C A U | | France | Full | 99.96% |
| Same Deutz Fahr Finance | | France | Full | 99.93% |
| Same Deutz-Fahr Finance Limited | | UK | Full | 99.96% |
| Socappa | 6 | France | | |
| UFB Asset Finance Limited | | UK | Full | 99.96% |
| United Care (Cheshire) Limited | | UK | Full | 99.96% |
| United Care Group Limited | | UK | Full | 99.96% |
| United Corporate Finance Limited | | UK | Full | 99.96% |
| United Inns Management Limited | | UK | Full | 99.96% |

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Consumer Credit** | | | | |
| Axa Banque Financement | | France | Equity | 35.00% |
| Banco Cetelem Argentine | | Argentina | Full | 60.00% |
| Banco cetelem Portugal | | Portugal | Full | 100.00% |
| Banco Cetelem SA | | Spain | Full | 100.00% |
| Caisse d'Epargne Financement - CEFI | | France | Equity | 33.00% |
| Carrefour Administration Cartos de Creditos - CACC | | Brazil | Equity | 40.00% |
| Cetelem | | France | Full | 100.00% |
| Cetelem America | | Brazil | Full | 100.00% |
| Cetelem Bank GmbH | | Germany | Full | 70.00% |
| Cetelem Belgium | | Belgium | Full | 100.00% |
| Cetelem Benelux BV | | Netherlands | Full | 100.00% |
| Cetelem Brésil | 9 | Brazil | Full | 100.00% |
| Cetelem Capital Company Limited | 5 | S. Korea | | |
| Cetelem CR | | Czech Rep. | Full | 100.00% |
| Cetelem Polska Expansion SA | 9 | Poland | Full | 100.00% |
| Cetelem Thailande | | Thailand | Full | 100.00% |
| Cofica Bail | | France | Full | 100.00% |
| Cofidis International Groupe - C.I.G | | France | Equity | 15.00% |
| Cofinoga | | France | Equity | 44.00% |
| Cofiparc | | France | Full | 99.99% |
| CMV Médiforce | | France | Full | 100.00% |
| Credial | 6 | France | | |
| Crédit Moderne Antilles | | France | Full | 100.00% |
| Crédit Moderne Guyane | | France | Full | 100.00% |
| Crédit Moderne Océan Indien | | France | Full | 97.81% |
| Effico Soreco | | France | Full | 99.92% |
| Eurocredito | | Spain | Full | 100.00% |
| Facet | | France | Full | 90.00% |
| Fidem | | France | Full | 51.00% |
| Fimestic Expansion SA | | Spain | Full | 100.00% |
| Findomestic | | Italy | Prop. | 50.00% |
| Fortis Crédit | | Belgium | Equity | 45.00% |
| Halifax Cetelem Credit Limited | 7 | UK | Full | 100.00% |
| Laser | | France | Equity | 9.01% |
| Loisirs Finance | | France | Full | 51.00% |
| Magyar Cetelem | | Hungary | Full | 100.00% |
| Norrsken Finance | 2 | France | Full | 51.00% |
| SA Leval 3 | 5 | France | | |
| Servicios Financieros Carrefour EFC | | Spain | Equity | 40.00% |
| Société de Paiement Pass | | France | Equity | 40.01% |
| ***Special Purpose Entities*** | | | | |
| FCC Findomestic | 3 | Italy | Prop. | |
| FCC Master Dolphin | 3 | Italy | Prop. | |
| FCC Master Noria | 3 | France | Full | |
| **Long term leasing with services** | | | | |
| Arius Finance | | France | Full | 99.99% |
| Arius SA | | France | Full | 99.99% |
| Arma Beheer BV | 1 | Netherlands | Full | 99.99% |
| Arma Belgique | 1 | Belgium | Full | 99.99% |
| Arma Nederland | 1 | Netherlands | Full | 99.99% |
| Artegy Limited | 2 | UK | Full | 99.99% |
| Arval Belgium | | Belgium | Full | 99.99% |
| Arval ECL SAS | | France | Full | 99.99% |
| Arval Limited | | UK | Full | 99.99% |
| Arval Luxembourg | | Luxembourg | Full | 99.99% |
| Arval Nederland | | Netherlands | Full | 99.99% |
| Arval PHH Buisiness Services Limited | | UK | Full | 99.99% |
| Arval PHH Buisiness Solutions Limited | | UK | Full | 99.99% |
| Arval PHH Deutschland GmbH | | Germany | Full | 99.99% |

(1) Acquisition
(2) Entity newly incorporated or passing qualifying threshold
(3) First-time consolidation to comply with IFRS
(4) Disposal
(5) Deconsolidation
(6) Merger between consolidated entities
(7) Change of method – Proportionate method to full consolidation
(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **IRBFS (cont'd)** | | | | |
| **Long term leasing with services (cont'd)** | | | | |
| Arval PHH Holding SAS | | France | Full | 99.99% |
| Arval PHH Holdings Limited | | UK | Full | 99.99% |
| Arval PHH Holdings UK Limited | | UK | Full | 99.99% |
| Arval PHH Limited | | UK | Full | 99.99% |
| Arval Polska | | Poland | Full | 99.99% |
| Arval Portugal | | Portugal | Full | 99.99% |
| Arval Service Lease | | France | Full | 99.99% |
| Arval Service Lease Espagne | | Spain | Full | 99.97% |
| Arval Service Lease Italia | | Italy | Full | 99.99% |
| BNP Paribas Fleet Holdings Limited | | UK | Full | 99.99% |
| Dialcard Fleet Information Services Limited | | UK | Full | 99.99% |
| Dialcard Limited | | UK | Full | 99.99% |
| Gestion et Location Holding | | France | Full | 99.99% |
| Harpur Assets Limited | | UK | Full | 99.99% |
| Harpur UK Limited | | UK | Full | 99.99% |
| Leasing Handels und Service AG | | Switzerland | Full | 99.99% |
| Overdrive Business Solutions Limited | | UK | Full | 99.99% |
| Overdrive Credit Card Limited | | UK | Full | 99.99% |
| Overdrive Fleet Information Services Limited | | UK | Full | 99.99% |
| PHH Card Services Limited | | UK | Full | 99.99% |
| PHH Financial services Limited | | UK | Full | 99.99% |
| PHH Holdings (1999) Limited | | UK | Full | 99.99% |
| PHH Investment Services Limited | | UK | Full | 99.99% |
| PHH Leasing (No.9) Limited | | UK | Full | 99.99% |
| PHH Treasury Services Limited | | UK | Full | 99.99% |
| PHH Truck Management Services Limited | | UK | Full | 99.99% |
| Pointeuro Limited | | UK | Full | 99.99% |
| The Harpur Group UK Limited | | UK | Full | 99.99% |
| Truck Management Artegy | | France | Full | 99.99% |
| **Property loans** | | | | |
| Banca UCB SPA | | Italy | Full | 100.00% |
| BNP Paribas Invest Immo | 2 | France | Full | 99.96% |
| Comprar Casa Servicios Immobiliarios SA | | Spain | Full | 48.50% |
| Hipoteca Internet S.L | | Spain | Full | 50.00% |
| Rede Serviços Immobiliarios SA | | Portugal | Full | 50.00% |
| SAS Prêts et Services | | France | Full | 100.00% |
| Services et Prêts Immobiliers | 6 | France | | |
| Tramitacion externa SA | | Spain | Full | 25.00% |
| U.C.I Servicios Professionales | | Spain | Full | 50.00% |
| UCB | | France | Full | 100.00% |
| UCB Hypotheken | 2 | Netherlands | Full | 100.00% |
| Union de Creditos Immobiliarios - UCI | | Spain | Full | 50.00% |
| Union de Creditos Immobiliarios SA - EFC | | Spain | Full | 50.00% |

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| ***Special Purpose Entities*** | | | | |
| 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 2-11 | 3 | Spain | Full | |
| **Emerging and overseas markets** | | | | |
| Banque International Commerce et Industrie Burkina Faso | | Burkina Faso | Full | 50.37% |
| Banque International Commerce et Industrie Cote d'Ivoire | | Cote d'Ivoire | Full | 67.28% |
| Banque International Commerce et Industrie Gabon | | Gabon | Full | 46.66% |
| Banque International Commerce et Industrie Sénégal | | Senegal | Full | 53.85% |
| Banque Malgache de l'Océan Indien | | Madagascar | Full | 75.00% |
| Banque Marocaine du Commerce et de l'Industrie | | Morocco | Full | 65.05% |
| Banque Marocaine du Commerce et de l'Industrie Leasing | | Morocco | Full | 46.86% |
| Banque Marocaine du Commerce et de l'Industrie Offshore | | Morocco | Full | 65.05% |
| Banque pour le Commerce et l'Industrie de la Mer Rouge | | Djibouti | Full | 51.00% |
| BNP Intercontinentale – BNPI | | France | Full | 100.00% |
| BNP Paribas BDDI Participations | | France | Full | 100.00% |
| BNP Paribas Cyprus Limited | | Cyprus | Full | 100.00% |
| BNP Paribas El Djazair | 2 | Algeria | Full | 100.00% |
| BNP Paribas Guadeloupe | | France | Full | 100.00% |
| BNP Paribas Guyane | | France | Full | 100.00% |
| BNP Paribas Le Caire | | Egypt | Full | 86.81% |
| BNP Paribas Martinique | | France | Full | 100.00% |
| BNP Paribas Nouvelle Calédonie | | France | Full | 100.00% |
| BNP Paribas Réunion | | France | Full | 100.00% |
| Sifida | | Luxembourg | Full | 93.67% |
| Société Financière pour pays d'Outre Mer - SFOM | | Switzerland | Full | 100.00% |
| Union Bancaire pour le Commerce et l'Industrie | | Tunisia | Full | 50.00% |
| Union Tunisienne de Leasing | | Tunisia | Full | 34.95% |

(1) Acquisition
(2) Entity newly incorporated or passing qualifying threshold
(3) First-time consolidation to comply with IFRS
(4) Disposal
(5) Deconsolidation
(6) Merger between consolidated entities
(7) Change of method - Proportionate method to full consolidation
(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

## Asset Management & Services

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Insurance** | | | | |
| Antarius | 4 | France | | |
| Banque Financiere Cardif | | France | Full | 100.00% |
| BNP Paribas Assurance | | France | Full | 100.00% |
| Cardif Asset Management | | France | Full | 100.00% |
| Cardif Assicurazioni SPA | | Italy | Full | 100.00% |
| Cardif do Brasil Seguros | | Brazil | Full | 100.00% |
| Cardif Leven | | Belgium | Full | 100.00% |
| Cardif Levensverzekeringen NV | | Netherlands | Full | 100.00% |
| Cardif Nederland Holding BV | | Netherlands | Full | 100.00% |
| Cardif RD | | France | Full | 100.00% |
| Cardif SA | | France | Full | 100.00% |
| Cardif Schadeverzekeringen NV | | Netherlands | Full | 100.00% |
| Cardif Seguros de Vida | 5 | Chile | | |
| Cardif Société Vie | | France | Full | 100.00% |
| Centro Vita Assicurazioni | | Italy | Prop. | 49.00% |
| Compagnie Bancaire Uk Fonds C | | UK | Full | 100.00% |
| Compania de Seguros de Vida | 5 | Argentina | | |
| Compania de Seguros Generales | | Chile | Full | 100.00% |
| Cybele RE | | Luxembourg | Full | 100.00% |
| Darnell Limited | 2 | Ireland | Full | 100.00% |
| European Reinsurance | 5 | UK | | |
| GIE BNP Paribas Assurance | | France | Full | 59.50% |
| Investlife sa | | Luxembourg | Full | 100.00% |
| Natio Assurance | | France | Prop. | 50.00% |
| Natiovie | | France | Full | 100.00% |
| Pinnacle Insurance | | UK | Full | 97.53% |
| Pinnacle Insurance Holdings | | UK | Full | 97.53% |
| Pinnacle Insurance Management Services | | UK | Full | 97.53% |
| State Bank of India Insurance Company Limited | 5 | India | | |
| **Private banking** | | | | |
| Bergues Finance Holding | | Bahamas | Full | 99.99% |
| BNP Paribas Espana SA | | Spain | Full | 99.48% |
| BNP Paribas Investment Services LLC | | United States | Full | 100.00% |
| BNP Paribas Private Bank | | France | Full | 100.00% |
| BNP Paribas Private Bank Monaco | | France | Full | 100.00% |
| BNP Paribas Private Bank Switzerland | | Switzerland | Full | 100.00% |
| BNP Paribas Private Banking Japan | 4 | Japan | | |
| Conseil Investissement | | France | Full | 100.00% |
| United European Bank Luxembourg | | Luxembourg | Full | 99.99% |
| United European Bank Switzerland | | Switzerland | Full | 99.99% |
| United European Bank Trust Nassau | | Bahamas | Full | 99.99% |
| **Online brokerage** | | | | |
| B*Capital | | France | Full | 99.96% |
| Cortal Consors France | | France | Full | 100.00% |
| Cortal Consors Luxembourg SA | | Luxembourg | Full | 100.00% |
| Cortal Fund Management | | France | Full | 100.00% |
| Cortal Consors Belgique | 5 | Belgium | | |
| Cortal Consors Espana SV | 6 | Spain | | |
| Cortal Consors Internationa Holding GmbH | 6 | Germany | | |
| **Asset management** | | | | |
| BNP Paribas Asset Management | | France | Full | 100.00% |
| BNP Paribas Asset Management Group | | France | Full | 100.00% |
| BNP Paribas Asset Management Luxembourg | | Luxembourg | Full | 99.66% |
| BNP Paribas Asset Management SGR Milan SPA | | Italy | Full | 100.00% |
| BNP Paribas Asset Management UK Limited | | UK | Full | 100.00% |
| BNP Paribas Epargne Entreprise Gestion | | France | Full | 100.00% |
| BNP Paribas Gestion Epargne Salariale | 6 | France | | |
| Fischer Francis Trees and Watts | | United States | Equity | 81.44% |

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Securities services** | | | | |
| BNP Paribas Fund Services | | Luxembourg | Full | 100.00% |
| BNP Paribas Fund Services Australasia Limited | | Australia | Full | 100.00% |
| BNP Paribas Fund Services Dublin Limited | | Ireland | Full | 100.00% |
| BNP Paribas Fund Services Holdings | | UK | Full | 100.00% |
| BNP Paribas Fund Services UK Limited | | UK | Full | 100.00% |
| BNP Paribas Securities Services - BPSS | | France | Full | 100.00% |
| BNP Paribas Securities Services International Hldg SA | | France | Full | 100.00% |
| **Property services** | | | | |
| Antin Vendôme | | France | Full | 96.77% |
| Atis Real Expertise | 1 | France | Full | 100.00% |
| Atisreal Auguste-Thouard | 1 | France | Full | 96.41% |
| Atisreal Auguste-Thouard Habitat Foncier | 1 | France | Full | 76.15% |
| Atisreal Belgium SA | 1 | Belgium | Full | 71.57% |
| Atisreal Benelux SA | 1 | Belgium | Full | 100.00% |
| Atisreal Consult | 1 | France | Full | 100.00% |
| Atisreal Consult GmbH | 1 | Germany | Full | 95.30% |
| Atisreal Espana SA | 1 | Spain | Full | 100.00% |
| Atisreal GmbH | 1 | Germany | Full | 95.36% |
| Atisreal Holding Belgium SA | 1 | Belgium | Full | 71.57% |
| Atisreal Holding France | 1 | France | Full | 100.00% |
| Atisreal Holding GmbH | 1 | Germany | Full | 100.00% |
| Atisreal International | 1 | France | Full | 100.00% |
| Atisreal Limited | 1 | UK | Full | 78.07% |
| Atisreal Luxembourg SA | 1 | Belgium | Full | 71.57% |
| Atisreal Management GmbH | 1 | Germany | Full | 95.36% |
| Atisreal Netherlands BV | 1 | Netherlands | Full | 100.00% |
| Atisreal Property Management GmbH | 1 | Germany | Full | 95.58% |
| Atisreal Property Management Services | 1 | Belgium | Full | 71.57% |
| Atisreal Proplan GmbH | 1 | Germany | Full | 71.65% |
| Atisreal Services | 1 | France | Full | 96.45% |
| Atisreal USA Inc. | 1 | United States | Full | 100.00% |
| Atisreal Weatheralls Financial Services Limited | 1 | UK | Full | 78.07% |
| Auguste-Thouard Fimorem | 1 | France | Full | 96.29% |
| Auguste-Thouard Residencial SL | 1 | Spain | Full | 100.00% |
| Banque Centrale de Données Immobilières | 1 | France | Full | 96.41% |
| BNP Paribas Immobilier | | France | Full | 100.00% |
| BNP Paribas Participations Finance Immobilier | | France | Full | 100.00% |
| Chancery Lane Management Services Limited | 1 | UK | Full | 78.07% |
| F G Ingenerie et Promotion Immobilière | 1 | France | Full | 100.00% |
| Immobiliere des Bergues | | France | Full | 100.00% |
| Meunier Promotion | | France | Full | 100.00% |
| SA Comadim | | France | Full | 100.00% |
| SA Gerer | | France | Full | 100.00% |
| SA Meunier Participation | | France | Full | 100.00% |
| SA Procodis | | France | Full | 100.00% |
| SAS Astrim | | France | Full | 100.00% |
| SAS Meunier Developpements | | France | Full | 100.00% |
| SAS Meunier Habitat | | France | Full | 100.00% |
| SAS Meunier Immobilières d'Entreprises | | France | Full | 100.00% |
| SAS Meunier Mediterranee | | France | Full | 96.50% |
| SAS Meunier Rhône Alpes | | France | Full | 100.00% |
| Sinvim | | France | Full | 100.00% |
| SNC Cezanne | | France | Full | 100.00% |
| SNC Comadim Residences Servives | | France | Full | 99.97% |
| SNC Espaces Immobiliers | | France | Full | 100.00% |
| SNC Lot 2 Porte d'Asnières | | France | Full | 100.00% |
| SNC Matisse | | France | Full | 100.00% |
| SNC Meunier Gestion | | France | Full | 100.00% |
| Weatheralls Consultancy Services Limited | 1 | UK | Full | 78.07% |

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(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Corporate & Investment Banking** | | | | |
| **FRANCE** | | | | |
| BNP Paribas Arbitrage | | France | Full | 100.00% |
| BNP Paribas Equities France | | France | Full | 99.96% |
| BNP Paribas Equity Strategies France | | France | Full | 100.00% |
| BNP Paribas Peregrine Group | 2 | France | Full | 100.00% |
| BNP Paribas Stratégies Actions | | France | Full | 100.00% |
| Capstar Partners SAS | | France | Full | 86.67% |
| Paribas Dérivés Garantis Snc | | France | Full | 100.00% |
| Parifergie | 2 | France | Full | 100.00% |
| Parilease | | France | Full | 100.00% |
| **EUROPE** | | | | |
| BNP AK Dresdner Bank AS | | Turkey | Prop. | 30.00% |
| BNP AK Dresdner Financial Kiralama | | Turkey | Prop. | 29.99% |
| BNP Capital Finance ltd | | Ireland | Full | 100.00% |
| BNP Factor | | Portugal | Full | 100.00% |
| BNP Ireland Limited | | Ireland | Full | 100.00% |
| BNP Paribas (Bulgaria) AD | | Bulgaria | Full | 100.00% |
| BNP Paribas Bank (Hungaria) RT | | Hungary | Full | 100.00% |
| BNP Paribas Bank (Polska) SA | | Poland | Full | 100.00% |
| BNP Paribas Bank NV | | Netherlands | Full | 100.00% |
| BNP Paribas Capital Investments Limited | | UK | Full | 100.00% |
| BNP Paribas Capital Markets Group Limited | | UK | Full | 100.00% |
| BNP Paribas Commodity Futures Limited | | UK | Full | 100.00% |
| BNP Paribas E & B Limited | | UK | Full | 100.00% |
| BNP Paribas Equities Italia SIM SPA | 5 | Italy | | |
| BNP Paribas Finance plc | | UK | Full | 100.00% |
| BNP Paribas Finanzaria SPA | | Italy | Full | 100.00% |
| BNP Paribas Fixed Assets Limited | | UK | Full | 100.00% |
| BNP Paribas Guernsey Limited | 5 | UK | | |
| BNP Paribas Luxembourg sa | | Luxembourg | Full | 100.00% |
| BNP Paribas Net Limited | | UK | Full | 100.00% |
| BNP Paribas Services | | Switzerland | Full | 99.99% |
| BNP Paribas Suisse SA | | Switzerland | Full | 99.99% |
| BNP Paribas UK Holding Limited | | UK | Full | 100.00% |
| BNP Paribas UK Holdings Limited | | UK | Full | 100.00% |
| BNP Paribas UK Limited | | UK | Full | 100.00% |
| BNP Paribas ZAO | | Russia | Full | 100.00% |
| Dealremote Limited | | UK | Full | 100.00% |
| Isis Factor SPA | | Italy | Full | 100.00% |
| Paribas Management Service Limited | | UK | Full | 100.00% |
| Paribas Trust Luxembourg | | Luxembourg | Full | 100.00% |
| Utexam Limited | 2 | Ireland | Full | 100.00% |
| **AMERICAS** | | | | |
| BNP Andes | | Peru | Full | 100.00% |
| BNP Paribas Asset Management Incorporated | | United States | Full | 100.00% |
| BNP Paribas Brasil SA | | Brazil | Full | 100.00% |
| BNP Paribas Brokerage Services Incorporated | | United States | Full | 100.00% |
| BNP Paribas Canada | | Canada | Full | 100.00% |
| BNP Paribas Capstar Partners Incorporated | | United States | Full | 100.00% |
| BNP Paribas Commodities Futures Incorporated | | United States | Full | 100.00% |
| BNP Paribas Leasing Corporation | | United States | Full | 100.00% |
| BNP Paribas North America Incorporated | | United States | Full | 100.00% |
| BNP Paribas RCC Incorporation | | United States | Full | 100.00% |
| BNP Paribas Securities Corporation | | United States | Full | 100.00% |
| Capstar Partners LLC | | United States | Full | 84.45% |
| Cooper Neff Advisors Incorporated | | United States | Full | 100.00% |
| Cooper Neff Group | | United States | Full | 100.00% |
| French American Banking Corporation - F.A.B.C | | United States | Full | 100.00% |
| Paribas North America | | United States | Full | 100.00% |
| Petits champs Participacoes et Servicos SA | | Brazil | Full | 100.00% |

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **ASIA – OCEANIA** | | | | |
| BNP Equities Asia Limited | | Malaysia | Full | 100.00% |
| BNP Paribas (China) Limited | | China | Full | 100.00% |
| BNP Paribas Arbitrage (Hong-Kong) Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Asia Equities Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Equities Group Australia Limited | 5 | Australia | | |
| BNP Paribas Equities Hong Kong | 5 | Hong Kong | | |
| BNP Paribas Finance (Hong-Kong) Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Futures (Hong-Kong) Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Pacific (Australia) Limited | | Australia | Full | 100.00% |
| BNP Paribas Peregrine (Malaisie) Limited | 5 | Malaysia | | |
| BNP Paribas Peregrine (Singapour) Limited | | Singapore | Full | 100.00% |
| BNP Paribas Peregrine Capital Limited | | Hong Kong | Full | 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% |
| BNP Paribas Peregrine Securities Korea Company Ltd | | S. Korea | Full | 100.00% |
| BNP Paribas Peregrine Securities Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Peregrine Securities Pte Limited | | Singapore | Full | 100.00% |
| BNP Paribas Peregrine Services Limited | | Hong Kong | Full | 100.00% |
| BNP Paribas Securities Australia Limited | 5 | Australia | | |
| BNP Paribas Securities Limited | | Hong Kong | Full | 100.00% |
| PT Bank BNP Paribas Indonésia | | Indonesia | Full | 100.00% |
| PT BNP Lippo Utama Leasing | | Indonesia | Full | 100.00% |
| PT BNP Paribas Peregrine | 9 | Indonesia | Full | 100.00% |
| ***Special Purpose Entities*** | | | | |
| 54 Lombard Street Investments Limited | 1 | UK | Full | |
| BNP Paribas (New Zealand) Finance Limited | 2 | New Zealand | Full | |
| BNP Paribas Arbitrage Issuance BV | | Netherlands | Full | |
| BNP Paribas Emissions und Handel. GmbH | | Germany | Full | |
| BNP Paribas New Zealand Limited | | New Zealand | Full | |
| BNP Paribas Principal Incorporated | | United States | Full | |
| Bougainville BV | 1 | Netherlands | Full | |
| Crisps Limited | | Cayman I. | Full | |
| Eliopée Limited | 3 | Jersey | Full | |
| Epimetheus Investments Limited | | Cayman I. | Full | |
| Euroliberté PLC | 3 | Ireland | Full | |
| European Hedged Equity Limited | 2 | Cayman I. | Full | |
| Fidex PLC | | UK | Full | |
| Filip Partnership | 5 | UK | | |
| Forsete Investments SA | | Luxembourg | Full | |
| Global Guaranteed Cliquet Investment | | Cayman I. | Full | |
| Global Guaranteed Equity Limited | 2 | Cayman I. | Full | |
| Global Hedged Equity Investment Limited | | Cayman I. | Full | |
| Global Protected Alternative Investments Limited | 2 | Cayman I. | Full | |
| Global Protected Equity Limited | 2 | Cayman I. | Full | |
| Harewood Investments No.1 Limited | 2 | Cayman I. | Full | |
| Henaross PTY Limited | | Australia | Full | |
| Joconde SA | | Luxembourg | Full | |
| Laffitte Participation 2 | 2 | France | Full | |
| Lock-In Global equity Limited | 2 | Cayman I. | Full | |
| Mexita Limited No. 2 | | Cayman I. | Full | |
| Mexita Limited No. 3 | | Cayman I. | Full | |
| Mexita Limited No. 4 | | Cayman I. | Full | |
| Mistral Investments SA | | Luxembourg | Full | |
| Olan 2 Enterprises PLC | 3 | Ireland | Full | |
| Paregof | 3 | France | Full | |
| Paribas Finance Incorporated | | United States | Full | |
| Parritaye Pty Limited | | Australia | Full | |
| Singapore Emma Finance 1 SAS | | France | Full | |
| Singapore Emma Finance 2 SAS | 2 | France | Full | |
| Sirocco Investments SA | | Luxembourg | Full | |
| Starbird Funding Corporation | 3 | United States | Full | |
| Tender Option Bond Municipal program | | United States | Full | |
| Thésée Limited | 3 | Jersey | Full | |

(1) Acquisition
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(7) Change of method - Proportionate method to full consolidation
(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

## Other Business Units

### BNP Paribas Capital

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| Banexi Société de Capital-Risque | | France | Full | 99.99% |
| Carbonne Lorraine | 3 | France | Equity | 21.10% |
| Claireville | | Belgium | Full | 100.00% |
| Cobema | | Belgium | Full | 100.00% |
| Cobepa Technology | | Belgium | Full | 100.00% |
| Cie Belge de Participations Paribas - COBEPA (Group) | 8 | Belgium | Equity | 25.00% |
| Compagnie Financière Ottomane | | Luxembourg | Full | 96.58% |
| Erbe | 3 | Belgium | Equity | 47.01% |
| Evialis | 3 | France | Full | 63.32% |
| Gepeco | | Belgium | Full | 100.00% |
| NHG Guyomarc'h | 6 | France | | |
| Paribas Participation Limitée | | Canada | Full | 100.00% |
| Sagal | 6 | France | | |

### Klépierre

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| Arcol | | Slovakia | Full | 53.30% |
| Belarcol | 5 | Belgium | | |
| Capucine BV | | Netherlands | Full | 53.30% |
| Centre Duna | 1 | Hungary | Full | 53.30% |
| Centre Nyiregyhaza | 1 | Hungary | Full | 53.30% |
| Centre Szeged | 1 | Hungary | Full | 53.30% |
| Centre Szolnok | 1 | Hungary | Full | 53.30% |
| Centre Zalaegerszeg | 1 | Hungary | Full | 53.30% |
| Centro Shopping Gestion | 7 | Italy | Full | 39.97% |
| Cinéma de l'Esplanade | | Belgium | Full | 53.30% |
| Cinneo | 6 | Italy | | |
| Coimbra | | Belgium | Full | 53.30% |
| Delcis Cr | | Czech Rep. | Full | 42.76% |
| Devimo Consult | | Belgium | Equity | 13.99% |
| Effe Kappa Srl | 2 | Italy | Prop. | 26.65% |
| F M C Central europe SRO | | Czech Rep. | Full | 29.98% |
| Foncière de Louvain la Neuve | | Belgium | Full | 53.30% |
| Galiera Commerciale Assago | 2 | Italy | Equity | 20.00% |
| Galiera Commerciale Collegno | 1 | Italy | Full | 53.30% |
| Galiera Commerciale Parque Nascente SA | | Portugal | Prop. | 26.65% |
| Galleria Commerciale Seravalle | 1 | Italy | Full | 53.30% |
| GIE Klepierre Services | | France | Full | 46.77% |
| Gondobrico | | Portugal | Prop. | 26.65% |
| Holding Csepel 2002 Kft | 1 | Hungary | Full | 53.30% |
| Holding Debrecen 2002 Kft | 1 | Hungary | Full | 53.30% |
| Holding Gondomar 1 | | France | Full | 53.30% |
| Holding Gondomar 3 | | France | Full | 53.30% |
| Holding Gyor 2002 Kft | 1 | Hungary | Full | 53.30% |
| Holding KanizSA 2002 Ktf | 1 | Hungary | Full | 53.30% |
| Holding Kaposvar 2002 Kft | 1 | Hungary | Full | 53.30% |
| Holding Miskolc 2002 Kft | 1 | Hungary | Full | 53.30% |
| Holding Uj Alba Kft | 1 | Hungary | Full | 53.30% |
| I G C | | Italy | Prop. | 26.65% |
| Icd spa | | Italy | Full | 45.30% |
| Immobiliare Magnolia | | Italy | Full | 45.30% |
| KFM Macedonia | | Greece | Full | 44.24% |
| Klecar Foncier Espana | | Spain | Full | 44.24% |
| Klecar Foncier Iberica | | Spain | Full | 44.24% |
| Klecar Italia SPA | | Italy | Full | 44.24% |
| Klefin Italia SPA | | Italy | Full | 53.30% |
| Klelou SA | | Portugal | Full | 53.30% |
| Klenord Immobiliaria | | Portugal | Full | 53.30% |
| Klepierre Athinon AE | | Greece | Full | 44.24% |
| Klepierre NEA Efkarpia AE | | Greece | Full | 44.24% |
| Klepierre Peribola Patras AE | | Greece | Full | 44.24% |
| Klepierre Portugal SA SGPS | | Portugal | Full | 53.30% |
| Klepierre SA | | France | Full | 53.30% |
| Klepierre Vallecas | 2 | Spain | Full | 53.30% |
| Klepierre Vinaza | | Spain | Full | 53.30% |
| Kletel Immobiliaria | | Portugal | Full | 53.30% |
| Novate SRL | | Italy | Full | 45.30% |
| P S G | | Italy | Prop. | 19.99% |
| Plaza Center Management | 2 | Hungary | Prop. | 26.65% |
| SAS 192 avenue Charles De Gaulle | | France | Full | 53.30% |

### Klépierre (cont'd)

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| SAS 21 Kleber | | France | Full | 53.30% |
| SAS 21 la Perouse | | France | Full | 53.30% |
| SAS 43 Grenelle | | France | Full | 53.30% |
| SAS 43 Kleber | | France | Full | 53.30% |
| SAS 46 Notre-Dame des victoires | | France | Full | 53.30% |
| SAS 5 Turin | | France | Full | 53.30% |
| SAS Baudot Massy | | France | Full | 53.30% |
| SAS Begles Arcins | | France | Prop. | 26.65% |
| SAS Brescia | | France | Full | 53.30% |
| SAS Cande | | France | Full | 53.29% |
| SAS Cecobil | | France | Prop. | 26.65% |
| SAS Cecoville | | France | Full | 53.30% |
| SAS Centre Jaude Clermont | | France | Full | 53.29% |
| SAS Concorde Puteaux | | France | Full | 53.30% |
| SAS Doumer Caen | | France | Full | 53.28% |
| SAS du 23 avenue Marignan | | France | Full | 53.30% |
| SAS Espace Cordeliers | | France | Prop. | 26.65% |
| SAS Espace Dumont D'Urville | | France | Full | 53.30% |
| SAS Espace Kleber | | France | Full | 53.30% |
| SAS Flandre | | France | Full | 53.30% |
| SAS Issy Desmoulins | | France | Full | 53.30% |
| SAS Kleber Levallois | | France | Full | 53.30% |
| SAS Klecar Europe Sud | | France | Full | 44.24% |
| SAS Klecar Participations Italy | | France | Full | 44.24% |
| SAS Klegestion | | France | Full | 53.30% |
| SAS Klemurs | | France | Full | 53.30% |
| SAS Klepierre Conseil | | France | Full | 53.30% |
| SAS Klepierre Finance | | France | Full | 53.30% |
| SAS Klepierre Hongrie | 1 | France | Full | 53.30% |
| SAS Klepierre Transactions | | France | Full | 53.30% |
| SAS Le Havre Capelet | | France | Full | 53.30% |
| SAS Le Havre Lafayette | | France | Prop. | 26.65% |
| SAS Le Havre Tourneville | | France | Full | 53.30% |
| SAS Le Havre Vauban | | France | Prop. | 26.65% |
| SAS Leblanc Paris 15 | | France | Full | 53.30% |
| SAS Louis David | 6 | France | | |
| SAS LP7 | | France | Full | 53.30% |
| SAS Marseille Le Merlan | | France | Full | 53.30% |
| SAS Melun Saint-Peres | | France | Full | 53.29% |
| SAS Odysseum Place de France | | France | Full | 37.31% |
| SAS Oise Cergy | 6 | France | | |
| SAS Opale | | France | Full | 53.30% |
| SAS Poitiers Alienor | | France | Full | 53.30% |
| SAS Saint-Andre Pey berland | | France | Full | 53.30% |
| SAS Secmarne | | France | Full | 53.30% |
| SAS Segece | | France | Full | 39.97% |
| SAS Segece Loisirs Transactions | | France | Full | 39.97% |
| SAS Segecar | 6 | France | | |
| SAS Soaval | | France | Prop. | 19.99% |
| SAS Socoseine | | France | Full | 49.97% |
| SAS Strasbourg La Vigie | | France | Full | 53.22% |
| SAS Suffren Paris 15 | | France | Full | 53.30% |
| SAS Toulouse Mermoz | 2 | France | Full | 53.30% |
| SAS Tours Nationale | | France | Full | 53.30% |
| SC Centre Bourse | | France | Full | 53.30% |
| SC Solorec | | France | Full | 42.64% |
| SCI 8 rue du Sentier | 6 | France | | |
| SCI Antin Vendome | | France | Prop. | 26.65% |
| SCI Aurora | 1 | France | Full | 53.30% |
| SCI Bassin Nord | | France | Prop. | 26.65% |
| SCI Bègles Papin | 2 | France | Full | 53.30% |
| SCI Chaptal Alun | 6 | France | | |
| SCI Noble Cafetaria | 1 | France | Full | 53.30% |
| SCI Noble Galerie | 1 | France | Full | 53.30% |
| SCI Noble Restauration | 1 | France | Full | 53.30% |
| SCI Orengal | 1 | France | Full | 53.30% |
| SCI Secovalde | | France | Full | 21.32% |
| SCI Tour Marcel Brot | | France | Full | 53.30% |
| SNC CB Pierre | | France | Full | 53.30% |
| SNC Fonciere Saint Germain | | France | Full | 53.30% |

(1) Acquisition
(2) Entity newly incorporated or passing qualifying threshold
(3) First-time consolidation to comply with IFRS
(4) Disposal
(5) Deconsolidation
(6) Merger between consolidated entities
(7) Change of method - Proportionate method to full consolidation
(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Other Business Units (cont'd)** | | | | |
| **Klépierre (cont'd)** | | | | |
| SNC Galae | | France | Full | 46.50% |
| SNC General Leclerc 11-11bis Levallois | | France | Full | 53.30% |
| SNC Jardins des Princes | | France | Full | 53.30% |
| SNC KC1 | | France | Full | 44.24% |
| SNC KC10 | | France | Full | 44.24% |
| SNC KC11 | | France | Full | 44.24% |
| SNC KC12 | | France | Full | 44.24% |
| SNC KC2 | | France | Full | 44.24% |
| SNC KC20 | | France | Full | 44.24% |
| SNC KC3 | | France | Full | 44.24% |
| SNC KC4 | | France | Full | 44.24% |
| SNC KC5 | | France | Full | 44.24% |
| SNC KC6 | | France | Full | 44.24% |
| SNC KC7 | | France | Full | 44.24% |
| SNC KC8 | | France | Full | 44.24% |
| SNC KC9 | | France | Full | 44.24% |
| SNC Kleber la Perouse | | France | Full | 53.30% |
| SNC Klecar France | | France | Full | 44.24% |
| SNC Kletransactions | 2 | France | Full | 53.30% |
| SNC Le Barjac Victor | | France | Full | 53.30% |
| SNC Maille Nord 4 | | France | Full | 53.30% |
| SNC Soccendre | | France | Full | 40.11% |
| SNC Sodevac | | France | Full | 53.30% |
| Sogecaec | | Portugal | Full | 39.97% |
| Vignate | 6 | Italy | | |
| Zobel Investment BV | 5 | Netherlands | | |
| **Property companies (property used in operations)** | | | | |
| Capefi | | France | Full | 100.00% |
| Compagnie Immobiliere de France | | France | Full | 100.00% |
| Ejesur | | Spain | Full | 100.00% |
| Foncière de la Compagnie Bancaire | | France | Full | 100.00% |
| Immobilier Marché Saint-Honoré | | France | Full | 100.00% |
| SAS 5 Kleber | | France | Full | 100.00% |
| SCI Rueil Caudron | 2 | France | Full | 99.98% |
| Société d'Etudes Immobilières de Constructions - Setic | | France | Full | 100.00% |

| Name | | Country | Method | % interest |
|---|---|---|---|---|
| **Investment companies and other subsidiaries** | | | | |
| Antin Participation 4 | | France | Full | 100.00% |
| Antin Participation 5 | | France | Full | 100.00% |
| Axa Re-finance | 4 | France | | |
| Bincofi | | France | Full | 100.00% |
| BNP de Réassurance au Luxembourg | | Luxembourg | Full | 100.00% |
| BNP Paribas Emergis | | France | Full | 100.00% |
| BNP Paribas International BV | | Netherlands | Full | |
| BNP Paribas Partners for Innovation | 2 | France | Equity | 50.00% |
| BNP Paribas UK Treasury Limited | | UK | Full | 100.00% |
| Cie Auxiliaire d'Entreprises et de Chemins de Fer | | France | Full | 99.99% |
| Cie d'Entreprises Industrielles et Commerciales | 6 | France | | |
| Compagnie Bancaire Uk Fonds B | | UK | Full | 100.00% |
| Compagnie d'Investissements de Paris - C.I.P | | France | Full | 100.00% |
| Financière BNP Paribas | | France | Full | 100.00% |
| Financière Marché Saint Honoré | | France | Full | 100.00% |
| Finaxa | | France | Equity | 20.90% |
| Groupement Auxiliaire et de Moyens - GAM | 2 | France | Full | 100.00% |
| Jovacienne de Participations | | France | Full | 100.00% |
| Kle 65 | | France | Full | 100.00% |
| Kle 66 | | France | Full | 100.00% |
| Luxpar-Ré | | Luxembourg | Full | 100.00% |
| Omnium Gestion Developpement Immobilier | | France | Full | 100.00% |
| Paribas International | | France | Full | 100.00% |
| Placement, Gestion, Finance Holding - Plagefin | | Luxembourg | Full | 99.99% |
| Quatch | | France | Full | 99.96% |
| Sagip | | Belgium | Full | 100.00% |
| SAS Klefinances | | France | Full | 100.00% |
| Société Auxiliaire de Construction Immobilière - SACI | 2 | France | Full | 100.00% |
| Société Centrale d'Investissement | | France | Full | 100.00% |
| Societe Française Auxiliaire - S.F.A. | | France | Full | 100.00% |
| UCB Bail | | France | Full | 100.00% |
| UCB Entreprises | | France | Full | 100.00% |
| UCB Group Limited | 5 | UK | | |
| UCB Locabail immobilier | | France | Full | 100.00% |
| Verner Investissements (Group) | 2 | France | Equity | 38.90% |
| ***Special Purpose Entities*** | | | | |
| Antin Participation 7 | | France | Full | |
| Antin Participation 13 | | France | Full | |
| BNP Paribas Capital Trust LLC 1 | | United States | Full | |
| BNP Paribas Capital Trust LLC 2 | | United States | Full | |
| BNP Paribas Capital Trust LLC 3 | | United States | Full | |
| BNP Paribas Capital Trust LLC 4 | | United States | Full | |
| BNP Paribas Capital Trust LLC 5 | | United States | Full | |
| BNP Paribas Capital Trust LLC 6 | | United States | Full | |
| BNP Paribas US Medium Term Notes Program | | United States | Full | |
| BNP Paribas US Structured Medium Term LLC | | United States | Full | |
| BNP US Funding LLC | | United States | Full | |

(1) Acquisition
(2) Entity newly incorporated or passing qualifying threshold
(3) First-time consolidation to comply with IFRS
(4) Disposal
(5) Deconsolidation
(6) Merger between consolidated entities
(7) Change of method - Proportionate method to full consolidation
(8) Change of method - Full consolidation to equity method
(9) Change of method - Equity method to full consolidation

## 9.c BUSINESS COMBINATIONS

### Acquisition of Atis Real International

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

#### 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 and debt totalling EUR 3,527 million

BNP Paribas acquired Community First Bankshares for USD 1,200 million in cash, or an equivalent value in euros of EUR 938 million at the acquisition date. Goodwill recognised on this acquisition was provisionally measured at USD 945 million, or an equivalent value in euros of EUR 696 million at 31 December 2004.

#### 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 and debt totalling EUR 700 million

BNP Paribas acquired Union Safe Deposit Bank 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 provisionally measured at USD 171 million at 31 December 2004, or EUR 126 million.

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 is not material, given the restructuring costs incurred by the two companies since acquisition. The acquisition of the two companies generated an estimated net cash outflow of EUR 945 million for the BNP Paribas Group.

## 9.d RELATED PARTIES

Related parties of the BNP Paribas Group comprise consolidated companies (including associates), entities managing post-employment benefit plans offered to Group employees[1], the Axa group (because of the relations between the two groups), 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 with related-party companies and entities

**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 Axa and BNP Assurance, which manage the plans.

In other countries, post-employment benefit plans are generally managed by independent firms or by 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 1 January 2005, the fair value of plan assets managed by Group companies was EUR 1,371 million. Services provided by Group companies in the year ended 31 December 2004 totalled EUR 3 million, mainly management and custody fees.

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 Paribas pension fund repaid in full a EUR 21 million advance made to it by the Group.

### B) The Axa group

On 12 September 2001, Axa group companies (Axa, Finaxa, and the Axa mutual insurance companies) and BNP Paribas signed an agreement to maintain their cross-shareholdings at a minimum level and to grant mutual pre-emptive rights to a minimum interest in the capital on expiry of the agreement, and to 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.

This agreement, initially entered into for three years from the date of signature, was amended on 26 October 2004 to extend its term for a further two years from 12 September 2004. The amendment also stipulated that thereafter, the agreement would be renewed automatically for successive one-year periods, saving notice of termination from either party three months before the renewal date. The original agreement and the amendment were described in notices issued by the French stock market authorities (respectively by the *Conseil des Marchés Financiers* on 28 September 2001 and the *Autorité des Marchés Financiers* on 28 October 2004).

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

## 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 in 2004 to corporate officers was determined by the method recommended by the Compensation and Nominations Committee and approved by the Board of Directors.

The remuneration of corporate officers comprises both a fixed and a variable component, the base levels of which were determined following a benchmarking exercise. The fixed portion is calculated based on market rates of pay for positions carrying equivalent responsibilities. Changes in the variable portion are determined 70% on the basis of quantitative criteria linked to Group's financial performance, and 30% on the basis of implementing the Group's strategy and preparing its future. Quantitative include trends in net income, and fulfilment of budget objectives set for the Group and core business lines (gross operating income and pre-tax net income).

A portion of the variable amount is paid at the rate of one-third per year over three years.

The table below shows remuneration and other benefits paid to corporate officers during the year to 31 December 2004. The average rate of social security taxes on this remuneration is 30%.

| In euros, year to 31 December 2004 | Remuneration | | | Directors' fees (4) | Benefits in kind (5) | TOTAL Remuneration |
|---|---|---|---|---|---|---|
| | Fixed (1) | Variable (2) | Deferred (3) | | | |
| Michel Pébéreau<br>Chairman of the Board of Directors | 700,000 | 839,119 | 358,312 | 22,868 | 4,781 | 1,925,080 |
| Baudoin Prot<br>Chief Executive Officer | 730,000 | 801,952 (6) | 218,103 | 22,868 | 4,895 | 1,777,818 |
| Georges Chodron de Courcel<br>Chief Operating Officer | 450,000 | 707,810 (7) | 252,613 | 6,468 | 4,271 | 1,421,162 |
| Jean Clamon<br>Chief Operating Officer | 430,000 | 286,169 (8) | 100,572 | 47,013 | 4,845 | 868,599 |

(1) Salary paid in 2004.
(2) Corresponding to variable remuneration paid in 2004 in respect of 2003. In accordance with the terms of the BNP Paribas share-based deferred bonus plan, a portion of each corporate officer's variable remuneration consisted of stock awards vesting at the rate of one-third per year in 2005, 2006 and 2007. Michel Pébereau's deferred remuneration amounted to EUR 199,565, that of Baudouin Prot to EUR 198,042, that of Georges Chodron de Courcel to EUR 190,425 and that of Jean Clamon to EUR 67,791.
(3) Corresponding to the transfer of the final third of the deferred variable bonus awarded in 2000 in the form of BNP Paribas shares, to the second third of the deferred bonus awarded in 2001 in the form of BNP Paribas shares and to the first third of the deferred bonus awarded in 2002 in the form of BNP Paribas shares.
(4) 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. Georges Chodron de Courcel receives fees in his capacity as Director of BNP Paribas Suisse. Jean Clamon receives fees in his capacity as Director of Cetelem, BNP Paribas Lease Group, Cortal Consors, Cardif and Paribas International.
(5) 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.
(6) Baudouin Prot's variable remuneration was reduced by EUR 34,034 corresponding to directors' fees received in 2003.
(7) Georges Chodron de Courcel's variable remuneration was reduced by EUR 103,200 corresponding to directors' fees received in 2003.
(8) Jean Clamon's variable remuneration was reduced by EUR 115,026 corresponding to directors' fees received in 2003.

The variable remuneration to be paid to Michel Pébereau in 2005 in respect of 2004 is EUR 831,553. The additional portion awarded in respect of 2004, one-third of which vests in each of 2006, 2007 and 2008, is EUR 204,750.

The variable remuneration to be paid to Baudouin Prot in 2005 in respect of 2004 is EUR 1,171 274. The additional portion awarded in respect of 2004, one-third of which vests in each of 2006, 2007 and 2008, is EUR 298,500.

The variable remuneration to be paid to Georges Chodron de Courcel in 2005 in respect of 2004 is EUR 949,986, before deducting directors' fees paid in 2004. The additional portion awarded in respect of 2004, one-third of which vests in each of 2006, 2007 and 2008, is EUR 232,500.

The variable remuneration to be paid to Jean Clamon in 2005 in respect of 2004 is EUR 453,983, before deducting directors' fees paid in 2004. The additional portion awarded in respect of 2004, one-third of which vests in each of 2006, 2007 and 2008, is EUR 84,000.

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.

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 2004 on behalf of these corporate officers was EUR 9,520. They are also entitled to the same benefits under the *Garantie Vie Professionnelle Accidents* death and 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 2004 on behalf of these corporate officers was EUR 9,441.

**Remuneration of employee-elected directors**

Total remuneration paid in 2004 to employee-elected directors during their term of office amounted to EUR 102,785, excluding directors' fees. The total amount of directors' fees paid in 2004 to employee-elected directors was EUR 73,752. Directors' fees for five of the employee-elected directors were paid directly to their trade union bodies, while the sixth personally received the outstanding amount of his directors' fees in respect of 2003.
Employee-elected directors 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 2004 on behalf of these employee-elected directors was EUR 1,095.

**Remuneration of other corporate officers**

In addition to the directors' fees received as Vice-Chairman of the Board of Directors of BNP Paribas SA, the late Michel François-Poncet received fees in 2004 in his capacity as Chairman of BNP Paribas Suisse SA and directors' fees in his capacity as Director of BNP Paribas UK Holdings Ltd, representing a total of EUR 143,741. He also had a company car.

In addition to the directors' fees received from BNP Paribas SA, David Peake received directors' fees in 2004 of EUR 48,634 in his capacity as Chairman of BNP Paribas Finance Plc and BNP Paribas UK Holdings Ltd. He also has a company car, provided by BNP Paribas Finance Plc.

| Remuneration paid to other corporate officers (directors' fees, other fees, benefits in kind) in 2004 (in euros[1]) | |
|---|---|
| Michel François-Poncet (deceased) [2]<br>Vice-Chairman of the Board of Directors | 143,741 |
| David Peake [2]<br>Director [3] | 48,634 |

## Directors' fees

The total amount of fees paid collectively to the directors of BNP Paribas SA is set by the Shareholders' General Meeting. The fees awarded to each director for 2004[4] were unchanged from prior years at EUR 22,868. In addition, the chairmen of the Committees of the Board each receive EUR 7,622 and the other members of these Committees each receive EUR 4,574. Half of the fee paid to each director is based on the director's attendance rate at Board meetings and meetings of any Committees of which he or she is a member. Total directors' fees paid in 2004 amounted to EUR 424,438.

**BNP Paribas: directors' fees paid in 2004 (in euros)**

| | | | | | |
|---|---|---|---|---|---|
| Michel Pébereau | 22,868 | Jean-Marie Gianno [5] | 17,152 | Lindsay Owen-Jones | 15,722 |
| Patrick Auguste[5] | 27,442 | François Grapotte | 26,556 | David Peake | 15,608 |
| Claude Bébéar | 23,669 | Marie-Christine Hamonic [5] | 2,858 | Hélène Ploix | 27,442 |
| Jean-Louis Beffa | 23,669 | Alain Joly | 29,728 | Baudouin Prot | 22,868 |
| Gehrard Cromme | 20,010 | Denis Kessler | 25,841 | Louis Schweitzer | 30,530 |
| Jack Delage [5] | 3,430 | Jean-François Lepetit | 10,005 | Jean-François Trufelli [5] | 17,152 |
| Michel François-Poncet (deceased) | 21,439 | Jean-Marie Messier | 1,886 | | |
| Jacques Friedmann | 33,845 | Jean Morio | 5,718 | | |
| **TOTAL** | | | | | **424,438** |

## Post-employment benefits[6]

### Compensation for loss of office

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

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[1] The exchange rates used to translate remuneration expressed in foreign currencies are EUR 1 = GBP 0.7077765 and EUR 1 = CHF 1.546878052

[2] This amount includes directors' fees received for holding office as a director of BNP Paribas SA

[3] The term of office of David Peake expired on 28 May 2004

[4] Because fees are awarded at the last meeting of the financial year, the amount is calculated for the period from December of the previous year to November of the current year

[5] Directors elected by the employees, whose directors' fees are paid to the trade union body to which they belong.

[6] The post-employment benefits of the late Michel François-Poncet, Vice-Chairman of the Board of Directors, are not disclosed, as the Group's obligations in respect of these benefits lapsed on his death early in 2005.

**Retirement bonuses**

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 retirement bonuses is EUR 425,685.

**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.

  This 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.

  The total present value of the obligations arising under these schemes is EUR 22.02 million. 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 is EUR 214,350.

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

- **Employee-elected directors**

The employee-elected directors belong to the defined-contribution pension plan set up for all BNP Paribas SA employees. The total amount of contributions paid into this plan by BNP Paribas in 2004 on behalf of the employee-elected directors was 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.
The exercise price of these plans is determined at the time of issue in accordance with the terms of the authorisation. 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 2004.

| Stock options granted to and/or exercised by corporate officers | Number of options granted/ shares subscribed or purchased | Price (in euros) | Date of grant | Plan expiry date |
|---|---|---|---|---|
| **OPTIONS GRANTED IN 2004** | 0 | - | - | - |
| **OPTIONS EXERCISED IN 2004** | | | | |
| Michel François-Poncet (deceased) | 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 | 17.30 | 20/01/1997 | 20/01/2005 |

# 9.e BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity.

| 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 | 11,271 | | 9,513 | 9,262 | 7,635 | 16,272 | 21,272 | 75,225 |
| 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 |
| Held-to-maturity financial assets | | | 3,313 | 6,486 | 2,352 | 1,804 | 12,695 | 26,650 |
| **Financial assets by maturity** | **553,362** | **37,320** | **85,991** | **45,026** | **43,380** | **87,361** | **83,625** | **936,065** |
| Due to central banks and post office banks | | 256 | | | | | | 256 |
| Financial liabilities at fair value through profit or loss | 426,440 | | 892 | 1,599 | 2,639 | 15,818 | 9,940 | 457,328 |
| 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 | 13,466 | 7,517 | 8,819 | 4,258 | 205,962 |
| Debt securities | | | 25,581 | 23,866 | 14,074 | 6,855 | 6,986 | 77,362 |
| Subordinated debt | 2,685 | | 667 | 593 | 333 | 2,578 | 6,186 | 13,042 |
| Remeasurement adjustment on interest-rate risk hedged portfoli | 1,022 | | | | | | | 1,022 |
| **Financial liabilities by maturity** | **430,597** | **126,720** | **130,760** | **57,175** | **34,203** | **44,014** | **32,141** | **855,610** |

## 9.f FAIR VALUE OF FINANCIAL INSTRUMENTS BOOKED AT AMORTISED COST

The information supplied in this note must be used and interpreted cautiously for the following reasons:

- These fair values represent estimated instant values as of 1st January 2005. They are expected to fluctuate from one day to another as a result of the variation of a large number of parameters, such as interest rates and credit quality of the counterparts. In particular, they might be significantly different from the amounts actually received or paid at the maturity of the instrument. In most cases, the estimated fair value is not supposed to be - and even could not be - immediately realised and therefore doesn't represent the relevant value of the instruments from the perspective of BNP Paribas activities as a going concern.
- Most of these instant fair values are not relevant - and are not taken into consideration - for the purpose of actual management of the commercial banking activities using the related financial instruments.
- Fair valuing financial instruments accounted for at historical cost often requires utilising valuation models, conventional methods and hypothesis which may vary from one institution to another. Therefore, comparison of the fair value of financial instrument accounted for at historical cost, as issued by different financial institutions, is not necessarily pertinent.
- Finally, the fair values presented in the table exclude the fair values of non financial instruments such as property, plant and equipment, goodwill, and other intangible assets such as the value attached to on-demand accounts portfolios, and to clients of the Group in its different activities. These fair values should therefore not be considered as the actual value of the financial instruments that contribute to the valuation of the BNP Paribas Group.

| In millions of euros | 1 January 2005, under EU IFRS | |
|---|---|---|
| | Carrying value | Estimated fair value |
| **FINANCIAL ASSETS** | | |
| Loans and receivables due from credit institutions | 40,983 | 41,009 |
| Loans and receivables due from customers | 244,228 | 246,611 |
| Held-to-maturity financial assets | 26,650 | 27,484 |
| **FINANCIAL LIABILITIES** | | |
| Due to credit institutions | 100,188 | 100,298 |
| Due to customers | 205,962 | 205,976 |
| Debt securities | 77,597 | 77,777 |
| Subordinated debt | 13,042 | 13,419 |

The table presented above presents the carrying value and estimated fair value relating to financial instruments recorded in the balance sheet, and thus 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.

Valuation techniques and hypothesis used by BNP Paribas ensure the homogeneity of the measure of fair value of financial assets and liabilities within the Group. The fair value is based on quoted prices in an active market when available, or determined using valuation techniques such as discounting of estimated future cash flows for loans, debts and financial instruments held to maturity, or specific valuation models for other financial instruments, as described in the note 2 relating to the principal accounting policies applied by the Group. The fair value attributed to loans, debt and financial assets held to maturity for which this initial maturity is under one year (including on demand deposits), or whose conditions refer to a floating rate, as well as for most of regulated saving deposits, is the carrying value.

# FINANCIAL STATEMENTS AND NOTES THERETO PREPARED UNDER FRENCH GAAP

## 10. FINANCIAL STATEMENTS AND NOTES THERETO PREPARED UNDER FRENCH GAAP

The financial statements reproduced below are the French GAAP financial statements as published in the *Document de Référence* filed with the *Autorité des Marchés Financiers* on 25 February 2005 and registered as No. D.05-0151.

These financial statements are reproduced so as to establish continuity between previously-published financial information and financial information published in accordance with IFRS. This practice complies with the recommendations issued by the Committee of European Securities Market Regulators and by the *Autorité des Marchés Financiers*.

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## CONSOLIDATED BALANCE SHEET

## A S S E T S

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Interbank and money market items (note 3):** | | | |
| Cash and amounts due from central banks and post office banks | 6,843 | 5,287 | 9,884 |
| Treasury bills and money market instruments (note 5) | 128,400 | 106,671 | 83,990 |
| Due from credit institutions | 180,443 | 162,950 | 146,512 |
| **Total interbank and money market items** | **315,686** | **274,908** | **240,386** |
| **Customer items (note 4):** | | | |
| Due from customers | 237,508 | 201,611 | 204,719 |
| Leasing receivables | 20,572 | 20,362 | 20,622 |
| **Total customer items** | **258,080** | **221,973** | **225,341** |
| **Bonds and other fixed income instruments (note 5)** | **66,899** | **55,005** | **41,964** |
| **Equities and other variable income instruments (note 5)** | **72,254** | **52,506** | **22,616** |
| **Insurance company investments (note 6)** | **69,501** | **62,275** | **57,154** |
| **Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment (note 7)** | | | |
| Investments in non-consolidated undertakings and other participating interests | 2,609 | 2,160 | 5,872 |
| Equity securities held for long-term investment | 3,514 | 4,612 | 5,407 |
| **Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment** | **6,123** | **6,772** | **11,279** |
| **Investments in companies carried under the equity method:** | | | |
| Financial sector companies | 737 | 1,436 | 1,557 |
| Non-financial sector companies | 1,024 | 195 | 238 |
| **Total investments in companies carried under the equity method (note 9)** | **1,761** | **1,631** | **1,795** |
| **Tangible and intangible assets (note 11)** | **9,582** | **9,008** | **8,640** |
| **Goodwill (note 12)** | **6,244** | **5,578** | **6,547** |
| **Accrued income and other assets (note 13)** | **99,808** | **93,420** | **94,597** |
| **Total assets** | **905,938** | **783,076** | **710,319** |

| COMMITMENTS GIVEN | | | |
|---|---|---|---|
| Financing commitments given (note 23) | 172,641 | 156,287 | 140,398 |
| Guarantees and endorsements given (note 23) | 66,148 | 56,865 | 60,226 |
| Commitments related to securities to be delivered (note 23) | 8,241 | 7,389 | 7,960 |
| Insurance company commitments | 466 | 1,297 | 914 |
| Commitments incurred on forward and options contracts (note 24) | 20,556,393 | 18,356,809 | 13,959,842 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Interbank and money market items (note 14):** | | | |
| Due to central banks and post office banks | 256 | 60 | 159 |
| Due to credit institutions | 244,707 | 191,194 | 177,746 |
| **Total interbank and money market items** | **244,963** | **191,254** | **177,905** |
| **Customer items (note 15)** | **237,712** | **210,621** | **195,569** |
| **Debt securities:** | | | |
| Retail certificates of deposit (note 15) | 6,712 | 4,933 | 6,708 |
| Interbank market securities (note 14) | 1,175 | 1,025 | 1,025 |
| Negotiable certificates of deposit (note 15) | 83,844 | 67,014 | 64,913 |
| Bonds, including short-term portion (note 16) | 11,094 | 9,952 | 11,260 |
| Other debt instruments | 1,141 | 177 | 151 |
| **Total debt securities** | **103,966** | **83,101** | **84,057** |
| **Technical reserves of insurance companies (note 17)** | **69,378** | **61,808** | **56,526** |
| **Accrued expenses and other liabilities (note 18)** | **198,128** | **184,820** | **145,836** |
| **Badwill (note 12)** | **15** | **18** | **22** |
| **Provision for contingencies and charges (note 19)** | **3,764** | **4,045** | **4,144** |
| **Subordinated debt (note 20)** | **12,242** | **13,226** | **14,283** |
| **Reserve for general banking risks (note 21)** | **752** | **843** | **997** |
| **Minority interests in consolidated subsidiaries (note 22)** | **4,824** | **5,019** | **4,535** |
| **Shareholders' equity (note 22):** | | | |
| Share capital | 1,769 | 1,806 | 1,790 |
| Additional paid-in capital in excess of par and premium on acquisition | 10,340 | 11,017 | 10,804 |
| Retained earnings | 13,417 | 11,737 | 10,556 |
| Net income | 4,668 | 3,761 | 3,295 |
| **Total shareholders' equity** | **30,194** | **28,321** | **26,445** |
| **Total liabilities and shareholders' equity** | **905,938** | **783,076** | **710,319** |
| **COMMITMENTS RECEIVED** | | | |
| Financing commitments received (note 23) | 35,251 | 43,976 | 21,536 |
| Guarantees and endorsements received (note 23) | 50,212 | 42,951 | 43,824 |
| Commitments related to securities to be received (note 23) | 9,570 | 7,852 | 15,037 |
| Insurance company commitments | 1,807 | 2,801 | 2,065 |

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| *Interest income* | *28,332* | *27,174* | *31,606* |
| *Interest expense* | *(22,213)* | *(20,663)* | *(26,222)* |
| Net interest income (note 29) | 6,119 | 6,511 | 5,384 |
| Income on equities and other variable income instruments (note 32) | 294 | 283 | 323 |
| *Commission income* | *7,098* | *6,319* | *6,160* |
| *Commission expense* | *(2,411)* | *(2,026)* | *(1,982)* |
| Net commission income (note 33) | 4,687 | 4,293 | 4,178 |
| Net gains on trading account securities | 4,713 | 4,407 | 4,687 |
| Net gains on securities available for sale | 453 | 190 | 139 |
| *Other banking income* | *1,005* | *970* | *1,134* |
| *Other banking expenses* | *(904)* | *(880)* | *(911)* |
| Net other banking income | 101 | 90 | 223 |
| Underwriting result and net investment income of insurance companies (note 34) | 1,919 | 1,658 | 1,440 |
| Net income from other activities | 537 | 503 | 419 |
| **Net banking income (note 39)** | **18,823** | **17,935** | **16,793** |
| Operating expense: | | | |
| Salaries and employee benefits, including profit-sharing (note 35) | (6,872) | (6,763) | (6,445) |
| Other administrative expenses | (3,965) | (3,764) | (3,892) |
| Total operating expense | (10,837) | (10,527) | (10,337) |
| Depreciation, amortisation and provisions on tangible and intangible assets | (755) | (758) | (618) |
| **Gross operating income (note 39)** | **7,231** | **6,650** | **5,838** |
| Net additions to provisions for credit risks and country risks (note 8) | (678) | (1,361) | (1,470) |
| **Operating income (note 39)** | **6,553** | **5,289** | **4,368** |
| Share of earnings of companies carried under the equity method (note 9) | 194 | 131 | 80 |
| Gains on long-term investments and changes in provisions (note 37) | 843 | 912 | 903 |
| **Income before tax, non-recurring items, amortisation of goodwill and movements in the reserve for general banking risks** | **7,590** | **6,332** | **5,351** |
| Net non-recurring expense (note 38) | (389) | (494) | (174) |
| Corporate income tax (note 40) | (1,830) | (1,481) | (1,175) |
| Amortisation of goodwill | (384) | (399) | (366) |
| Movements in the reserve for general banking risks | 88 | 147 | 2 |
| Minority interests | (407) | (344) | (343) |
| **Net income** | **4,668** | **3,761** | **3,295** |
| **Basic earnings per share, in euros (1)** | **5.55** | **4.31** | **3.78** |
| **Diluted earnings per share, in euros (2)** | **5.53** | **4.28** | **3.74** |

(1) After the two-for-one share-split in 2002.

(2) In accordance with Accounting Standards Committee (CRC) standard 99-07, earnings per share are also presented on a diluted basis, calculated in line with the method recommended by the French Accounting Board (OEC) in opinion No. 27. The method used to calculate diluted earnings per share also complies with IAS 33 “Earnings per share”. Diluted earnings per share correspond to net income for the year divided by the weighted-average number of shares outstanding, adjusted for the maximum number of potential ordinary shares, corresponding to dilutive instruments. Stock options are taken into account in the calculation of diluted earnings per share by the treasury stock method which is also allowed under IAS 33.

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Long-term sources of funds** | | | |
| **Funds provided from shareholders' equity** | | | |
| **From operations:** | | | |
| Consolidated net income (group share and minority interest) | 5,075 | 4,105 | 3,638 |
| Depreciation and amortisation | 755 | 758 | 618 |
| Net additions to provisions | 310 | 1,200 | 1,764 |
| Share of earnings of companies carried under the equity method | (194) | (131) | (80) |
| **Total funds provided from operations** | **5,946** | **5,932** | **5,940** |
| Dividends paid | (1,842) | (1,541) | (1,322) |
| Other changes in shareholders' equity: | | | |
| Group share | (2,252) | 120 | (2,482) |
| Minority interests | (273) | 424 | 1,253 |
| Decrease in reserve for general banking risks | (91) | (154) | (10) |
| (Decrease) increase in subordinated debt | (984) | (1,057) | 1,245 |
| **Increase in shareholders' equity and other long-term capital** | **504** | **3,724** | **4,624** |
| **Funds provided from other sources:** | | | |
| Increase (decrease) in interbank items (liabilities) | 53,709 | 13,349 | (42,391) |
| Increase (decrease) in customer deposits | 27,091 | 15,052 | (20,527) |
| Increase (decrease) in debt securities | 20,865 | (956) | (3,806) |
| Increase in technical reserves of insurance companies | 7,570 | 5,282 | 1,321 |
| Increase (decrease) in other financial items | 6,977 | 40,030 | (7,243) |
| **Increase (decrease) in other sources of funds** | **116,212** | **72,757** | **(72,646)** |
| **Total increase (decrease) in sources of funds** | **116,716** | **76,481** | **(68,022)** |
| **Uses:** | | | |
| Increase (decrease) in interbank items (assets) | 19,043 | 11,790 | (33,706) |
| Increase (decrease) in customer loans | 36,829 | (2,182) | (8,129) |
| Increase (decrease) in securities | 45,543 | 63,104 | (34,439) |
| Increase in insurance company investments | 7,226 | 5,121 | 944 |
| Increase (decrease) in long-term investments | 6,746 | (2,478) | 5,564 |
| Increase in tangible and intangible assets | 1,329 | 1,126 | 1,744 |
| **Total increase (decrease) in uses of funds** | **116,716** | **76,481** | **(68,022)** |

## NOTE 1 – ACCOUNTING POLICIES

*The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with French generally accepted accounting principles applicable in the banking industry.*

### YEAR-ON-YEAR COMPARISONS

In 2004, the BNP Paribas Group changed the method used to recognise in the profit and loss account revenues related to payouts made by venture capital funds in which the Group holds units. These amounts were previously deducted in full from the cost of the units in the funds held, whereas only the portion of payout revenues received corresponding to the repaid initial investment is now deducted from the cost of the units, with any realised gains paid out by the fund taken to the profit and loss account in accordance with standard industry practices. The units in the funds are still valued at the lower of historical cost thus amortised and the equity in the underlying revalued net assets which they represent. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments in 2004, including EUR 100 million in revenues received in prior periods.

Application by the BNP Paribas Group of decree no. 2002-970 amending the French Insurance Code and *Comité de la Réglementation Comptable* standard CRC 2002-09 concerning the use and accounting treatment of forward financial instruments by insurance companies did not have a material impact on opening shareholders' equity at 1 January 2003 and does not affect period-on-period comparisons.

Standard CRC 2002-10 relating to the depreciation, amortisation and impairment of assets – amended by standard CRC 2003-07 of 12 December 2003 – contains measures concerning the date and consequences of the standard’s first-time application, which is compulsory from 1 January 2005. The Group has not opted for early application and is not affected by the applicable transitional measures relating to provisions for major repairs. Moreover, as the Group has not identified any material expenses relating to major repairs based on multi-year programmes, this standard had no impact on the Group's opening shareholders’ equity at 1 January 2003.

Standard CRC 2002-03 dealing with credit risks, the classification methods to be applied to doubtful and restructured loans, and loan restructurings at below market rates of interest, has been adopted as from 1 January 2003, based on the opinion issued by the *Comité d’Urgence* du CNC (no. 2003-G) on 18 December 2003, and the CNC’s press release of 21 November 2003. For the BNP Paribas Group, the effect of applying this method was a reduction in opening shareholders’ equity at 1 January 2003 of EUR 33 million after tax, corresponding to the difference between the new interest rate on restructured loans classified as sound and the lower rate between the original rate of interest and the market rate prevailing on the restructuring date. The discounted interest differential will be taken into account in determining the lending margin on the loans concerned. Application of the new standard led to the reclassification under irrecoverable loans of EUR 540 million worth of loans previously considered as giving rise to a country risk. The loans in question consist of restructured loans that are once again in default. The corresponding provisions, in the amount of EUR 273 million, which were previously included in provisions for country risks, were reclassified in 2003 under provisions for specific risks.

This standard also introduced two sub-categories of loans: sound loans restructured not at market terms, which are included under sound loans, and irrecoverable loans which are included under doubtful loans.

The *Comité d’Urgence’s* opinion dated 21 January 2004 provides guidelines on the accounting treatment of the consequences of certain provisions of the Pensions Reform Act (Act no. 2003-775 dated 21 August 2003). Under the new rules, employees can elect to retire before the age of 65, but cannot be required to do so by their employer. The statutory retirement bonus payable when they retire is subject to payroll taxes. Previously, retirement bonuses paid to employees who retired at their employer’s request were exempt from payroll taxes. The actuarial assumptions used to calculate BNP Paribas’ related benefit obligation were therefore revised to take account of these changes, and an additional provision of EUR 229 million was recorded in 2003 (see note 38) in order to provide for the obligation in full, in accordance with Group policies.

### PRINCIPLES AND BASIS OF CONSOLIDATION

#### SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.
Entities over which a Group company exercises *de facto* control, by virtue of contractual provisions or the entity’s articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

*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.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

- **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.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

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".

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

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%.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

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".

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

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.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

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.

**NOTE 1 – ACCOUNTING POLICIES (cont'd)**

FOREIGN CURRENCY TRANSACTIONS

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recorded in the profit and loss account.

Exchange differences arising from the conversion at the year-end exchange rate of assets denominated in foreign currencies that are held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches and other foreign equity investments, are not recognised in the profit and loss account.

## NOTE 2 – SCOPE OF CONSOLIDATION

Changes in the scope of consolidation in 2003 and 2004 were as follows:

**In 2003**

### Newly-consolidated companies

| | *Fully-consolidated companies* | *Proportionally-consolidated companies* | *Companies accounted for by the equity method* |
|---|---|---|---|
| *Acquisitions* | Klépierre subsidiaries: Cinéma de l'esplanade (Belgium), Coimbra (Belgium), Delcis sr (Czech Republic), Klenor and Kletel (Portugal), Klépierre Athinon AE (Greece), Klépierre NEA Efkarpia (Greece), Klépierre Peribola Patras AE (Greece), SAS Marseille le Merlan, SGM H1, SGS H3, SNC KC20, Vinaza (Spain), Vignate (Italy). | Klépierre subsidiaries: Gondomar SGS (Portugal), Gondomar SGM (Portugal) | - |
| *Newly-created entities and companies meeting the criteria for consolidation for the first time* | BNP Paribas Arbitrage Issuance BV (Netherlands), BNP Paribas Assurance, BNP Paribas Emissions und Handelsgesellschaft (Germany), BNP Paribas Fixed Assets Ltd (United Kingdom), BNP Paribas Capital Trust LLC 6 (United States), BNP Paribas Peregrine Securities Korea Company Ltd, BNP Paribas US Medium Term Notes Program LLC (United States), BNP Paribas RCC Incorporation (United States), BNP Paribas US Structured Medium Term LLC (United States), BNP Paribas ZAO (Russia), Crisps Ltd (Cayman Islands), Dealremote Ltd (United Kingdom), Epimetheus Investments Ltd (Cayman Islands), Eurocredito (Spain), Forsete Investments SA (Luxembourg), FCC Domos 2003, Global Guaranteed Cliquet Investment Ltd (Cayman Islands), Global Hedged Equity Investment Ltd (Cayman Islands), Isis Factor Spa (Italy), Joconde SA (Luxembourg), Mexita Ltd no. 2 (Cayman Islands), Mexita Ltd no. 3 (Cayman Islands), Mexita Ltd no. 4 (Cayman Islands), Mistral Investment SA (Luxembourg), SAS Prêts et Services, Singapore Emma Finance 1 SAS, Sirocco Investment SA (Luxembourg), Tender Option Bond Municipal Program SPV (United States)<br>Klépierre subsidiaries: Foncière de Louvain-la-Neuve (Belgium), SCI Tour Marcel Brot, SNC Sodevac, Sogecaec (Portugal) | | Caisse d'Epargne Financement CEFI, Cetelem Brésil. |

### Companies excluded from the scope of consolidation

| | *Fully-consolidated companies* | *Proportionally-consolidated companies* | *Companies accounted for by the equity method* |
|---|---|---|---|
| *Disposals* | BNP Finans a/s Norge (Norway), Cobepa subsidiary: Coparin (Luxembourg), Klépierre subsidiary: SAS Center Villepinte | - | Commercial Bank of Namibia Ltd CBON |
| *Mergers* | BNP Paribas Asset Management Institutionnels (merged with BNP Paribas Asset Management Group), BNP Private Bank & Trust Cie Bahamas Ltd (merged with United European Bank Trust Nassau), BNP Paribas Fund Administration (Luxembourg) (merged with Parvest Investment Management SA), Codexi (merged with Banexi Société Capital Risque), Paribas Santé International BV (merged with Paribas International BV), Safadeco SA and Safadeco SP (merged with BNP Paribas SA), UFB Factoring Italia and UFB Italia Spa (merged with BNP Paribas Lease Group Holding Spa)<br>Banexi Communication, Opatra, Ottofrance International, Parfici, Paribas Santé, Société Générale Commerciale et Financière (merged with Société Centrale d'Investissement)<br>Klépierre subsidiaries: SAS Klébureaux, SAS Daumesnil Reuilly and SAS Klécentres (merged with SA Klépierre)<br>Cobepa subsidiaries: Group T SA (Belgium) (merged with Sté Financière & de Réalisation), Libenel BV (merged with Paribas International BV). | | Cogent Investment Operations Luxembourg SA (merged with BNP Paribas Fund Services). Consors Discount Broker AG (merged with the German subsidiary of Cortal Consors France, formerly Banque Cortal), Consors France (merged with Cortal Consors France, formerly Banque Cortal). |
| *Companies no longer meeting the criteria for consolidation and discontinued operations* | August Holdings Ltd (United Kingdom), BNP Paribas Asia Ltd (Hong Kong), BNP Paribas Investment Asia Ltd (Hong Kong), BNP Paribas Merchant Banking Asia Ltd (Singapore), BNP Paribas Panama SA, BNP Paribas Uruguay SA, BNP Prime Peregrine Holdings Ltd (Malaysia), BNP Securities Hong Kong Ltd, Compagnie Bancaire UK Fonds A (United Kingdom), Fleurantine de Participations, Monopoly (United Kingdom), Société Cristolienne de Participations, Wigmore Loan Finance Ltd (United Kingdom), Cobepa subsidiary: Compagnie Financière et Mobilière (Belgium),<br>Klépierre subsidiaries: Belga Sept SA (Belgium), SC Cecocord, SCI Boulogne d'Aguesseau, SCI Etoile Quinzième, SCI Les Ellipses, SCI Levallois Anatole France, SCI Rueil Hermes, SCI Villepinte Le Tropical, SNC 86 Anatole France, SNC Couperin Foncière, SNC Godefroy No. 8 Puteaux. | Axeria Assurance | - |

**Changes in consolidation method**

| | *Fully consolidated companies previously accounted for by the equity method* | *Fully consolidated companies previously proportionally consolidated* | *Proportionally consolidated companies previously fully consolidated* |
|---|---|---|---|
| *Change in percent interest* | BNP Andes (Peru), Cogent Investment Operations Ireland Ltd, Cogent Investment Operations Ltd (United Kingdom), Cogent Investment Operations Pty (Australia), Consors International Holding (Germany). | BNP Paribas China Limited (formerly International Bank of Paris & Shanghai) | Klépierre subsidiary: SAS Bègles d'Arcins |
| *Compliance with Group standards* | Sinvim | - | - |

## In 2004

### Newly-consolidated companies

| | *Fully-consolidated companies* | *Proportionally-consolidated companies* | *Companies accounted for by the equity method* |
|---|---|---|---|
| *Acquisitions* | 54 Lombard Street Investments Ltd. (United Kingdom), Arma Beheer BV (Netherlands), Arma Belgique, Arma Nederland, Atis Real Expertise, Atis Real International – Group, Bougainville BV (Netherlands), FG Ingenerie et Promotion Immobilière - FGIP.<br>Klépierre subsidiaries: CG Collegno (Italy), GC Seravalle (Italy), Centre Duna (Hungary), Centre Nyiregyhaza (Hungary), Centre Szeged (Hungary), Centre Szolnok (Hungary), Centre Zalaegerszeg (Hungary), Holding Csepel 2002 Kft (Hungary), Holding Debrecen 2002 Kft (Hungary), Holding Gyor 2002 Kft (Hungary), Holding Kanizsa 2002 Kft (Hungary), Holding Kaposvar 2002 Kft (Hungary), Holding Miskolc 2002 Kft (Hungary), Holding Uj Alba Kft (Hungary), SAS Klépierre Hongrie, SCI Aurora, SCI Noble Cafétaria, SCI Noble Galerie, SCI Noble Restauration, SCI Orengal. | Klépierre subsidiaries: Effe Kappa SRL (Italy), Plaza Centers Management (Hungary). | BNP Paribas Partners for Innovation, Verner Investissements - Group. |
| *Newly-created entities and other companies meeting the criteria for consolidation for the first time* | Artegy Ltd (United Kingdom), BNP Paribas (New Zealand) Finance Ltd., BNP Paribas El Djazair (Algeria), BNP Paribas Invest Immo, BNP Paribas Peregrine Group, Darnell Ltd (Ireland), European Hedged Equity Ltd. (Cayman Islands), GAM, Global Guaranteed Equity Ltd. (Cayman Islands), Global Protected Alternative Investments Ltd (Cayman Islands), Global Protected Equity Ltd. (Cayman Islands), Harewood Investments No. 1 Ltd (United Kingdom), Laffite Participation 2, Lock-In Global Equity Ltd. (Cayman Islands), Norrsken Finance, Parifergie, SCI Rueil Caudron, Singapore Emma Finance 2 SAS, Société Auxiliaire de Construction Immobilière - SACI, UCB Hypotheken (Netherlands), Utexam Ltd (Ireland).<br>Klépierre subsidiaries: Klepierre Vallecas (Italy), SNC Kletransactions, SAS Toulouse Mermoz ,SCI Bègles Papin. | | Klépierre subsidiary: Galiera Comerciale Assago (Italy). |

### Companies excluded from the scope of consolidation

| | *Fully-consolidated companies* | *Proportionally-consolidated companies* | *Companies accounted for by the equity method* |
|---|---|---|---|
| *Disposals* | | Antarius | Axa Refinance, BNP Paribas Private Banking Japan. |
| *Mergers* | BNP Paribas Gestion Epargne Salariale (merged with BNP Paribas Asset Management SAS), Catesienne de Participation (merged with S.F.A), Compagnie d'Entreprises Industrielles et Commerciales, Sagal and NHG Guyomarc'h (merged with Société Centrale d'Investissement), Consors International Holding GmbH (Germany) (merged with Cortal Consors German branch), Credial (merged with Crédit Moderne Antilles), Evergo Finanzaria (Italy) (merged with BNP Paribas Lease Groupe SPA), Services et Prêts Immobiliers (France) (merged with UCB), Socappa (merged with BNP Paribas Lease Group).<br>Klépierre subsidiaries: Cinneo and Vignate (Italy) (merged with Novate Sarl), SAS Louis David (merged with SAS Suffren Paris 15), Segecar (merged with Ségécé), SCI 8 rue du Sentier, SAS Oise Cergy and SCI Chaptal Alun (merged with Klépierre). | | Cortal Consors Espana SV (merged with Cortal Consors Spanish branch) |

| | | | |
|---|---|---|---|
| *Companies no longer meeting the criteria for consolidation and discontinued operations* | BNP Paribas Equities Group Australia Ltd, BNP Paribas Equities Hong Kong, BNP Paribas Equities Italia SIM SPA, BNP Paribas Guernesey Ltd, BNP Paribas Peregrine Investment Ltd (Hong Kong), BNP Paribas Peregrine Ltd (Malaysia), BNP Paribas Securities Australia Ltd, Cardif Seguros de Vida (Chile), Compania de Seguros de Vida (Argentina), European Reinsurance (United Kingdom), Filip Partnership (United Kingdom), Great Central Railway Land (United Kingdom), SA Leval 3, UCB Group Ltd (United Kingdom).<br><br>Klépierre subsidiaries : Belarcol (Belgium), Zobel Investment BV (Netherlands).<br><br>Cobepa subsidiaries: Amparzo (Netherlands), Cobepa International (Netherlands), Compagnie de Participations Internationales SA (Luxembourg), Holnor (Netherlands), IIM (Netherlands), Ilmaco (Belgium), Libelux (Luxembourg). | Cobepa subsidiary: Bogerco (Belgium). | BNP Paribas Peregrine Futures Ltd (Hong Kong), Cetelem Capital Company Ltd (Korea), Cortal Belgique.<br><br>State Bank of India Life Insurance Company Ltd. |

**Changes in consolidation method**

| | *Fully-consolidated companies previously accounted for by the equity method* | *Fully-consolidated companies previously proportionally consolidated* | *Companies accounted for by the equity method previously fully consolidated* |
|---|---|---|---|
| *Change in percent interest* | | Halifax Cetelem (United Kingdom).<br><br>Klépierre subsidiary: Centro Shopping Gestion (Italy). | Compagnie Belge de Participations Paribas - COBEPA.<br><br>Cobepa subsidiaries: Cippar (Belgium), Cobepa Finance (Luxembourg), Compagnie de Participations Internationales NV (Netherlands), Copabel SA (Belgium), Groupe Financier Liegeois (Belgium), Ibel (Belgium), Mascagni (Belgium), Paribas Deelnemingen NV (Netherlands), Regio Invest Ontwik Maats (Belgium), SA Mosane (Belgium), Société Financière et de Réalisation (Belgium), Tradexco SA (Belgium), Ulran (Luxembourg). |
| *Compliance with Group standards* | Cetelem Brésil, Cetelem Polska Expansion (Poland), PT BNP Paribas Peregrine (Indonesia). | | |

Abbey National France, Bank Von Ernst and Société Monégasque de Banque Privée could not be consolidated for the financial statements at 31 December 2004 as they were acquired at the end of the year and do not currently comply with the BNP Paribas Group consolidation standards. However, the consolidation of these companies would not have had a material impact on the Group's results, shareholders' equity or total assets.

**FULLY-CONSOLIDATED COMPANIES**

| Financial institutions | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|
| **IN FRANCE** | | |
| **Credit institutions** | | |
| Antin Bail (1) | 100.00% | 100.00% |
| Banque de Bretagne (1) | 100.00% | 100.00% |
| Banque Financière Cardif (1) | 100.00% | 100.00% |
| BNP Intercontinentale - BNPI (1) | 100.00% | 100.00% |
| BNP Paribas Emergis (1) | 100.00% | 100.00% |
| BNP Paribas Factor (1) | 100.00% | 100.00% |
| BNP Paribas Guadeloupe (1) | 100.00% | 100.00% |
| BNP Paribas Guyane (1) | 100.00% | 100.00% |
| BNP Paribas Invest Immo (1) | 100.00% | 99.96% |
| BNP Paribas Lease Group (1) | 99.96% | 99.96% |
| BNP Paribas Martinique (1) | 100.00% | 100.00% |
| BNP Paribas Nouvelle-Calédonie | 100.00% | 100.00% |
| BNP Paribas Private Bank (1) | 100.00% | 100.00% |
| BNP Paribas Private Bank Monaco | 100.00% | 99.99% |
| BNP Paribas Réunion (1) | 100.00% | 100.00% |
| BNP Paribas Securities Services - BP2S (1) | 100.00% | 100.00% |
| Cetelem (1) | 100.00% | 100.00% |
| Claas Financial Services | 89.49% | 89.46% |
| CNH Capital Europe | 50.10% | 50.08% |
| Cofica Bail (1) | 100.00% | 100.00% |
| Compagnie Médicale de financement de Voitures et matériels - CMV Médiforce (1) | 100,00% | 100.00% |
| Cortal Consors France (1) | 100.00% | 100.00% |
| Crédit Moderne Antilles | 100.00% | 100.00% |
| Crédit Moderne Guyane | 100.00% | 100.00% |
| Crédit Moderne Océan Indien | 97.81% | 97.81% |
| Facet | 90.00% | 90.00% |
| Fidem | 51.00% | 51.00% |
| Finance et Gestion SA | 70.00% | 69.97% |
| Financière Marché Saint Honoré (1) | 100.00% | 100.00% |
| Loisirs Finance | 51.00% | 51.00% |
| Natiobail | 95.46% | 95.42% |
| Natiocrédibail | 100.00% | 99.96% |
| Natiocrédimurs (1) | 100.00% | 99.96% |
| Natioénergie | 100.00% | 99.96% |
| Norbail SNC (1) | 100.00% | 99.96% |
| Norrsken Finance | 51.00% | 51.00% |
| Paribas Dérivés Garantis SNC (1) | 100.00% | 100.00% |
| Paricomi | 100.00% | 100.00% |
| Parifergie (1) | 100.00% | 100.00% |
| Parilease (1) | 100.00% | 100.00% |
| Same Deutz-Fahr Finance | 99.97% | 99.93% |
| SAS Prêts et Services | 100.00% | 100.00% |
| UCB (1) | 100.00% | 100.00% |
| UCB Bail (1) | 100.00% | 100.00% |
| UCB Entreprises (1) | 100.00% | 100.00% |
| UCB Locabail immobilier | 100.00% | 100.00% |
| **Other financial institutions** | | |
| Arius Finance (1) | 100.00% | 99.99% |
| Arius SA (1) | 100.00% | 99.99% |
| Arval ECL SAS (1) | 100.00% | 99.99% |
| Arval PHH Holding SAS (1) | 100.00% | 99.99% |
| Arval Service Lease (1) | 100.00% | 99.99% |
| B*Capital (1) | 99.96% | 99.96% |
| Banexi Société de Capital-Risque Bancaire | 99.99% | 99.99% |
| BNP Paribas Arbitrage (1) | 100.00% | 100.00% |
| BNP Paribas Asset Management (1) | 100.00% | 100.00% |
| BNP Paribas Asset Management Group (1) | 100.00% | 100.00% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Financial institutions | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **IN FRANCE** | | | |
| **Other financial institutions (cont'd)** | | | |
| BNP Paribas Développement | | 100.00% | 100.00% |
| BNP Paribas Epargne Entreprise Gestion (1) | | 100.00% | 100.00% |
| BNP Paribas Equities France (1) | | 99.96% | 99.96% |
| BNP Paribas Equity Strategies France (1) | | 100.00% | 100.00% |
| BNP Paribas Securities Services International Holding SA (1) | | 100.00% | 100.00% |
| Capstar Partners SAS | | 86.67% | 86.67% |
| Cardif Asset Management (1) | | 100.00% | 100.00% |
| Compagnie d'Investissements de Paris - C.I.P | | 100.00% | 100.00% |
| Conseil Investissement (1) | | 100.00% | 100.00% |
| Cortal Fund Management (1) | | 100.00% | 100.00% |
| Effico Soreco (formerly Sté de Renseignements Contentieux Développement) (1) | | 99.92% | 99.92% |
| Financière BNP Paribas (1) | | 100.00% | 100.00% |
| Gestion et Location Holding (1) | | 99.99% | 99.99% |
| Jovacienne de Participations (1) | | 100.00% | 100.00% |
| SCAU (formerly Société de Courtage et d'Assurance Universel) (1) | | 100.00% | 99.96% |
| Société Française Auxiliaire - S.F.A. (1) | | 100.00% | 100.00% |
| Truck Management Artegy (1) | | 100.00% | 99.99% |
| **Other financial sector companies** | | | |
| Aprolis Finance | | 51.00% | 50.98% |
| Cofiparc (1) | | 100.00% | 99.99% |
| FCC Domos 2003 | | 100.00% | 100.00% |
| Laffite Participation 2 | | 100.00% | 100.00% |
| Singapore Emma Finance 1 SAS (1) | | 100.00% | 100.00% |
| Singapore Emma Finance 2 SAS (1) | | 100.00% | 100.00% |
| **OUTSIDE FRANCE** | | | |
| **Credit institutions** | | | |
| **Europe** | | | |
| Banca UCB SPA | Italy | 100.00% | 100.00% |
| Banco Cetelem Portugal | Portugal | 100.00% | 100.00% |
| Banco Cetelem SA | Spain | 100.00% | 100.00% |
| BNP Capital Finance Ltd | Ireland | 100.00% | 100.00% |
| BNP Factor | Portugal | 100.00% | 100.00% |
| BNP Paribas (Bulgaria) AD | Bulgaria | 100.00% | 100.00% |
| BNP Paribas Bank (Hungaria) RT | Hungary | 100.00% | 100.00% |
| BNP Paribas Bank (Polska) SA | Poland | 100.00% | 100.00% |
| BNP Paribas Bank NV | Netherlands | 100.00% | 100.00% |
| BNP Paribas Cyprus Ltd | Cyprus | 100.00% | 100.00% |
| BNP Paribas Espana SA | Spain | 99.48% | 99.48% |
| BNP Paribas Finance plc | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Luxembourg SA | Luxembourg | 100.00% | 100.00% |
| BNP Paribas Net Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Private Bank Switzerland | Switzerland | 100.00% | 99.99% |
| BNP Paribas Suisse SA | Switzerland | 99.99% | 99.99% |
| BNP Paribas ZAO | Russia | 100.00% | 100.00% |
| Cetelem Bank GmbH | Germany | 70.00% | 70.00% |
| Cetelem Belgium | Belgium | 100.00% | 100.00% |
| Cetelem Benelux BV | Netherlands | 100.00% | 100.00% |
| Cetelem Polska Expansion SA | Poland | 100.00% | 100.00% |
| CNH Capital Europe Ltd | United Kingdom | 100.00% | 50.08% |
| Cortal Consors Luxembourg SA (formerly Cortal Bank Luxembourg) | Luxembourg | 100.00% | 100.00% |
| Isis Factor SPA | Italy | 100.00% | 100.00% |
| Magyar Cetelem | Hungary | 100.00% | 100.00% |
| UCB Hypotheken | Netherlands | 100.00% | 100.00% |
| Union de Creditos Immobiliarios - UCI (Group) | Spain | 50.00% | 50.00% |
| United European Bank Luxembourg | Luxembourg | 100.00% | 99.99% |
| United European Bank Switzerland | Switzerland | 100.00% | 99.99% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Financial institutions | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **OUTSIDE FRANCE** | | | |
| **Credit institutions (cont'd)** | | | |
| **Americas** | | | |
| Banco Cetelem Argentine | Argentina | 60.00% | 60.00% |
| BancWest Corporation (Group) | United States | 100.00% | 100.00% |
| BNP Andes | Peru | 100.00% | 100.00% |
| BNP Paribas Brasil SA | Brazil | 100.00% | 100.00% |
| BNP Paribas Canada | Canada | 100.00% | 100.00% |
| BNP Paribas Finance Incorporated | United States | 100.00% | 100.00% |
| BNP Paribas Leasing Corporation | United States | 100.00% | 100.00% |
| Cetelem Brésil | Brazil | 100.00% | 100.00% |
| Paribas Principal Incorporated | United States | 100.00% | 100.00% |
| United European Bank Nassau | Bahamas | 100.00% | 99.99% |
| **Asia-Pacific** | | | |
| BNP Paribas (China) Limited | People's Republic of China | 100.00% | 100.00% |
| BNP Paribas Peregrine Services Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Peregrine (Singapore) Ltd | Singapore | 100.00% | 100.00% |
| Cetelem Thaïlande | Thailand | 100.00% | 100.00% |
| PT Bank BNP Paribas Indonesia | Indonesia | 100.00% | 100.00% |
| PT BNP Paribas Peregrine | Indonesia | 100.00% | 100.00% |
| **Africa** | | | |
| Banque Internationale Commerce et Industrie Burkina Faso | Burkina Faso | 51.00% | 50.37% |
| Banque Internationale Commerce et Industrie Côte d'Ivoire | Côte d'Ivoire | 67.49% | 67.28% |
| Banque Internationale Commerce et Industrie Gabon | Gabon | 46.66% | 46.66% |
| Banque Internationale Commerce et Industrie Sénégal | Senegal | 54.11% | 53.85% |
| Banque Malgache de l'Océan Indien | Madagascar | 75.00% | 75.00% |
| Banque Marocaine du Commerce et de l'Industrie | Morocco | 65.05% | 65.05% |
| Banque Marocaine du Commerce et de l'Industrie Leasing | Morocco | 72.03% | 46.86% |
| Banque Marocaine du Commerce et de l'Industrie Offshore | Morocco | 100.00% | 65.05% |
| Banque pour le Commerce et l'Industrie de la Mer Rouge | Djibouti | 51.00% | 51.00% |
| BNP Paribas El Djazair | Algeria | 100.00% | 100.00% |
| BNP Paribas Le Caire | Egypt | 86.81% | 86.81% |
| Union Bancaire pour le Commerce et l'Industrie | Tunisia | 50.00% | 50.00% |
| Union Tunisienne de Leasing | Tunisia | 69.89% | 34.95% |
| **Other financial institutions** | | | |
| **Europe** | | | |
| All In One Allemagne | Germany | 100.00% | 99.96% |
| Arma Beheer BV | Netherlands | 100.00% | 99.99% |
| Arma Nederland | Netherlands | 100.00% | 99.99% |
| Arma Belgique | Belgium | 100.00% | 99.99% |
| Artegy Ltd | United Kingdom | 100.00% | 99.99% |
| Arval Belgium | Belgium | 100.00% | 99.99% |
| Arval Ltd | United Kingdom | 100.00% | 99.99% |
| Arval Luxembourg | Luxembourg | 100.00% | 99.99% |
| Arval Nederland | Netherlands | 100.00% | 99.99% |
| Arval PHH Deutschland GmbH | Germany | 100.00% | 99.99% |
| Arval PHH Holdings Ltd (Group) | United Kingdom | 100.00% | 99.99% |
| Arval PHH Holdings UK Ltd | United Kingdom | 100.00% | 99.99% |
| Arval Polska | Poland | 100.00% | 99.99% |
| Arval Portugal | Portugal | 100.00% | 99.99% |
| Arval Service Lease Espagne | Spain | 99.98% | 99.97% |
| Arval Service Lease Italia | Italy | 100.00% | 99.99% |
| BNP Ireland Ltd | Ireland | 100.00% | 100.00% |
| BNP Paribas Asset Management Luxembourg | Luxembourg | 99.66% | 99.66% |
| BNP Paribas Asset Management SGR Milan SPA | Italy | 100.00% | 100.00% |
| BNP Paribas Asset Management UK Ltd | United Kingdom | 100.00% | 100.00% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Financial institutions | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **<u>Other financial institutions</u> (cont'd)** | | | |
| **Europe (cont'd)** | | | |
| BNP Paribas Capital Markets Group Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Commodity Futures Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas E & B Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Finanzaria SPA | Italy | 100.00% | 100.00% |
| BNP Paribas Fund Services | Luxembourg | 100.00% | 100.00% |
| BNP Paribas Fund Services Holdings | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Fund Services Dublin Limited | Ireland | 100.00% | 100.00% |
| BNP Paribas Fund Services UK Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Lease Group PLC (Group) | United Kingdom | 100.00% | 99.96% |
| BNP Paribas Lease Group SA Belgium | Belgium | 100.00% | 99.96% |
| BNP Paribas Lease Group SPA | Italy | 100.00% | 99.96% |
| BNP Paribas Leasing GmbH | Germany | 100.00% | 99.96% |
| BNP Paribas Lease Group Holding SPA | Italy | 100.00% | 99.96% |
| BNP Paribas UK Holding Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas UK Holdings Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas UK Ltd | United Kingdom | 100.00% | 100.00% |
| Cetelem CR | Czech Republic | 100.00% | 100.00% |
| Compagnie Bancaire Uk Fonds C | United Kingdom | 100.00% | 100.00% |
| Eurocredito | Spain | 100.00% | 100.00% |
| Fimestic Expansion SA | Spain | 100.00% | 100.00% |
| Halifax Cetelem Credit Ltd | United Kingdom | 100.00% | 100.00% |
| Leasing Handels und Service AG | Switzerland | 100.00% | 99.99% |
| Sifida | Luxembourg | 90.42% | 93.67% |
| Société Financière pour les pays d'Outre Mer - SFOM | Switzerland | 100.00% | 100.00% |
| **<u>Americas</u>** | | | |
| BNP Paribas Asset Management Incorporated - PNA | United States | 100.00% | 100.00% |
| BNP Paribas Brokerage Services Incorporated | United States | 100.00% | 100.00% |
| BNP Paribas Capital Trust LLC 1 | United States | 100.00% | 0.00% |
| BNP Paribas Capital Trust LLC 2 | United States | 100.00% | 0.00% |
| BNP Paribas Capital Trust LLC 3 | United States | 100.00% | 0.00% |
| BNP Paribas Capital Trust LLC 4 | United States | 100.00% | 0.00% |
| BNP Paribas Capital Trust LLC 5 | United States | 100.00% | 0.00% |
| BNP Paribas Capital Trust LLC 6 | United States | 100.00% | 0.00% |
| BNP Paribas Capstar Partners Inc - PNA | United States | 100.00% | 100.00% |
| BNP Paribas Commodities Futures Incorporated - PNA | United States | 100.00% | 100.00% |
| BNP Paribas Investment Services LLC | United States | 100.00% | 100.00% |
| BNP Paribas Securities Corporation - PNA | United States | 100.00% | 100.00% |
| BNP US Funding LLC | United States | 100.00% | 100.00% |
| Capstar Partners LLC | United States | 84.45% | 84.45% |
| Cooper Neff Advisors Incorporated | United States | 100.00% | 100.00% |
| Cooper Neff Group | United States | 100.00% | 100.00% |
| French American Banking Corporation - F.A.B.C - PNA | United States | 100.00% | 100.00% |
| Petits Champs Participaçoes e Serviços SA | Brazil | 100.00% | 100.00% |
| **<u>Asia-Pacific</u>** | | | |
| BNP Equities Asia Ltd | Malaysia | 100.00% | 100.00% |
| BNP Paribas Arbitrage (Hong Kong) Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Asia Equities Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Finance (Hong Kong) Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Fund Services Australasia Pty Limited | Australia | 100.00% | 100.00% |
| BNP Paribas Futures (Hong Kong) Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas (New Zealand) Finance Ltd | New Zealand | 100.00% | 100.00% |
| BNP Paribas New Zealand Ltd | New Zealand | 100.00% | 100.00% |
| BNP Paribas Pacific (Australia) Ltd | Australia | 100.00% | 100.00% |
| BNP Paribas Peregrine Capital Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Peregrine Securities (Thailand) Ltd | Thailand | 100.00% | 100.00% |
| BNP Paribas Peregrine Securities Korea Company Ltd | South Korea | 100.00% | 100.00% |
| BNP Paribas Peregrine Securities Ltd | Hong Kong | 100.00% | 100.00% |
| BNP Paribas Peregrine Securities Pte Ltd | Singapore | 100.00% | 100.00% |
| BNP Paribas Securities Ltd | Hong Kong | 100.00% | 100.00% |
| Henaross Pty Ltd | Australia | 100.00% | 100.00% |
| PT BNP Lippo Utama Leasing | Indonesia | 100.00% | 100.00% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

## Financial institutions

### Other financial sector companies

| | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| 54 Lombard Street Investments Limited | United Kingdom | 100.00% | 100.00% |
| Bergues Finance Holding | Bahamas | 100.00% | 99.99% |
| BNP Paribas Arbitrage Issuance BV | Netherlands | 100.00% | 100.00% |
| BNP Paribas Emissions und Handelsgesellschaft GmbH | Germany | 100.00% | 100.00% |
| BNP Paribas Fixed Assets Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas UK Treasury Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas US Medium Term Notes Program LLC | United States | 100.00% | 100.00% |
| BNP Paribas US Structured Medium Term LLC | United States | 100.00% | 100.00% |
| Bougainville BV | Netherlands | 100.00% | 100.00% |
| Claas Leasing GmbH | Germany | 100.00% | 89.46% |
| Crisps Ltd | Cayman Islands | 100.00% | 100.00% |
| Dealremote Ltd | United Kingdom | 100.00% | 100.00% |
| Epimetheus Investments Ltd | Cayman Islands | 92.50% | 92.50% |
| European Hedged Equity Ltd | Cayman Islands | 95.00% | 95.00% |
| Fidex plc | United Kingdom | 100.00% | 100.00% |
| Forsete Investments SA | Luxembourg | 100.00% | 0.00% |
| Global Guaranteed Cliquet Investment | Cayman Islands | 95.00% | 95.00% |
| Global Guaranteed Equity Ltd | Cayman Islands | 95.00% | 95.00% |
| Global Hedged Equity Investment Ltd | Cayman Islands | 95.00% | 95.00% |
| Global Protected Alternative Investments Ltd | Cayman Islands | 95.00% | 95.00% |
| Global Protected Equity Ltd | Cayman Islands | 95.00% | 95.00% |
| Harewood Investments No.1 Ltd | Cayman Islands | 100.00% | 100.00% |
| Joconde SA | Luxembourg | 100.00% | 0.00% |
| Lock-In Global Equity Limited | Cayman Islands | 95.00% | 95.00% |
| Mexita Ltd No. 2 | Cayman Islands | 90.00% | 90.00% |
| Mexita Ltd No. 3 | Cayman Islands | 90.00% | 90.00% |
| Mexita Ltd No. 4 | Cayman Islands | 90.00% | 90.00% |
| Mistral Investments SA | Luxembourg | 100.00% | 0.00% |
| Sirocco Investments SA | Luxembourg | 100.00% | 0.00% |
| Tender Option Bond Municipal Program SPV | United States | 100.00% | 100.00% |
| Utexam Ltd | Ireland | 100.00% | 100.00% |

## Other companies

### IN FRANCE

#### Real estate

| | | |
|---|---|---|
| Atis Real Expertise | 100.00% | 100.00% |
| Atis Real International (Group) | 100.00% | 100.00% |
| BNP Paribas Immobilier (1) | 100.00% | 100.00% |
| BNP Paribas Participations Finance Immobilier (1) | 100.00% | 100.00% |
| GIE Klépierre Services (formerly Klépierre Services) | 100.00% | 46.77% |
| Holding Gondomar 1 | 100.00% | 53.30% |
| Holding Gondomar 3 | 100.00% | 53.30% |
| Immobilière des Bergues (1) | 100.00% | 100.00% |
| Meunier Promotion (Group) (1) | 100.00% | 100.00% |
| SA Klépierre | 53.52% | 53.30% |
| SAS 192 avenue Charles De Gaulle | 100.00% | 53.30% |
| SAS 21 Kléber | 100.00% | 53.30% |
| SAS 21 La Perouse | 100.00% | 53.30% |
| SAS 23 avenue de Marignan | 100.00% | 53.30% |
| SAS 43 Grenelle | 100.00% | 53.30% |
| SAS 43 Kléber | 100.00% | 53.30% |
| SAS 46 Notre-Dame des victoires | 100.00% | 53.30% |
| SAS 5 Turin | 100.00% | 53.30% |
| SAS Baudot Massy | 100.00% | 53.30% |
| SAS Brescia | 100.00% | 53.30% |
| SAS Candé | 100.00% | 53.29% |
| SAS Cecoville | 100.00% | 53.30% |
| SAS Centre Jaude Clermont | 99.99% | 53.29% |
| SAS Concorde Puteaux | 100.00% | 53.30% |
| SAS Doumer Caen | 99.96% | 53.28% |
| SAS Espace Dumont D'Urville | 100.00% | 53.30% |
| SAS Espace Kléber | 100.00% | 53.30% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Other companies | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|
| **IN FRANCE** | | |
| **Real estate (cont'd)** | | |
| SAS Flandre | 100.00% | 53.30% |
| SAS Issy Desmoulins | 100.00% | 53.30% |
| SAS Kléber Levallois | 100.00% | 53.30% |
| SAS Klecar Europe Sud | 83.00% | 44.24% |
| SAS Klecar Participations Italie | 83.00% | 44.24% |
| SAS Klefinances (1) | 100.00% | 100.00% |
| SAS Klégestion | 100.00% | 53.30% |
| SAS Klémurs | 100.00% | 53.30% |
| SAS Klépierre Conseil | 100.00% | 53.30% |
| SAS Klépierre Finance | 100.00% | 53.30% |
| SAS Klépierre Hongrie | 100.00% | 53.30% |
| SAS Klépierre Transactions | 100.00% | 53.30% |
| SAS Le Havre Capelet | 100.00% | 53.30% |
| SAS Le Havre Tourneville | 100.00% | 53.30% |
| SAS Leblanc Paris 15 | 100.00% | 53.30% |
| SAS LP7 | 100.00% | 53.30% |
| SAS Marseille le Merlan | 100.00% | 53.30% |
| SAS Melun Saint-Pères | 99.98% | 53.29% |
| SAS Odysseum Place de France | 70.00% | 37.31% |
| SAS Opale | 100.00% | 53.30% |
| SAS Poitiers Aliénor | 100.00% | 53.30% |
| SAS Saint-André Pey berland | 100.00% | 53.30% |
| SAS Secmarne | 100.00% | 53.30% |
| SAS Ségécé | 75.00% | 39.97% |
| SAS Ségécé Loisirs Transactions | 100.00% | 39.97% |
| SAS Socoseine | 100.00% | 49.97% |
| SAS Strasbourg La Vigie | 99.85% | 53.22% |
| SAS Suffren Paris 15 | 100.00% | 53.30% |
| SAS Toulouse Mermoz | 100.00% | 53.30% |
| SAS Tours Nationale | 100.00% | 53.30% |
| SC Centre Bourse | 100.00% | 53.30% |
| SC Solorec | 88.00% | 42.64% |
| SCI Aurora | 100.00% | 53.30% |
| SCI Bègles Papin | 100.00% | 53.30% |
| SCI Noblecafétaria | 100.00% | 53.30% |
| SCI Noble-Galerie | 100.00% | 53.30% |
| SCI Noblerestauration | 100.00% | 53.30% |
| SCI Orengal | 100.00% | 53.30% |
| SCI Rueil Caudron | 100.00% | 99.98% |
| SCI Secovalde | 40.00% | 21.32% |
| SCI Tour Marcel Brot | 100.00% | 53.30% |
| Setic (1) | 100.00% | 100.00% |
| SNC Barjac Victor | 100.00% | 53.30% |
| SNC CB Pierre | 100.00% | 53.30% |
| SNC Foncière Saint Germain | 100.00% | 53.30% |
| SNC Galae | 100.00% | 46.50% |
| SNC Général Leclerc 11-11bis Levallois | 100.00% | 53.30% |
| SNC Jardins des Princes | 100.00% | 53.30% |
| SNC KC1 | 100.00% | 44.24% |
| SNC KC2 | 100.00% | 44.24% |
| SNC KC3 | 100.00% | 44.24% |
| SNC KC4 | 100.00% | 44.24% |
| SNC KC5 | 100.00% | 44.24% |
| SNC KC6 | 100.00% | 44.24% |
| SNC KC7 | 100.00% | 44.24% |
| SNC KC8 | 100.00% | 44.24% |
| SNC KC9 | 100.00% | 44.24% |
| SNC KC10 | 100.00% | 44.24% |
| SNC KC11 | 100.00% | 44.24% |
| SNC KC12 | 100.00% | 44.24% |
| SNC KC20 | 100.00% | 44.24% |
| SNC Kléber La Pérouse | 100.00% | 53.30% |
| SNC Klecar France | 83.00% | 44.24% |
| SNC Klétransactions | 100.00% | 53.30% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Other companies | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **IN FRANCE** | | | |
| **Real estate (cont'd)** | | | |
| SNC Maille Nord | | 100.00% | 53.30% |
| SNC Soccendre | | 100.00% | 40.11% |
| SNC Sodevac | | 100.00% | 53.30% |
| Société Auxiliaire de Construction Immobilière - SACI (1) | | 100.00% | 100.00% |
| **Insurance** | | | |
| BNP Paribas Assurance (1) | | 100.00% | 100.00% |
| Cardif RD (1) | | 100.00% | 100.00% |
| Cardif SA (1) | | 100.00% | 100.00% |
| Cardif Assurance Vie (formerly Cardif Sté Vie) (1) | | 100.00% | 100.00% |
| GIE BNP Paribas Assurance | | 59.50% | 59.50% |
| Natiovie (1) | | 100.00% | 100.00% |
| **Other business units** | | | |
| Antin Participation 4 (1) | | 100.00% | 100.00% |
| Antin Participation 5 (1) | | 100.00% | 100.00% |
| Antin Participation 7 (1) | | 95.77% | 95.77% |
| Antin Participation 13 | | 99.99% | 95.75% |
| Antin Vendôme | | 96.77% | 96.77% |
| Bincofi (1) | | 100.00% | 100.00% |
| BNP Paribas BDDI Participations (1) | | 100.00% | 100.00% |
| BNP Paribas Peregrine Group | | 100.00% | 100.00% |
| BNP Paribas Stratégies Actions (1) | | 100.00% | 100.00% |
| Capefi (1) | | 100.00% | 100.00% |
| Compagnie Auxiliaire d'Entreprises et de Chemins de Fer (1) | | 99.99% | 99.99% |
| Compagnie Immobilière de France (1) | | 100.00% | 100.00% |
| F G Ingenerie et Promotion Immobilière | | 100.00% | 100.00% |
| Foncière de la Compagnie Bancaire (1) | | 100.00% | 100.00% |
| Groupement Auxiliaire de Moyens - GAM | | 100.00% | 100.00% |
| Immobilier Marché Saint-Honoré (1) | | 100.00% | 100.00% |
| Kle 65 (1) | | 100.00% | 100.00% |
| Kle 66 (1) | | 100.00% | 100.00% |
| Norbail Location (1) | | 100.00% | 99.96% |
| Omnium Gestion Développement Immobilier (1) | | 100.00% | 100.00% |
| Paribas International (1) | | 100.00% | 100.00% |
| Quatch (1) | | 99.96% | 99.96% |
| SAS 5 Kléber (1) | | 100.00% | 100.00% |
| Sinvim (1) | | 100.00% | 100.00% |
| Société Centrale d'Investissement (1) | | 100.00% | 100.00% |
| **OUTSIDE FRANCE** | | | |
| **Insurance** | | | |
| BNP de Réassurance au Luxembourg | Luxembourg | 100.00% | 100.00% |
| Cardif Assicurazioni SPA | Italy | 100.00% | 100.00% |
| Cardif do Brasil Seguros | Brazil | 100.00% | 100.00% |
| Cardif Leven | Belgium | 100.00% | 100.00% |
| Cardif Levensverzekeringen NV | Netherlands | 100.00% | 100.00% |
| Cardif Nederland Holding BV | Netherlands | 100.00% | 100.00% |
| Cardif Schadeverzekeringen NV | Netherlands | 100.00% | 100.00% |
| Compania de Seguros Generales | Chile | 100.00% | 100.00% |
| Cybele RE | Luxembourg | 100.00% | 100.00% |
| Darnell Limited | Ireland | 100.00% | 100.00% |
| Investlife SA | Luxembourg | 100.00% | 100.00% |
| Luxpar-Ré | Luxembourg | 100.00% | 100.00% |
| Pinnacle Insurance | United Kingdom | 100.00% | 97.53% |
| Pinnacle Insurance Holdings | United Kingdom | 97.53% | 97.53% |
| Pinnacle Insurance Management Services | United Kingdom | 100.00% | 97.53% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| Other companies | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **OUTSIDE FRANCE** | | | |
| **Real estate** | | | |
| Arcol | Slovakia | 100.00% | 53.30% |
| Capucines BV | Netherlands | 100.00% | 53.30% |
| C G Collegno | Italy | 100.00% | 53.30% |
| Centre Duna | Hungary | 100.00% | 53.30% |
| Centre Nyiregyhaza | Hungary | 100.00% | 53.30% |
| Centre Szeged | Hungary | 100.00% | 53.30% |
| Centre Szolnok | Hungary | 100.00% | 53.30% |
| Centre Zalaegerszeg | Hungary | 100.00% | 53.30% |
| Centro Shopping Gestion | Italy | 75.00% | 39.97% |
| Cinéma de l'Esplanade | Belgium | 100.00% | 53.30% |
| Coimbra | Belgium | 100.00% | 53.30% |
| Delcis Cr | Czech Republic | 99.00% | 42.76% |
| Ejesur | Spain | 100.00% | 100.00% |
| Foncière de Louvain-la-Neuve | Belgium | 100.00% | 53.30% |
| F M C Central Europe SRO | Czech Republic | 75.00% | 29.98% |
| Galieria Commerciale Seravalle | Italy | 100.00% | 53.30% |
| Holding Csepel 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Debrecen 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Gyor 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Kanizsa 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Kaposvar 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Miskolc 2002 Kft | Hungary | 100.00% | 53.30% |
| Holding Uj Alba Kft | Hungary | 100.00% | 53.30% |
| I.C.D SPA | Italy | 85.00% | 45.30% |
| Immobiliare Magnolia | Italy | 85.00% | 45.30% |
| Klecar Foncier Espana | Spain | 100.00% | 44.24% |
| Klecar Foncier Iberica | Spain | 100.00% | 44.24% |
| Klecar Italia SPA | Italy | 100.00% | 44.24% |
| Klefin Italia SPA | Italy | 100.00% | 53.30% |
| Klelou SA | Portugal | 100.00% | 53.30% |
| Klénord Imobiliaria | Portugal | 100.00% | 53.30% |
| Klépierre Athinon AE | Greece | 100.00% | 44.24% |
| Klépierre NEA Efkarpia AE | Greece | 100.00% | 44.24% |
| Klépierre Peribola Patras AE | Greece | 100.00% | 44.24% |
| Klépierre Portugal SA SGPS | Portugal | 100.00% | 53.30% |
| Klépierre Vallecas | Spain | 100.00% | 53.30% |
| Klepierre Vinaza | Spain | 100.00% | 53.30% |
| Klétel Immobiliaria | Portugal | 100.00% | 53.30% |
| KFM Makedonia | Greece | 100.00% | 44.24% |
| Novate SRL | Italy | 85.00% | 45.30% |
| Sogecaec | Portugal | 100.00% | 39.97% |
| **Other business units** | | | |
| BNP Paribas Capital Investments Ltd | United Kingdom | 100.00% | 100.00% |
| BNP Paribas Fleet Holdings Ltd | United Kingdom | 100.00% | 99.99% |
| BNP Paribas International BV | Netherlands | 100.00% | 100.00% |
| BNP Paribas North America Incorporated – PNA | United States | 100.00% | 100.00% |
| BNP Paribas RCC Incorporation - PNA | United States | 100.00% | 100.00% |
| BNP Paribas Services | Switzerland | 100.00% | 99.99% |
| Cetelem America | Brazil | 100.00% | 100.00% |
| Claireville | Belgium | 100.00% | 100.00% |
| Cobema | Belgium | 100.00% | 100.00% |
| Cobepa Technology | Belgium | 100.00% | 100.00% |
| Compagnie Bancaire Uk Fonds B | United Kingdom | 100.00% | 100.00% |
| Compagnie Financière Ottomane | Luxembourg | 96.58% | 96.58% |
| Gepeco | Belgium | 100.00% | 100.00% |
| Paribas Management Services Ltd | United Kingdom | 100.00% | 100.00% |
| Paribas North America | United States | 100.00% | 100.00% |
| Paribas Participation Limitee | Canada | 100.00% | 100.00% |
| Paribas Trust Luxembourg | Luxembourg | 100.00% | 100.00% |
| Parritaye Pty Ltd | Australia | 100.00% | 100.00% |
| Placement, Gestion, Finance Holding - Plagefin | Luxembourg | 99.99% | 99.99% |
| Sagip | Belgium | 100.00% | 100.00% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

**PROPORTIONALLY-CONSOLIDATED COMPANIES**

| | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|

**Financial institutions**

**OUTSIDE FRANCE**

**Credit institutions**

**Europe**

| | | | |
|---|---|---|---|
| BNP AK Dresdner Bank AS | Turkey | 30.00% | 30.00% |
| Findomestic | Italy | 50.00% | 50.00% |

**Other financial institutions**

**Europe**

| | | | |
|---|---|---|---|
| BNP AK Dresdner Financial Kiralama | Turkey | 29.99% | 29.99% |

**Other companies**

**IN FRANCE**

**Insurance**

| | | | |
|---|---|---|---|
| Natio Assurance | | 50.00% | 50.00% |

**Real estate**

| | | | |
|---|---|---|---|
| SAS Bègles Arcins | | 50.00% | 26.65% |
| SAS Cecobil | | 50.00% | 26.65% |
| SAS Soaval | | 50.00% | 19.99% |
| SAS Espace Cordeliers | | 50.00% | 26.65% |
| SAS Le Havre Lafayette | | 50.00% | 26.65% |
| SAS Le Havre Vauban | | 50.00% | 26.65% |
| SCI Antin Vendôme | | 50.00% | 26.65% |
| SCI du Bassin Nord | | 50.00% | 26.65% |

**OUTSIDE FRANCE**

**Insurance**

| | | | |
|---|---|---|---|
| Centro Vita Assicurazioni SPA | Italy | 49.00% | 49.00% |

**Real estate**

| | | | |
|---|---|---|---|
| Effe Kappa SRL | Italy | 50.00% | 26.65% |
| Galiera Parque Nascente SA | Portugal | 50.00% | 26.65% |
| Gondobrico | Portugal | 50.00% | 26.65% |
| I G C | Italy | 50.00% | 26.65% |
| Plaza Centers Management | Hungary | 50.00% | 26.65% |
| P S G | Italy | 50.00% | 19.99% |

**COMPANIES CARRIED UNDER THE EQUITY METHOD**

**Financial institutions**

**IN FRANCE**

**Credit institutions**

| | | | |
|---|---|---|---|
| Axa Banque Financement (formerly Axa Crédit) | | 35.00% | 35.00% |
| Caisse d'Epargne Financement - CEFI | | 33.00% | 33.00% |
| Cofidis International Group | | 15.00% | 15.00% |
| Cofinoga (Group) | | 44.00% | 44.00% |
| Société Paiement PASS | | 40.01% | 40.01% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

| COMPANIES CARRIED UNDER THE EQUITY METHOD | | Group voting interest (%) | Group ownership interest (%) |
|---|---|---|---|
| **Other financial sector company** | | | |
| Verner Investissements (Group) | | 38.90% | 38.90% |
| **OUTSIDE FRANCE** | | | |
| **Credit institutions** | | | |
| **Europe** | | | |
| Fortis Crédit | Belgium | 45.00% | 45.00% |
| Servicios Financieros Carrefour EFC SA | Spain | 40.00% | 40.00% |
| **Other financial sector companies** | | | |
| **Europe** | | | |
| Centro Leasing SPA | Italy | 37.30% | 37.28% |
| **Americas** | | | |
| Carrefour Administration Cartos de Creditos - CCAC | Brazil | 40.00% | 40.00% |
| **Other companies** | | | |
| **IN FRANCE** | | | |
| **Other** | | | |
| BNP Paribas Partners for Innovation | | 50.00% | 50.00% |
| Finaxa | | 13.04% | 20.90% |
| Laser | | 9.01% | 9.01% |
| **OUTSIDE FRANCE** | | | |
| **Real estate** | | | |
| Devimo Consult | Belgium | 35.00% | 13.99% |
| Galiera Comerciale Assago | Italy | 20.00% | 20.00% |
| **Other** | | | |
| Compagnie Benelux de Participations - Cobepa | Belgium | 25.00% | 25.00% |
| Cobepa - Cippar | Belgium | 25.00% | 25.00% |
| Cobepa - Cobepa Finance | Luxembourg | 25.00% | 25.00% |
| Cobepa - Compagnie de Participations Internationales NV | Netherlands | 25.00% | 25.00% |
| Cobepa - Copabel SA | Belgium | 25.00% | 25.00% |
| Cobepa - Groupe Financier Liégeois | Belgium | 24.90% | 24.90% |
| Cobepa - Ibel | Belgium | 25.00% | 25.00% |
| Cobepa - Mascagni | Belgium | 25.00% | 25.00% |
| Cobepa - Paribas Deelnemingen NV | Netherlands | 25.00% | 25.00% |
| Cobepa - Regio Invest Ontwik Maats | Belgium | 25.00% | 25.00% |
| Cobepa - SA Mosane | Belgium | 25.00% | 25.00% |
| Cobepa - Sté Financière et de Réalisation | Belgium | 25.00% | 25.00% |
| Cobepa - Tradexco SA | Belgium | 25.00% | 25.00% |
| Cobepa - Ulran | Luxembourg | 25.00% | 25.00% |
| Fischer Francis Trees and Watts | United States | 24.90% | 81.44% |

(1) Members of the BNP Paribas SA tax group as of 1 January 2004

## NOTE 3 – INTERBANK AND MONEY MARKET ITEMS

| In millions of euros, at 31 December | 2004 | | | 2003 | 2002 |
|---|---|---|---|---|---|
| | Gross | (Provisions) | Net | Net | Net |
| **Cash and amounts due from central banks and post office banks** | **6,843** | **-** | **6,843** | **5,287** | **9,884** |
| **Treasury bills and money market instruments (note 5)** | **128,452** | **(52)** | **128,400** | **106,671** | **83,990** |
| **Due from credit institutions** | | | | | |
| Demand accounts | 7,116 | (28) | 7,088 | 7,062 | 9,426 |
| Term loans and time deposits (a) | 21,173 | (256) | 20,917 | 22,322 | 22,938 |
| Repurchase agreements: | | | | | |
| Securities received under resale agreements | 150,741 | - | 150,741 | 131,137 | 112,100 |
| Bills purchased outright or under resale agreements | 1,128 | - | 1,128 | 1,817 | 1,730 |
| Total securities and bills purchased outright or under resale agreements | 151,869 | - | 151,869 | 132,954 | 113,830 |
| Subordinated loans | 569 | - | 569 | 612 | 318 |
| **Total due from credit institutions** | **180,727** | **(284)** | **180,443** | **162,950** | **146,512** |
| **Total interbank and money market items** | **316,022** | **(336)** | **315,686** | **274,908** | **240,386** |
| *Including accrued interest* | | | *780* | *1,538* | *3,228* |

(a) "Term loans and time deposits" include overnight and term loans which are not represented by a bill or security, particularly financial credits. Financial credits correspond to commercial loans with an initial term of more than one year granted to credit institutions, where the ultimate borrowers are business entities other than financial sector companies, generally from developing countries on which the transfer risk has been provided for (note 8).

## NOTE 4 – CUSTOMER ITEMS

| In millions of euros, at 31 December | 2004 | | | 2003 | 2002 |
|---|---|---|---|---|---|
| | Gross | Provisions | Net | Net | Net |
| **Due from customers** | | | | | |
| Commercial and industrial loans | 12,381 | - | 12,381 | 10,041 | 11,806 |
| Overdrafts | 14,555 | - | 14,555 | 12,822 | 12,908 |
| Other credits: | | | | | |
| – short-term loans | 55,046 | - | 55,046 | 44,145 | 50,503 |
| – mortgage loans | 57,851 | - | 57,851 | 46,739 | 42,701 |
| – investment loans | 26,212 | - | 26,212 | 22,031 | 22,452 |
| – export loans | 9,958 | - | 9,958 | 4,531 | 4,462 |
| – other customer loans | 34,525 | (833) | 33,692 | 36,384 | 38,024 |
| **Total other credits** | **183,592** | **(833)** | **182,759** | **153,830** | **158,142** |
| Doubtful customer loans | 11,045 | (7,513) | 3,532 | 4,250 | 4,385 |
| Accrued interest | 949 | - | 949 | 1,217 | 1,277 |
| Securities and bills purchased outright or under resale agreements | 23,146 | - | 23,146 | 19,319 | 16,103 |
| Subordinated loans [(a)] | 193 | (7) | 186 | 132 | 98 |
| **Total due from customers [(b)]** | **245,861** | **(8,353)** | **237,508** | **201,611** | **204,719** |
| **Leasing receivables** | **20,989** | **(417)** | **20,572** | **20,362** | **20,622** |
| **Total customer items** | **266,850** | **(8,770) (c)** | **258,080** | **221,973** | **225,341** |
| *Including accrued interest* | | | *1,168* | *1,494* | *1,620* |

(a) Participating loans granted to BNP Paribas customers included under “Subordinated loans” amounted to EUR 77 million at 31 December 2004 (EUR 59 million at 31 December 2003 and EUR 53 million at 31 December 2002).

(b) Loans qualifying for refinancing by Banque de France amounted to EUR 9,904 million at 31 December 2004 (EUR 7,879 million at 31 December 2003 and EUR 8,079 million at 31 December 2002).

(c) Including EUR 851 million in general provisions for country risks.

Total customer items, excluding repurchase agreements and provisions for country risks, break down as follows by counterparty:

| | 2004 | | | | | | | 2003 |
|---|---|---|---|---|---|---|---|---|
| In millions of euros, at December 31 | Financial institutions | Corporate | Small-businesses | Private Individuals | Government Agencies | Other | Total | Total |
| **Sound loans** | **9,787** | **115,990** | **16,018** | **82,094** | **6,618** | **1,405** | **231,912** | **198,908** |
| *Including restructured loans* | *5* | *36* | | *455* | *92* | | *588* | *398* |
| **Doubtful loans** | | | | | | | | |
| Gross outstanding loans | 114 | 7,048 | 733 | 3,687 | 200 | 10 | 11,792 | 13,252 |
| *Including irrecoverable loans* | *82* | *4,313* | *630* | *2,858* | *130* | *10* | *8,023* | *8,730* |
| Specific provisions | (50) | (4,642) | (512) | (2,607) | (101) | (7) | (7,919) | (8,543) |
| Net outstanding loans | 64 | 2,406 | 221 | 1,080 | 99 | 3 | 3,873 | 4,709 |
| **Total, net** | **9,851** | **118,396** | **16,239** | **83,174** | **6,717** | **1,408** | **235,785** | **203,617** |

Net irrecoverable loans – which amounted to EUR 8,023 million at 31 December 2004 (EUR 8,730 million at 31 December 2003) – were covered by a EUR 5,746 million provision (EUR 5,523 million at 31 December 2003).

## NOTE 5 - TRANSACTIONS ON TRADING ACCOUNT SECURITIES, SECURITIES AVAILABLE FOR SALE AND DEBT SECURITIES HELD TO MATURITY

| In millions of euros, at 31 December | 2004 | | | | 2003 | | 2002 | |
|---|---|---|---|---|---|---|---|---|
| | Gross value | Provisions | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| **Trading account securities:** | | | | | | | | |
| Treasury bills and money market instruments | 90,497 | - | 90,497 | 90,497 | 73,822 | 73,822 | 54,453 | 54,453 |
| Bonds and other fixed income instruments | 46,191 | - | 46,191 | 46,191 | 34,217 | 34,217 | 24,707 | 24,707 |
| Equities and other variable income instruments | 69,815 | - | 69,815 | 69,815 | 50,442 | 50,442 | 21,149 | 21,149 |
| Own shares held within the Group | 7 | - | 7 | 7 | 80 | 80 | 14 | 14 |
| **Total trading account securities** | **206,510** | **-** | **206,510** | **206,510** | **158,561** | **158,561** | **100,323** | **100,323** |
| *Including unlisted equities and bonds* | *15,174* | - | *15,174* | *15,174* | *7,968* | *7,968* | *4,806* | *4,806* |
| **Securities available for sale:** | | | | | | | | |
| Treasury bills and money market instruments | 5,347 | (52) | 5,295 | 5,376 | 8,045 | 8,403 | 7,254 | 7,830 |
| Bonds and other fixed income instruments | 12,145 | (389) | 11,756 | 11,757 | 14,672 | 14,957 | 9,642 | 10,213 |
| Equities, other variable income instruments and equity securities available for sale in the medium-term | 2,595 | (163) | 2,432 | 2,500 | 1,984 | 2,101 | 1,453 | 1,547 |
| **Total securities available for sale** | **20,087** | **(604)** | **19,483** | **19,633** | **24,701** | **25,461** | **18,349** | **19,590** |
| *Including unlisted equities and bonds* | *2,818* | *(160)* | *2,658* | *2,685* | *2,669* | *2,724* | *1,541* | *1,556* |
| **Debt securities held to maturity:** | | | | | | | | |
| Treasury bills and money market instruments | 32,608 | - | 32,608 | 33,267 | 24,804 | 24,889 | 22,283 | 22,735 |
| Bonds and other fixed income instruments | 8,967 | (15) | 8,952 | 9,066 | 6,116 | 6,643 | 7,615 | 8,009 |
| **Total debt securities held to maturity** | **41,575** | **(15)** | **41,560** | **42,333** | **30,920** | **31,532** | **29,898** | **30,744** |
| *Including unlisted bonds* | *998* | *(2)* | *996* | *1,023* | *359* | *369* | *409* | *414* |
| **Total trading account securities, securities available for sale and debt securities held to maturity (a):** | **268,172** | **(619)** | **267,553** | **268,476** | **214,182** | **215,554** | **148,570** | **150,657** |
| *Including* | | | | | | | | |
| Treasury bills and money market instruments | 128,452 | (52) | 128,400 | 129,140 | 106,671 | 107,114 | 83,990 | 85,018 |
| Bonds and other fixed income instruments | 67,303 | (404) | 66,899 | 67,014 | 55,005 | 55,817 | 41,964 | 42,929 |
| *Including unlisted bonds* | *4,210* | *(56)* | *4,154* | *4,182* | *3,392* | *3,422* | *2,452* | *2,465* |
| Equities and other variable income instruments | 72,417 | (163) | 72,254 | 72,322 | 52,506 | 52,623 | 22,616 | 22,710 |
| *Including unlisted equities* | *14,780* | *(106)* | *14,674* | *14,700* | *7,604* | *7,639* | *4,304* | *4,311* |

(a) Mutual fund shares held by the BNP Paribas Group amounted to EUR 16,489 million at 31 December 2004 (EUR 12,081 million at 31 December 2003 and EUR 4,437 million at 31 December 2002). This amount includes EUR 16,094 million in growth funds, of which EUR 832 million incorporated in France (EUR 11,777 million in 2003, of which EUR 565 million incorporated in France, and EUR 4,246 million in 2002, of which EUR 791 million incorporated in France).

## NOTE 5 – TRANSACTIONS ON TRADING ACCOUNT SECURITIES, SECURITIES AVAILABLE FOR SALE AND DEBT SECURITIES HELD TO MATURITY (cont'd)

Over the past three years, securities were reclassified among the various portfolios as follows:

| Former classification | New classification | Amount transferred during the year (in millions of euros) | | |
|---|---|---|---|---|
| | | 2004 | 2003 | 2002 |
| Trading account securities | Securities available for sale | 1,371 | 830 | 575 |
| Securities available for sale | Debt securities held to maturity | 2,792 | 5 | 270 |
| Debt securities held to maturity | Securities available for sale | 34 | 628 | 769 |

The above amounts do not include arms' length transactions between two Group companies pursuing different management objectives (including purchases of debt securities held to maturity from trading portfolio managers).

Net premiums on debt securities held to maturity, reflecting an acquisition price higher than the redemption price, amounted to EUR 311 million at 31 December 2004 (net premiums of EUR 71 million at 31 December 2003 and net discounts of EUR 364 million at 31 December 2002). These premiums and discounts are amortised over the remaining life of the securities.

Net premiums on securities available for sale, reflecting an acquisition price higher than the redemption price, amounted to EUR 43 million at 31 December 2003 (net premiums of EUR 49 million at 31 December 2003 and net discounts of EUR 181 million at 31 December 2002). These premiums and discounts are amortised over the remaining life of the securities.

Receivables corresponding to securities lent amounted to EUR 15,045 million at 31 December 2004 (EUR 11,065 million at 31 December 2003 and EUR 5,051 million at 31 December 2002).

Accrued interest on fixed income securities was EUR 474 million at 31 December 2004 (EUR 601 million at 31 December 2003 and EUR 506 million at 31 December 2002).

One of the Group subsidiaries engaged in trading and arbitraging on stock market indexes held 125,000 BNP Paribas SA shares at 31 December 2004, under trading account securities (note 22).

## NOTE 6 – INSURANCE COMPANY INVESTMENTS

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| Real estate | 1,173 | 1,103 | 1,141 |
| Equities, mutual funds and other variable income instruments | 4,364 | 2,944 | 2,613 |
| Bonds and other fixed income instruments | 35,800 | 33,153 | 30,323 |
| Admissible assets related to unit-linked business | 24,058 | 22,530 | 20,734 |
| Reinsurers' share of technical reserves | 2,075 | 1,030 | 919 |
| Other | 1,062 | 648 | 629 |
| Accrued interest | 969 | 867 | 795 |
| **Insurance company investments** | **69,501** | **62,275** | **57,154** |

## NOTE 7 – INVESTMENTS IN NON-CONSOLIDATED UNDERTAKINGS, OTHER PARTICIPATING INTERESTS AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT

| In millions of euros, at 31 December | 2004 | | | 2003 | | 2002 | |
|---|---|---|---|---|---|---|---|
| | Gross book value | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| **Equity securities held for long-term investment** | | | | | | | |
| Unlisted securities | 2,234 | 1,923 | 2,076 | 2,405 | 2,908 | 2,620 | 3,245 |
| Listed securities | 1,760 | 1,591 | 2,992 | 2,207 | 3,339 | 2,787 | 3,875 |
| **Total equity securities held for long-term investment** | **3,994** | **3,514** | **5,068** | **4,612** | **6,247** | **5,407** | **7,120** |
| **Investments in non-consolidated undertakings and other participating interests (a):** | | | | | | | |
| Investments in non-consolidated undertakings | 1,920 | 1,517 | 1,776 | 842 | 947 | 887 | 1,032 |
| Other participating interests | | | | | | | |
| Unlisted securities | 814 | 677 | 800 | 730 | 808 | 1,116 | 1,482 |
| Listed securities | 537 | 415 | 1,025 | 588 | 1,097 | 3,869 | 3,743 |
| Total other participating interests | 1,351 | 1,092 | 1,825 | 1,318 | 1,905 | 4,985 | 5,225 |
| **Total investments in non-consolidated undertakings and other participating interests** | **3,271** | **2,609** | **3,601** | **2,160** | **2,852** | **5,872** | **6,257** |
| **Total investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment** | **7,265** | **6,123** | **8,669** | **6,772** | **9,099** | **11,279** | **13,377** |

(a) The market value of unlisted investments in non-consolidated undertakings and other unlisted participating interests is principally determined based on the value of the BNP Paribas Group's equity in the underlying net assets. Where necessary, the valuation is based on revalued net assets.

Investments in non-consolidated credit institutions amounted to EUR 391 million at 31 December 2004 (EUR 144 million at 31 December 2003 and EUR 144 million at 31 December 2002). Participating interests in credit institutions amounted to EUR 461 million at 31 December 2004 (EUR 467 million at 31 December 2003 and EUR 3,566 million at 31 December 2002).

Net unrealised capital gains on investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment, calculated by reference to year-end market prices for listed securities, amounted to EUR 2,546 million at 31 December 2004 (EUR 2,327 million at 31 December 2003 and EUR 2,098 million at 31 December 2002).

## NOTE 7 – INVESTMENTS IN NON-CONSOLIDATED UNDERTAKINGS, OTHER PARTICIPATING INTERESTS AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT (cont'd)

The main companies carried under "Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment" with a net book value of more than EUR 100 million in the BNP Paribas Group's accounts are listed below:

| In millions of euros | % interest | Head office | Consolidated shareholders' equity in 2003 (a) | 2003 consolidated net income (loss) | Net book value in the BNP Paribas Group accounts |
|---|---|---|---|---|---|
| **Interests representing less than 5% of the investee's share capital** | | | | | |
| Total | 0.21 | La Défense | 30,406 | 7,025 | 164 |
| Véolia Environnement | 1.84 | Paris | 3,575 | (2,055) | 145 |
| Shinhan Financial Group | 4.39 | Seoul (South Korea) | 3,676 | 277 | 143 |
| Peugeot | 1.53 | Paris | 11,864 | 1,497 | 114 |
| Sagem | 4.05 | Paris | 1,178 | 120 | 112 |
| Schneider Electric | 1.92 | Boulogne Billancourt | 7,659 | 433 | 105 |
| **Interests representing between 5% and 10% of the investee's share capital** | | | | | |
| Bouygues Telecom | 6.41 | Issy Les Moulineaux | 1,553 | 198 | 171 |
| Cassa Di Risparmio Di Firenze | 6.99 | Florence (Italy) | 958 | 95 | 118 |
| **Interests representing more than 10% of the investee's share capital** | | | | | |
| Pargesa Holding | 14.58 | Geneva (Switzerland) | 3,895 | 136 | 357 |
| Erbe SA | 47.01 | Gerpinnes (Belgium) | 670 | 26 | 335 |
| Tyler Trading Inc | 19.03 | Wilmington (USA) | 1,705 | 43 | 294 |
| ABN Amro Advisory Inc | 19.35 | Chicago (USA) | 1,283 | 42 | 221 |
| Crédit Logement | 16.50 | Paris | 1,231 | 49 | 207 |
| Eiffage | 19.16 | Issy Les Moulineaux | 1,012 | 140 | 107 |
| **Interests in investment funds** | | | | | |
| PAI Europe III | 13.77 | Paris | N/A | N/A | 134 |
| PAI LBO Fund | 62.43 | Paris | N/A | N/A | 123 |

(a) According to French accounting standards, including net income/(loss)

## NOTE 8 – PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **At 1 January** | **11,705** | **13,029** | **13,171** |
| Net additions during the period | 693 | 1,379 | 1,532 |
| Write-offs during the period covered by provisions | (1,497) | (1,724) | (1,470) |
| Translation adjustments and other changes | (322) | (979) | (204) |
| **At 31 December** | **10,579** | **11,705** | **13,029** |
| Breakdown of provisions: | | | |
| – Provisions deducted from assets: | | | |
| • On interbank items (a) | 284 | 256 | 416 |
| • On customer items (note 4) | 8,770 | 9,506 | 10,347 |
| • On securities (a) | 443 | 746 | 1,009 |
| Total provisions deducted from assets | 9,497 | 10,508 | 11,772 |
| *Including provisions for country risks* | *1,211* | *1,481* | *2,119* |
| – Provisions recorded under liabilities (note 19): | | | |
| • To cover off balance sheet commitments | 428 | 505 | 570 |
| • To cover credit risks | 654 | 692 | 469 |
| • To cover industry risks | - | - | 218 |
| Total provisions recorded under liabilities | 1,082 | 1,197 | 1,257 |
| *Including provisions for country risks* | *258* | *314* | *309* |
| **Total provisions for credit risks and country risks** | **10,579** | **11,705** | **13,029** |

(a) Provisions on loans to credit institutions mainly concern financial credits (note 3) exposed to country risk. Provisions on securities shown in the above table primarily cover the country risk affecting securities held by the BNP Paribas Group.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions for losses on off balance sheet commitments, provisions for claims and litigation, and provisions for risks that are probable in light of current or past events but the amount and timing of which cannot be reliably determined.

Provisions covering principal and interest on sovereign loans amounted to EUR 1,469 million at 31 December 2004 (EUR 1,795 million at 31 December 2003 and EUR 2,428 million at 31 December 2002).

**NOTE 8 – PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS (cont'd)**

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| Additions to provisions for credit risks and country risks: | | | |
| • Customer and interbank items | 1,855 | 2,278 | 2,533 |
| • Off balance sheet commitments | 68 | 51 | 93 |
| • Securities | 78 | 214 | 87 |
| • Other credit risks | 331 | 367 | 112 |
| **Total additions to provisions for credit risks and country risks** | **2,332** | **2,910** | **2,825** |
| Recoveries of provisions for credit risks and country risks: | | | |
| • Customer and interbank items | (1,154) | (1,137) | (1,024) |
| • Off balance sheet commitments | (60) | (38) | (38) |
| • Securities | (73) | (226) | (132) |
| • Other credit risks | (352) | (130) | (99) |
| **Total recoveries of provisions for credit risks and country risks** | **(1,639)** | **(1,531)** | **(1,293)** |
| **Net additions to provisions for credit risks and country risks** | **693** | **1,379** | **1,532** |
| Write-offs not covered by provisions | 136 | 187 | 146 |
| Recoveries of amounts written off | (97) | (104) | (101) |
| Elimination of net addition to provisions for interest in arrears recorded under net banking income | (54) | (101) | (107) |
| **Net charge for the period for credit risks and country risks** | **678** | **1,361** | **1,470** |
| Including: | | | |
| • Net charge to provisions for specific credit risks | 902 | 1,727 | 1,555 |
| • Net recovery of provisions for country risks | (224) | (366) | (85) |

## NOTE 9 – INVESTMENTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD

| In millions of euros, at 31 December 2004 | Total investments in companies carried under the equity method | | | Net book value of the investments in the individual accounts of Group companies |
|---|---|---|---|---|
| | Equity in net assets (based on voting interest) | Equity in 2004 net income (loss) (based on voting interest) | Total | |
| **Financial institutions:** | | | | |
| *Credit institutions* | *449* | *99* | *548* | *302* |
| Cofinoga | 241 | 50 | 291 | 130 |
| Société de paiement pass | 85 | 19 | 104 | 35 |
| Cofidis International Groupe | 39 | 17 | 56 | 13 |
| Servicios Financieros Carrefour EFC SA | 52 | 9 | 61 | 87 |
| Other | 32 | 4 | 36 | 37 |
| *Other financial institutions* | *174* | *15* | *189* | *217* |
| Centro Leasing SPA | 52 | 5 | 57 | 42 |
| CCAC Brazil | 28 | 13 | 41 | 38 |
| Other | 94 | (3) | 91 | 137 |
| **Total financial institutions** | **623** | **114** | **737** | **519** |
| **Other companies:** | | | | |
| Laser | 32 | 6 | 38 | 53 |
| Finaxa | 823 | 64 | 887 | 492 |
| Fischer Francis Trees and Watts | (2) | 5 | 3 | 71 |
| Cobepa | 82 | 3 | 85 | 100 |
| Other | 9 | 2 | 11 | 8 |
| **Total other companies** | **944** | **80** | **1,024** | **724** |
| **Total investments in companies carried under the equity method** | **1,567** | **194** | **1,761** | **1,243** |

## NOTE 10 – LONG-TERM INVESTMENTS

| In millions of euros | Cost at 1 January 2004 | Acquisitions | Redemptions and disposals | Transfers and other movements | Cost at 31 Dec. 2004 | Provisions at 1 Jan. 2004 | Additions to provisions | Recoveries of provisions | Other provision movements | Provisions at 31 Dec. 2004 | Net book value at 31 Dec. 2004 | Net boo value a 31 Dec 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt securities held to maturity (note 5) | 30,965 | 70,830 | (62,384) | 2,164 | 41,575 | (45) | - | 1 | 29 | (15) | 41,560 | 30,920 |
| Investments in non-consolidated undertakings and other participating interests (note 7) | 2,912 | 412 | (511) | 458 | 3,271 | (752) | (71) | 224 | (63) | (662) | 2,609 | 2,160 |
| Equity securities held for long-term investment (note 7) | 5,358 | 463 | (1,194) | (633) | 3,994 | (746) | (119) | 330 | 55 | (480) | 3,514 | 4,612 |
| Investments in companies carried under the equity method (note 9) | 1,631 | | | 130 | 1,761 | | | | | | 1,761 | 1,631 |
| **Total long-term investments** | **40,866** | **71,705** | **(64,089)** | **2,119** | **50,601** | **(1,543)** | **(190)** | **555** | **21** | **(1,157)** | **49,444** | **39,323** |

**NOTE 11 – TANGIBLE AND INTANGIBLE ASSETS**

| In millions of euros, at 31 December | 2004 | | | 2003 | 2002 |
|---|---|---|---|---|---|
| | Gross | Depreciation amortisation and provisions | Net | Net | Net |
| Intangible assets | | | | | |
| - Computer software | 2,143 | (1,306) | 837 | 698 | 538 |
| - Other intangible assets | 965 | (224) | 741 | 789 | 749 |
| Total intangible assets | 3,108 | (1,530) | 1,578 | 1,487 | 1,287 |
| Tangible assets: | | | | | |
| - Land and buildings | 3,578 | (1,211) | 2,367 | 2,123 | 2,076 |
| - Rental properties (land and buildings) | 4,494 | (679) | 3,815 | 3,397 | 3,062 |
| - Equipment, furniture and fixtures | 4,328 | (2,874) | 1,454 | 1,600 | 1,695 |
| - Other fixed assets | 369 | (1) | 368 | 401 | 520 |
| Total tangible assets | 12,769 | (4,765) | 8,004 | 7,521 | 7,353 |
| **Total tangible and intangible assets** | **15,877** | **(6,295)** | **9,582** | **9,008** | **8,640** |

Intangible assets

Other intangible assets include lease rights, goodwill and trade marks acquired by the Group, including the Consors trade mark acquired in 2002.

Operating assets

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. The book value of the assets was increased by EUR 1,156 million, and the corresponding capital gain was posted to consolidated shareholders' equity under "capital gains on restructuring", net of the related tax effect (note 22). In order to reflect what appeared to be a lasting decline in the real estate market, in 1997 the book value of these real estate assets was written down by EUR 545 million. The adjustment, net of the related tax effect, was recorded in the balance sheet under "capital gains on restructuring", consistently with the initial adjustment.

The operating assets held by Paribas and its subsidiaries at the time of the merger are stated at historical cost.

Depreciation and provisions on rental properties include a EUR 77 million provision booked in accordance with the principle of prudence to cover unrealised losses on the rental properties held by Compagnie Bancaire.

Non-operating assets

At 31 December 2004, non-operating land and buildings, including assets leased under operating leases, amounted to EUR 3,844 million (EUR 3,454 million at 31 December 2003 and EUR 3,122 million at 31 December 2002). The total includes shopping centres acquired for rental.

Depreciation, amortisation and provisions

The charge for depreciation, amortisation and provisions recorded in 2004 amounted to EUR 755 million (EUR 758 million in 2003 and EUR 618 million in 2002).

## NOTE 12 – GOODWILL

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Net amount at 1 January** | **5,578** | **6,547** | **4,489** |
| Goodwill on acquisitions made during the year | 1,354 | 50 | 2,988 |
| Translation adjustment | (236) | (559) | (397) |
| Amortisation for the year | (408) | (417) | (388) |
| Exceptional amortisation of goodwill | (44) | (43) | (145) |
| **Unamortised goodwill at 31 December** | **6,244** | **5,578** | **6,547** |

Net amortisation of goodwill totalled EUR 384 million for 2004 (EUR 399 million for 2003 and EUR 366 million for 2002), after deducting EUR 24 million in amortisation of badwill (EUR 18 million in 2003 and EUR 22 million in 2002). Exceptional amortisation of goodwill on investments sold includes EUR 20 million (EUR 43 million in 2003 and EUR 95 million in 2002) corresponding to goodwill recorded on acquisition of minority interests in the Cobepa sub-group. An additional EUR 24 million in exceptional amortisation was recorded following the sale of 75% of Cobepa to a non-consolidated entity. The exceptional amortisation was deducted from “gains on long-term investments and changes in provisions”.

Badwill amounted to EUR 15 million at 31 December 2004 (EUR 18 million at 31 December 2003 and EUR 22 million at 31 December 2002), including EUR 13 million concerning Finaxa.

Goodwill recognised in 2004 primarily concerns the acquisition of shares in Community First Bankshares and Union Safe Deposit Bank in an amount of USD 1,149 million, as well as the purchase of shares in Atis Real International and Verner Investissements.

## NOTE 13 – ACCRUED INCOME AND OTHER ASSETS

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Accrued income and other adjustment accounts** | | | |
| Valuation adjustment accounts (a) | 14,234 | 13,853 | 20,228 |
| Accrued income | 3,372 | 5,419 | 5,331 |
| Collection accounts | 3,530 | 2,845 | 3,488 |
| Other adjustment accounts (b) | 4,584 | 6,707 | 9,501 |
| Total accrued income and other adjustment accounts | 25,720 | 28,824 | 38,548 |
| **Other assets** | | | |
| Premiums on purchased options | 39,192 | 42,185 | 36,328 |
| Settlement accounts related to securities transactions | 4,625 | 5,067 | 3,655 |
| Investments in Codevi "industrial development" securities | 3,319 | 3,716 | 3,702 |
| Deferred tax assets | 930 | 853 | 975 |
| Other insurance company assets | 1,677 | 1,142 | 931 |
| Other | 24,345 | 11,633 | 10,458 |
| Total other assets | 74,088 | 64,596 | 56,049 |
| **Total accrued income and other assets** | **99,808** | **93,420** | **94,597** |

(a) Mark-to-market gains on foreign exchange instruments and forward instruments.
(b) Includes prepaid interest on customer and interbank accounts and prepaid expenses.

**NOTE 14 – INTERBANK ITEMS AND MONEY MARKET SECURITIES**

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Interbank and money market items** | | | |
| Demand accounts | 7,914 | 5,027 | 8,859 |
| Time deposits and borrowings | 85,780 | 61,740 | 52,808 |
| Securities and bills sold outright or under repurchase agreements: | | | |
| • Securities given under repurchase agreements | 149,479 | 122,258 | 113,552 |
| • Bills sold outright or under repurchase agreements | 1,790 | 2,229 | 2,686 |
| Total securities and bills sold outright or under repurchase agreements | 151,269 | 124,487 | 116,238 |
| **Total interbank and money market items** | **244,963** | **191,254** | **177,905** |
| **Debt securities issued to credit institutions** | | | |
| Interbank market securities | 1,175 | 1,025 | 1,025 |
| **Total interbank items and money market securities** | **246,138** | **192,279** | **178,930** |
| *Including accrued interest* | *793* | *1,785* | *2,273* |

Interbank demand deposits amounted to EUR 4,272 million at 31 December 2004 (EUR 4,906 million at 31 December 2003 and EUR 8,465 million at 31 December 2002).

**NOTE 15 – CUSTOMER DEPOSITS, RETAIL CERTIFICATES OF DEPOSIT AND NEGOTIABLE CERTIFICATES OF DEPOSIT**

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Customer deposits:** | | | |
| Demand accounts | 84,292 | 69,464 | 70,950 |
| Time accounts | 72,341 | 68,899 | 72,150 |
| Regulated savings accounts | 39,712 | 36,622 | 31,113 |
| Repurchase agreements: | | | |
| Securities given under repurchase agreements | 41,345 | 35,475 | 20,819 |
| Bills sold outright or under repurchase agreements | 22 | 161 | 537 |
| Total securities and bills sold outright or under repurchase agreements | 41,367 | 35,636 | 21,356 |
| **Total customer deposits** | **237,712** | **210,621** | **195,569** |
| **Bonds and negotiable short-term debt instruments:** | | | |
| Negotiable certificates of deposit | 83,844 | 67,014 | 64,913 |
| Retail certificates of deposit | 6,712 | 4,933 | 6,708 |
| **Total bonds and negotiable short-term debt instruments** | **90,556** | **71,947** | **71,621** |
| **Total customer deposits, negotiable certificates of deposit and retail certificates of deposit** | **328,268** | **282,568** | **267,190** |
| *Including accrued interest* | *578* | *648* | *968* |

Regulated demand savings deposits, including savings collected for investment, totalled EUR 20,763 million at 31 December 2004 (EUR 18,272 million at 31 December 2003 and EUR 14,515 million at 31 December 2002). Other customer demand deposits amounted to EUR 92,921 million at 31 December 2004 (EUR 76,701 million at 31 December 2003 and EUR 74,542 million at 31 December 2002).

## NOTE 16 – BOND ISSUES

The following table shows bonds issued by the Group by currency, contractual interest rate and maturity:

| Issuing currency in millions of euros | Average interest rate | Balance outstanding at 31/12/2004 | Maturity 2005 | 2006 | 2007 | 2008 | 2009 | 2010 to 2014 | Beyond 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Eurozone issues | Variable | 2,867 | 617 | 912 | 409 | 200 | - | 31 | 698 |
| | 5.89% | 8,834 | 549 | 1,741 | 1,366 | 1,535 | 305 | 2,943 | 395 |
| US dollar issues | Variable | 705 | - | 150 | 67 | - | - | - | 488 |
| | 3.88% | 44 | - | 44 | | | | | |
| Issues in other currencies | Variable | 224 | - | 40 | 172 | 12 | | | |
| | 6.12% | 157 | 1 | 7 | 10 | - | 139 | | |
| Total bonds issued | | 12,831 | 1,167 | 2,894 | 2,024 | 1,747 | 444 | 2,974 | 1,581 |
| BNP Paribas Group bonds held by consolidated companies | | (1,847) | | | | | | | |
| Total BNP Paribas Group bonds outstanding | | 10,984 | | | | | | | |
| Accrued interest | | 110 | | | | | | | |
| Total bond issues | | 11,094 | | | | | | | |

Unamortised premiums on the above issues, corresponding to the difference between the issue proceeds and the redemption price, amounted to EUR 330 million at 31 December 2004 (EUR 163 million at 31 December 2003 and EUR 158 million at 31 December 2002).

## NOTE 17 – TECHNICAL RESERVES OF INSURANCE COMPANIES

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| Life technical reserves | 40,244 | 35,910 | 32,684 |
| Technical reserves – unit-linked business | 24,700 | 22,554 | 21,047 |
| Non-life technical reserves | 2,098 | 1,694 | 1,409 |
| Policyholders' surplus | 1,091 | 1,139 | 1,048 |
| Accrued interest | 1,245 | 511 | 338 |
| **Total technical reserves** | **69,378** | **61,808** | **56,526** |

Policyholders' surplus primarily includes the funds set aside to top up the return offered to holders of life insurance policies if necessary in future years (EUR 592 million at 31 December 2004, EUR 615 million at 31 December 2003 and EUR 547 million at 31 December 2002).

## NOTE 18 – ACCRUALS AND OTHER LIABILITIES

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Accruals:** | | | |
| Accrued liabilities | 2,333 | 4,459 | 5,060 |
| Valuation adjustment accounts (a) | 14,986 | 14,528 | 20,617 |
| Collection accounts | 4,789 | 2,923 | 2,066 |
| Other accruals | 10,250 | 8,585 | 4,806 |
| **Total accruals** | **32,358** | **30,495** | **32,549** |
| **Other liabilities:** | | | |
| Settlement accounts related to securities transactions | 5,430 | 6,938 | 4,966 |
| Liabilities related to written options | 41,747 | 43,634 | 37,782 |
| Liabilities related to securities transactions | 102,569 | 88,430 | 57,471 |
| Deferred tax liabilities | 1,462 | 1,417 | 1,685 |
| Other insurance liabilities | 653 | 418 | 494 |
| Other payables and liabilities | 13,909 | 13,488 | 10,889 |
| **Total other liabilities** | **165,770** | **154,325** | **113,287** |
| **Total accruals and other liabilities** | **198,128** | **184,820** | **145,836** |

(a) Mark-to-market losses on foreign exchange instruments and forward instruments.

## NOTE 19 – PROVISIONS FOR CONTINGENCIES AND CHARGES

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| Provisions for pensions and other post-employment benefits (note 27) | 1,349 | 1,467 | 1,245 |
| Provisions for credit risks and equivalents (note 8) | 654 | 692 | 469 |
| Provisions for industry risks (note 8) | - | - | 218 (a) |
| Provisions for off balance sheet commitments (note 8): | | | |
| - credit risks | 170 | 191 | 261 |
| - country risks | 258 | 314 | 309 |
| Restructuring (note 41) | 29 | 80 | 178 |
| Other provisions | 1,304 | 1,301 | 1,464 |
| **Total provisions for contingencies and charges** | **3,764** | **4,045** | **4,144** |

(a) At 31 December 2002, the provision for industry risks was notionally earmarked to cover losses on listed investments, whereas in previous years it was not allocated to any specific risks. In 2003, the provision was reversed to avoid duplication with the provisions booked for each line of securities concerned (see note 37).

In 2003 a general provision of EUR 250 million was recorded under "Provisions for credit risks and equivalents" in order to cover the risk of any continuation of the economic downturn in Europe. In 2004, EUR 128 million of this amount was allocated to cover specific risks.

Off balance sheet credit risks covered by provisions amounted to EUR 822 million at 31 December 2004 (EUR 983 million at 31 December 2003 and EUR 1,222 million at 31 December 2002).

At 31 December 2004, other provisions for contingencies and charges break down as follows:

| In millions of euros | 1 January 2004 | Additions | Reversals | Other movements | 31 December 2004 |
|---|---|---|---|---|---|
| **Provisions set up in connection with banking and banking-related transactions** | **539** | **208** | **(293)** | **(21)** | **433** |
| - Provisions for contingencies related to capital markets transactions | 187 | 84 | (175) | 2 | 98 |
| - Provisions for potential losses on long-term investments | 194 | 56 | (37) | (11) | 202 |
| - Other provisions related to banking transactions | 158 | 68 | (81) | (12) | 133 |
| **Provisions not set up in connection with banking or banking-related transactions** | **762** | **395** | **(257)** | **(29)** | **871** |
| **Total other provisions for contingencies and charges** | **1,301** | **603** | **(550)** | **(50)** | **1,304** |

**NOTE 20 – SUBORDINATED DEBT**

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Subordinated medium- and long-term debt** | **10,298** | **11,112** | **11,776** |
| **Undated subordinated debt:** | | | |
| Undated participating subordinated notes | 308 | 312 | 343 |
| Other undated floating-rate subordinated notes: | | | |
| In foreign currencies | 654 | 707 | 849 |
| In euros | 290 | 290 | 305 |
| Total undated floating rate subordinated notes | 944 | 997 | 1,154 |
| Undated notes | 398 | 412 | 629 |
| **Total undated subordinated debt** | **1,650** | **1,721** | **2,126** |
| **Total subordinated debt issued by BNP Paribas Group** | **11,948** | **12,833** | **13,902** |
| Accrued interest | 294 | 393 | 381 |
| **Total** | **12,242** | **13,226** | **14,283** |

**<u>Subordinated medium- and long-term debt</u>**

Subordinated debt included under this heading consists of medium and long-term debentures originally issued in French francs, euros and foreign currencies that are equivalent to debt ranking last before participating debt and securities for repayment purposes in the case of liquidation of the Bank.

Subordinated medium- and long-term debt issued by the Group generally contains a call provision authorising BNP Paribas to buy back its securities directly in the market or through tender offers or, in the case of private placements, over the counter.

Borrowings in international markets by BNP Paribas SA or foreign subsidiaries of the BNP Paribas Group may be subject to early repayment of principal and the early payment of interest due at maturity in the event that changes in applicable tax laws oblige the BNP Paribas Group issuer to compensate debtholders for the consequences of such changes. The debt securities may be called on 15 to 60 days' notice subject to approval by the banking supervisory authorities.

At 31 December 2004, subordinated medium- and long-term debt broke down as follows by maturity and by currency:

| Issuing currency | Total | Maturity | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 to 2014 | Beyond 2014 |
| Subordinated medium-and long-term debt: | | | | | | | | |
| • In euros | 6,359 | 331 | 290 | 486 | 932 | 65 | 3,756 | 499 |
| • In US dollars | 3,137 | 55 | 166 | 441 | - | 220 | 1,420 | 835 |
| • In other currencies | 802 | 118 | - | 77 | 52 | - | 45 | 510 |
| **Total subordinated medium-and long-term debt** | **10,298** | **504** | **456** | **1,004** | **984** | **286** | **5,221** | **1,843** |

## NOTE 20 – SUBORDINATED DEBT (cont'd)

### Undated subordinated debt

In July 1984, pursuant to the French Law of 3 January 1983, BNP SA issued a first block of 1,800,000 undated participating subordinated notes (*titres participatifs*) with a face value of FRF 1,000 for a total of EUR 274 million. Subscription rights to new undated participating subordinated notes were attached to each of these notes. In connection with rights exercised in the period from 1985 to 1988, BNP SA issued a total of 412,761 new undated participating subordinated notes with a face value of FRF 1,000. The notes were issued at a total premium of EUR 4 million. The notes are redeemable only in the event of liquidation of the Bank, but may be retired in accordance with the terms of the law. Under this option, 219,742 notes were retired in 2004 and subsequently cancelled.

In October 1985, BNP SA issued EUR 305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). The notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all other debts of the Bank but senior to the undated participating subordinated notes issued by BNP SA. The Board of Directors is entitled to postpone interest payments if the shareholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP SA raised a further USD 500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In July 1986 and December 1996, Paribas SA issued undated subordinated notes in the amounts of USD 165 million and USD 200 million respectively.

Between 1996 and 1998, BNP SA issued undated notes which may be called at the issuer's discretion, starting from a date specified in the issuing agreement and contingent upon the consent of the *Commission Bancaire*.

Undated participating subordinated notes, undated subordinated notes and undated notes qualify as Tier 2 capital under French regulations and international guidelines on capital adequacy.

## NOTE 21 – RESERVE FOR GENERAL BANKING RISKS

The reserve for general banking risks amounted to EUR 752 million at 31 December 2004 (EUR 843 million at 31 December 2003 and EUR 997 million at 31 December 2002).

## NOTE 22 – CONSOLIDATED SHAREHOLDERS' EQUITY

| In millions of euros | Capital | Additional paid-in capital in excess of par | Capital gain on restructuring and revaluation surplus |
|---|---|---|---|
| **Balance at 1 January 2002** | **1,772** | **10,476** | **380** |
| . Operations affecting capital in 2002: | | | |
| - share issues | 18 | 328 | |
| . Cancellation of contingent value rights certificates held by BNP Paribas | | | |
| . Issue of preferred shares | | | |
| . BNP Paribas SA shares held pursuant to the 5th resolution of the Annual Shareholders' Meetings of 23 May 2000 and 15 May 2001 | | | |
| . Translation adjustment | | | |
| . Other | | | (3) |
| . 2002 consolidated net income | | | |
| **Balance at 31 December 2002 before appropriation of income** | **1,790** | **10,804** | **377** |
| 2002 cash dividend | | | |
| **Balance at 1 January 2003** | **1,790** | **10,804** | **377** |
| . Operations affecting capital in 2003: | | | |
| - share issues | 16 | 213 | |
| . Issue of preferred shares | | | |
| . BNP Paribas SA shares held pursuant to the 6th resolution of the Annual Shareholders' Meetings of 31 May 2002 and 14 May 2003 | | | |
| . Translation adjustment | | | |
| . Effect of applying standard CRC 2002-03 (note 1) | | | |
| . Other | | | (3) |
| . 2003 consolidated net income | | | |
| **Balance at 31 December 2003 before appropriation of income** | **1,806** | **11,017** | **374** |
| 2003 cash dividend | | | |
| **Balance at 1 January 2004** | **1,806** | **11,017** | **374** |
| . Operations affecting capital in 2004: | | | |
| - share issues | 13 | 239 | |
| - capital reductions | (50) | (916) | |
| . BNP Paribas SA shares held pursuant to the 6th resolution of the Annual Shareholders' Meetings of 14 May 2003 and 28 May 2004 | | | |
| . Translation adjustment | | | |
| . Interim dividends paid to minority shareholders of Group subsidiaries | | | |
| . Other | | | (5) |
| . 2004 consolidated net income | | | |
| **Balance at 31 December 2004 before appropriation of income** | **1,769** | **10,340** | **369** |

| Retained earnings | | | | | | |
|---|---|---|---|---|---|---|
| Cumulative translation adjustment | Parent company retained earnings and Group's share in retained earnings of subsidiaries | Elimination of shares held by BNP Paribas | Retained earnings, capital gains resulting from real estate restructuring and revaluation surplus | Shareholders' equity attributable to BNP Paribas Group | Minority interests | Total consolidated shareholders' equity |
| **(93)** | **11,971** | **(935)** | **11,323** | **23,571** | **2,939** | **26,510** |
| | | | | | | |
| | | | | 346 | | 346 |
| | (226) | 161 | (65) | (65) | | (65) |
| | | | | | 1,276 | 1,276 |
| | | | | | | |
| | (50) | (329) | (379) | (379) | | (379) |
| (342) | | | (342) | (342) | (203) | (545) |
| | 22 | | 19 | 19 | 180 | 199 |
| | 3,295 | | 3,295 | 3,295 | 343 | 3,638 |
| **(435)** | **15,012** | **(1,103)** | **13,851** | **26,445** | **4,535** | **30,980** |
| | (1,040) | | (1,040) | (1,040) | (284) | (1,324) |
| **(435)** | **13,972** | **(1,103)** | **12,811** | **25,405** | **4,251** | **29,656** |
| | | | | | | |
| | | | | 229 | | 229 |
| | | | | | 700 | 700 |
| | | | | | | |
| | (94) | (802) | (896) | (896) | | (896) |
| (167) | | | (167) | (167) | (284) | (451) |
| | (33) | | (33) | (33) | | (33) |
| | 25 | | 22 | 22 | 12 | 34 |
| | 3,761 | | 3,761 | 3,761 | 340 | 4,101 |
| **(602)** | **17,631** | **(1,905)** | **15,498** | **28,321** | **5,019** | **33,340** |
| | (1,212) | | (1,212) | (1,212) | (329) | (1,541) |
| **(602)** | **16,419** | **(1,905)** | **14,286** | **27,109** | **4,690** | **31,799** |
| | | | | | | |
| | | | | 252 | | 252 |
| | | 966 | 966 | | | |
| | | | | | | |
| | (94) | (1,611) | (1,705) | (1,705) | | (1,705) |
| (187) | | | (187) | (187) | (104) | (291) |
| | | | | | (157) | (157) |
| | 62 | | 57 | 57 | (8) | 49 |
| | 4,668 | | 4,668 | 4,668 | 403 | 5,071 |
| **(789)** | **21,055** | **(2,550)** | **18,085** | **30,194** | **4,824** | **35,018** |

## OPERATIONS INVOLVING SHARE CAPITAL IN 2002, 2003 AND 2004

### Operations affecting capital in 2002

#### Share-split

In accordance with the authorisation received from the Shareholders' Meeting of 15 May 2001 (12th resolution), on 18 December 2001 the Board of Directors decided to carry out a two-for-one share split. Following this share-split, carried out on 20 February 2002, BNP Paribas' capital was made up of 886,622,994 ordinary shares with a par value of EUR 2.

#### Capital increases

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 15 May 2001, the Board of Directors decided on 28 February 2002 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 27 June 2002, the mutual fund subscribed 7,623,799 ordinary shares with a par value of EUR 2 for this purpose. In addition, BNP Paribas employees subscribed 927,046 shares with rights from 1 January 2001 under the stock option plan.

At 31 December 2002, the capital of BNP Paribas SA consisted of 895,173,839 fully-paid ordinary shares with a par value of EUR 2.

During 2002, employees also subscribed 705,985 shares with a par value of EUR 2 and with rights from 1 January 2002 under the stock option plan. The corresponding capital increase was carried out on 23 January 2003.

### Operations affecting capital in 2003

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 31 May 2002, the Board of Directors decided on 4 February 2003 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 2 July 2003, the mutual fund subscribed 6,673,360 ordinary shares with a par value of EUR 2 for this purpose. Also on 2 July 2003, 517,716 shares were issued to employees on exercise of stock options with rights from 1 January 2002 and 100,715 shares with rights from 1 January 2003.

At 31 December 2003, the capital of BNP Paribas SA consisted of 903,171,615 fully-paid ordinary shares with a par value of EUR 2.

During 2003, employees also subscribed 443,989 shares with a par value of EUR 2 and with rights from 1 January 2003 under the stock option plan. The corresponding capital increase was carried out on 28 January 2004.

### Operations affecting capital in 2004

#### Capital reduction

Pursuant to authorisations received from the Shareholders' Meeting of 14 May 2003 (18th resolution), the Board of Directors decided on 24 March 2004 to cancel by way of a reduction of capital 25,000,000 BNP Paribas shares held in treasury stock.

#### Capital increases

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders' Meeting of 14 May 2003, the Board of Directors decided on 4 February 2004 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 6 July 2004, the mutual fund subscribed 5,477,862 ordinary shares with a par value of EUR 2 for this purpose. Also on 6 July 2004, 552,435 shares were issued to employees on exercise of stock options with rights from 1 January 2003 and 54,543 shares with rights from 1 January 2004.

**NOTE 22 – CONSOLIDATED SHAREHOLDERS' EQUITY (cont'd)**

At 31 December 2004, the capital of BNP Paribas SA consisted of 884,700,444 fully-paid ordinary shares with a par value of EUR 2.

During 2004, employees also subscribed 518,758 shares with a par value of EUR 2 and with rights from 1 January 2004 under the stock option plan. The corresponding capital increase was carried out on 25 January 2005.

## ANALYSIS OF ADDITIONAL PAID-IN CAPITAL IN EXCESS OF PAR

In 2002, additional paid-in capital in excess of par was increased by EUR 328 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In 2003, this item was increased by EUR 213 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In 2004, this item was increased by EUR 239 million following the issue of BNP Paribas shares on exercise of employee stock options and in connection with an employee share issue.

In addition, this item was reduced by EUR 916 million in connection with the cancellation of 25,000,000 BNP Paribas shares.

Additional paid-in capital in excess of par also includes a capital gain on real estate restructuring of EUR 278 million related to a restructuring operation whereby BNP transferred its real estate holdings to its subsidiary "Compagnie Immobilière de France, CIF", in 1991 and 1992. The resulting capital gain is recognised in the consolidated profit and loss account in proportion to the additional depreciation charge taken by CIF. The residual gain includes a write-down of EUR 420 million taken during 1997 (see notes 1 and 11).

## PREFERRED SHARES

In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of the Group, made a USD 500 million issue of non-cumulative preferred shares, which do not dilute earnings per ordinary share. The shares pay a contractual dividend of 7.738% for a period of ten years. At the end of that period, the issuer may redeem the shares at par at the end of any calendar quarter. Until they are redeemed, the shares will pay a dividend indexed to Libor. The proceeds of this issue are included in shareholders' equity under "Minority interests" and the corresponding remuneration is treated as a distribution to minority shareholders.

A second USD 500 million issue of non-cumulative preferred shares was carried out in October 2000 by another wholly- owned subsidiary, BNP Paribas Capital Trust. These shares pay a contractual dividend of 9.003% for a period of ten years.

In October 2001, two non-cumulative preferred share issues, totalling EUR 350 million and EUR 500 million, were carried out by two wholly-owned subsidiaries of the Group, BNP Paribas Capital Trust II and III. Shares in the first issue pay a dividend of 7% over 5 years and shares in the second issue pay a dividend of 6.625% over 10 years. Shares in the first issue are redeemable at the issuer's discretion after five years and at each interest payment date thereafter. Shares that have not been redeemed will continue to pay a dividend of 7%.

In January and June 2002, an additional two non-cumulative preferred share issues, totalling EUR 660 million and USD 650 million, were carried out by two wholly-owned subsidiaries of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% over 10 years. The annual dividend on shares in the second issue is 7.2%, paid quarterly. The shares are redeemable after five years and at each quarterly coupon date thereafter. Shares that have not been redeemed will continue to pay a dividend of 7.2%.

In January 2003, another EUR 700 million non-cumulative preferred share issue was carried out by a wholly-owned subsidiary of the Group, BNP Paribas Capital Trust VI. The shares pay a contractual dividend of 5.868%. They are redeemable after 10 years and on each annual coupon date thereafter. Shares not redeemed in 2013 will pay a quarterly dividend equal to the 3-month Euribor + 2.48%.

**NOTE 22 – CONSOLIDATED SHAREHOLDERS' EQUITY (cont'd)**

**BNP PARIBAS SHARES HELD BY THE GROUP**

Pursuant to the sixth resolution of the Shareholders' Meeting of 28 May 2004, BNP Paribas was authorised to buy back shares representing a maximum of 10% of its capital in order to stabilise the share price, or to award or sell the shares to employees under the statutory profit-sharing scheme or company savings plans, or to cancel the shares acquired, or to sell, exchange or otherwise dispose of them, for financial or asset/liability management purposes.

At 31 December 2004, the BNP Paribas Group held 51,808,500 BNP Paribas shares representing an amount of EUR 2,557 million, including 51,683,500 shares representing EUR 2,550 million deducted from shareholders' equity.

| In millions of euros | **Other participating interests** | | **Trading account securities (note 5)** | | **TOTAL** | |
|---|---|---|---|---|---|---|
| | Number of securities | Book value | Number of securities | Book value | Number of securities | Book value |
| **Shares held at 31 December 2002** | **27,894,453** | **1,103** | **366,000** | **14** | **28,260,453** | **1,117** |
| Shares acquired pursuant to shareholder authorisations | 22,547,920 | 1,061 | | | 22,547,920 | 1,061 |
| Other movements | (5,623,930) | (259) | 1,242,000 | 66 | (4,381,930) | (193) |
| **Shares held at 31 December 2003** | **44,818,443** | **1,905** | **1,608,000** | **80** | **46,426,443** | **1,985** |
| Shares acquired pursuant to shareholder authorisations | 35,751,407 | 1,794 | | | 35,751,407 | 1,794 |
| Capital reduction pursuant to the 18th resolution of the Annual Shareholders' Meeting of 14 May 2004 | (25,000,000) | (966) | | | (25,000,000) | (966) |
| Other movements | (3,886,350) | (183) | (1,483,000) | (73) | (5,369,350) | (256) |
| **Shares held at 31 December 2004** | **51,683,500** | **2,550** | **125,000** | **7** | **51,808,500** | **2,557** |

## NOTE 23 – OFF BALANCE SHEET COMMITMENTS

| In millions of euros, at 31 December | 2004 | 2003 | 2002 |
|---|---|---|---|
| **FINANCING COMMITMENTS GIVEN AND RECEIVED** | | | |
| **Financing commitments given:** | | | |
| To credit institutions | 17,812 | 25,451 | 16,310 |
| On behalf of customers: | | | |
| – Confirmed letters of credit | | | |
| • Documentary credits | 14,360 | 14,500 | 16,326 |
| • Other confirmed letters of credit | 102,630 | 86,686 | 49,019 |
| – Other commitments given on behalf of customers | 37,839 | 29,650 | 58,743 |
| | **154,829** | **130,836** | **124,088** |
| **Total financing commitments given** | **172,641** | **156,287** | **140,398** |
| **Roll-over (standby) commitments received:** | | | |
| From credit institutions | 30,885 | 41,217 | 19,040 |
| On behalf of customers | 4,366 | 2,759 | 2,496 |
| **Total financing commitments received** | **35,251** | **43,976** | **21,536** |
| **GUARANTEES AND ENDORSEMENTS GIVEN AND RECEIVED** | | | |
| **Guarantees and endorsements given:** | | | |
| To credit institutions | | | |
| – Confirmed documentary credits | 1,787 | 1,382 | 2,035 |
| – Other | 4,337 | 3,865 | 4,812 |
| | **6,124** | **5,247** | **6,847** |
| On behalf of customers | | | |
| – Guarantees and endorsements: | | | |
| • Real estate guarantees | 958 | 862 | 883 |
| • Administrative and tax guarantees | 7,224 | 7,038 | 7,361 |
| • Other | 5,630 | 6,111 | 6,179 |
| – Other guarantees given on behalf of customers | 46,212 | 37,607 | 38,956 |
| | **60,024** | **51,618** | **53,379** |
| **Total guarantees and endorsements given** | **66,148** | **56,865** | **60,226** |
| **Guarantees and endorsements received:** | | | |
| From credit institutions | 26,414 | 21,633 | 23,362 |
| On behalf of customers | | | |
| – Guarantees received from government administrations | 2,994 | 2,392 | 1,895 |
| – Guarantees received from financial institutions | 861 | 478 | 299 |
| – Other guarantees received | 19,943 | 18,448 | 18,268 |
| **Total guarantees and endorsements received from customers** | **23,798** | **21,318** | **20,462** |
| **Total guarantees and endorsements received** | **50,212** | **42,951** | **43,824** |
| **COMMITMENTS GIVEN AND RECEIVED ON SECURITIES** | | | |
| Securities to be received | 9,570 | 7,735 | 14,904 |
| Securities sold under repurchase agreements to be received (a) | - | 117 | 133 |
| **Total securities to be received** | **9,570** | **7,852** | **15,037** |
| **Total securities to be delivered** | **8,241** | **7,389** | **7,960** |

(a) Receipt of these securities is contingent upon exercise of the repurchase option.

## NOTE 24 – FORWARD AND OPTIONS CONTRACTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities and for position management purposes.

| In millions of euros, at 31 December | 2004 | | | 2003 | | |
|---|---|---|---|---|---|---|
| | Hedging transactions | Position management | Total | Hedging transactions | Position management | Total |
| **Forward contracts** | **316,478** | **15,182,620** | **15,499,098** | **268,731** | **14,481,754** | **14,750,485** |
| On organised exchanges | 650 | 7,266,721 | 7,267,371 | 18,050 | 7,217,623 | 7,235,673 |
| - Interest rate contracts | 650 | 7,220,913 | 7,221,563 | 7,253 | 7,178,284 | 7,185,537 |
| - Foreign exchange contracts | - | 164 | 164 | 10,411 | 9,864 | 20,275 |
| - Financial assets contracts | - | 45,644 | 45,644 | 386 | 29,475 | 29,861 |
| Over-the-counter | 315,828 | 7,915,899 | 8,231,727 | 250,681 | 7,264,131 | 7,514,812 |
| - Forward rate agreements (FRAs) | 1,062 | 584,089 | 585,151 | 13,413 | 529,224 | 542,637 |
| - Interest rate swaps | 172,760 | 5,805,247 | 5,978,007 | 112,179 | 5,145,442 | 5,257,621 |
| - Currency swaps | 54,707 | 542,526 | 597,233 | 61,497 | 508,927 | 570,424 |
| - Forward currency swaps | 86,086 | 866,112 | 952,198 | 62,323 | 906,114 | 968,437 |
| - Other forward contracts | 1,213 | 117,925 | 119,138 | 1,269 | 174,424 | 175,693 |
| **Options** | **25,679** | **5,031,616** | **5,057,295** | **40,043** | **3,566,281** | **3,606,324** |
| On organised exchanges | 903 | 2,559,847 | 2,560,750 | 1,046 | 1,933,578 | 1,934,624 |
| Interest rate options | 28 | 2,399,290 | 2,399,318 | 17 | 1,748,719 | 1,748,736 |
| - purchased | - | 1,183,700 | 1,183,700 | 17 | 886,151 | 886,168 |
| - sold | 28 | 1,215,590 | 1,215,618 | | 862,568 | 862,568 |
| Currency options | - | - | - | 896 | | 896 |
| - purchased | - | - | - | 787 | | 787 |
| - sold | - | - | - | 109 | | 109 |
| Other options | 875 | 160,557 | 161,432 | 133 | 184,859 | 184,992 |
| - purchased | 78 | 78,341 | 78,419 | 10 | 114,678 | 114,688 |
| - sold | 797 | 82,216 | 83,013 | 123 | 70,181 | 70,304 |
| Over-the-counter | 24,776 | 2,471,769 | 2,496,545 | 38,997 | 1,632,703 | 1,671,700 |
| Caps and floors | 1,754 | 573,001 | 574,755 | 15,396 | 393,432 | 408,828 |
| - purchased | 789 | 247,406 | 248,195 | 8,053 | 174,497 | 182,550 |
| - sold | 965 | 325,595 | 326,560 | 7,343 | 218,935 | 226,278 |
| Swaptions and options (interest rate, currency and other) | 23,022 | 1,898,768 | 1,921,790 | 23,601 | 1,239,271 | 1,262,872 |
| - purchased | 9,365 | 899,050 | 908,415 | 11,670 | 572,880 | 584,550 |
| - sold | 13,657 | 999,718 | 1,013,375 | 11,931 | 666,391 | 678,322 |
| **Total forward and options contracts** | **342,157** | **20,214,236** | **20,556,393** | **308,774** | **18,048,035** | **18,356,809** |

At 31 December 2004, credit derivatives recorded under OTC options contracts amounted to EUR 434,097 million (EUR 213,605 million purchased and EUR 220,492 million sold).

Most positions management transactions are marked to market and the resulting unrealized gains and losses are therefore posted to income. Hedging transactions are carried at historical cost, and the related gains or losses are accounted for on a symmetrical basis with the loss or gain on the underlying transaction.

The market value of the net position of forward contracts is estimated at EUR 3,850 million at 31 December 2004. The market value of the net seller position of options is estimated at EUR 5,900 million at 31 December 2004.

**NOTE 24 – FORWARD AND OPTIONS CONTRACTS (cont'd)**

**ASSESSMENT OF COUNTERPARTY RISKS**

The BNP Paribas Group's exposure to counterparty risk arising on forward and options contracts is assessed according to European Union and international capital adequacy ratios applicable at 31 December 2004. Accordingly, it takes into account signed netting agreements, which are used to attenuate counterparty risk on derivatives.
The Bank primarily uses the portfolio approach, which enables it to close all positions in the case of default by the counterparty and mark them to market. All payments receivable from the counterparty are netted off against payments due to the counterparty, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.
The Bank also uses bilateral payment flow netting to attenuate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing streams of payment orders in a given currency by a cumulative balance due to or from each party, representing a single sum in each currency remaining to be settled on a given day between the Bank and the counterparty.
The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main bilateral agreement models used are those of the "Association Française des Banques" (AFB), or those of the International Swaps and Derivatives Association (ISDA) for international agreements. The BNP Paribas Group also participates in EchoNetting, enabling it to use multilateral netting for transactions involving the other participants within the organisation.

**Credit risks on OTC forward and options contracts**

| In million of euros, at 31 December | 2004 | | | | | 2003 |
|---|---|---|---|---|---|---|
| By type of counterparty | Gross replacement cost | Net replacement cost | Collateral | Net value after collateral | Weighted risks equivalent | Weighted risks equivalent |
| Sovereign exposure | 1,848 | 1,625 | - | 1,625 | - | - |
| Risk exposure on banks in zone A [(a)] | 118,282 | 22,387 | 8,213 | 14,174 | 8,738 | 8,016 |
| Risk exposure on banks in zone B [(a)] and non-banking counterparties | 16,277 | 9,169 | 1,124 | 8,045 | 7,578 | 6,677 |
| **Total** | **136,407** | **33,181** | **9,337** | **23,844** | **16,316** | **14,693** |

(a) Zone A consists of the member states of the European Union (EU) and the Organisation for Economic Cooperation and Development (OECD) provided that they have not rescheduled any external sovereign debt within the previous five years, and countries that have negotiated special borrowing agreements with the International Monetary Fund (IMF) within the framework of the IMF's General Agreements to Borrow (GAB). Zone B consists of all other countries.

| In million of euros, at 31 December | 2004 | | | | 2003 |
|---|---|---|---|---|---|
| By credit rating (Standard & Poor's) | Net replacement cost | Collateral | Net value after collateral | Weighted risks equivalent | Weighted risks equivalent |
| AAA – AA | 12,356 | 3,098 | 9,258 | 4,715 | 3,874 |
| A | 2,696 | 1,024 | 1,672 | 1,934 | 1,831 |
| BBB | 13,339 | 4,119 | 9,220 | 5,760 | 5,273 |
| BB or lower | 2,517 | 828 | 1,689 | 1,975 | 1,749 |
| Not rated | 2,273 | 268 | 2,005 | 1,932 | 1,966 |
| **Total** | **33,181** | **9,337** | **23,844** | **16,316** | **14,693** |

At 31 December 2004, the weighted risk equivalent of OTC forward and options contracts represented 0.17% of the sum of the notional amounts, excluding written options, unchanged from the figure at 31 December 2003.

At 31 December 2004, forwards and options contracts break down by remaining term as follows:

| | **Notional amount by remaining term (in %)** | | | **Total** |
|---|---|---|---|---|
| | Within 1 year | After 1 year but within 5 years | After 5 years | |
| Interest rate instruments | 41% | 29% | 15% | 85% |
| Currency instruments and other contracts | 9% | 5% | 1% | 15% |
| **Total** | **50%** | **34%** | **16%** | **100%** |

## NOTE 25 – BNP PARIBAS GROUP EXPOSURE TO MARKET RISKS ON FINANCIAL INSTRUMENT TRANSACTIONS AT 31 DECEMBER 2004

Since 31 March 2000, the BNP Paribas Group uses a single internal Value at Risk system to estimate the potential losses that could be incurred in the case of an unfavourable change in market conditions.

Potential losses are measured based on "Gross Earnings at Risk" (GEaR). GEaR takes into account a large number of variables which could affect the value of the portfolios, including interest rates, lending margins, exchange rates, the price of the various securities, their volatilities and the correlations between variables.

The system uses the latest simulation techniques and includes processing of non-linear (convex) positions, as well as the volatility risk generated by options. Daily movements in the different variables are simulated to estimate potential losses on market transactions under normal market conditions and assuming normal levels of liquidity.

The French banking authorities (*Commission Bancaire*) have approved this internal model, including the following methodologies:

- capture of the correlation between categories of risk factors (interest rate, currency, commodity and equity risks) in order to integrate the effects of diversifying inherent risks;
- capture of the specific interest rate risk arising from potential variations in lending margins, in order to actively and accurately measure risks associated with trading in credit risks.

Values at Risk set out below have been determined using the internal model. The model parameters have been set by the method recommended by the Basel Committee for the determination of estimated values at risk ("Supplement to the Capital Accord to Incorporate Market Risks"). The main measurement parameters are as follows:

- change in the value of the portfolio over a holding period of 10 trading days;
- confidence level of 99% (i.e. over a 10-day holding period, potential losses should not exceed the corresponding GEaR in 99% of cases);
- historical data covering 260 days' trading.

For the period from 1 January to 31 December 2004, the total average Value at Risk amounted to EUR 93 million, taking into account the EUR 57 million effect of netting different types of risk. These amounts break down as follows:

**Value at Risk (10 days – 99%): Analysis by type of risk**

| In millions of euros | 1 January – 31 December 2004 | 31 December 2004 | 31 December 2003 | 31 December 2002 |
|---|---|---|---|---|
| | Average | | | |
| Interest rate risk | 89 | 57 | 92 | 77 |
| Equity risk | 47 | 47 | 43 | 86 |
| Currency risk | 6 | 9 | 9 | 8 |
| Commodity risk | 8 | 8 | 6 | 7 |
| *Netting effect* | *(57)* | *(60)* | *(81)* | *(91)* |
| **Total** | **93** | **61** | **69** | **87** |

## NOTE 26 – SECURITIZATIONS

The BNP Paribas Group carries out securitization transactions leading to the creation of specific entities on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf, in connection with the management of counterparty risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group retains part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche. The securitization entities are not consolidated, in accordance with generally accepted accounting principles.

### SECURITIZATION TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS

- **Short-term refinancing operations**

At 31 December 2004, five non-consolidated multiseller conduits (Eliopée, Thésée, Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the short-term commercial paper market. The Group has issued letters of credit guaranteeing the default risk on the sold receivables up to an amount of EUR 491 million and has also granted liquidity lines totalling EUR 10,457 million to these entities.

At 31 December 2004, no provisions were required in connection with any of these short-term refinancing transactions.

- **Medium- and long-term refinancing operations**

BNP Paribas acts on behalf of customers as arranger of securitization funds and placing agent for covered bond issues, but does not manage the securitization funds. As of 31 December 2004, the Group had set up liquidity lines totalling EUR 172 million for four of the funds (BEI-Iris 4, Tiepolo Finance, Telecom Italia SV and RCI-Renault), representing EUR 1,500 million in securitized receivables. The Group has not issued any letters of credit and, consequently, is not exposed to any counterparty risk on these transactions.

### SECURITIZATION TRANSACTIONS CARRIED OUT ON THE GROUP'S OWN BEHALF

- In connection with the Group's asset-liability management activities, Cetelem has sold consumer loans, UCB and UCI have sold real estate loans, Findomestic has sold credit card receivables, and Centroleasing has sold leasing receivables to non-consolidated securitization vehicles. The subsidiaries have also given these vehicles a limited guarantee covering the credit risk on the sold loans. Securitization transactions carried out in accordance with Act No. 88-1205 of 23 December 1988 (amended) dealing with securitization funds, are not consolidated pursuant to the criteria laid down in standard CRC 2004-04 (see note 1), because the Group does not have decision-making power at the level of the funds' Board of Directors or equivalent.

The following table summarises the transactions carried out at 31 December 2004 (in millions of euros):

| Subsidiaries that initiated securitizations | Securitization vehicle | Date launched | Life of the vehicle scheduled to end in | Gross amount of securitized receivables at 31 December 2004 | Gross amount of guarantees at 31 December 2004 |
|---|---|---|---|---|---|
| Cetelem (France) | Master Noria | 1998 | 2006 | 350 | 14.1 |
| UCB (France) | Domos 4 and 5 | 1998-1999 | 2008-2011 | 463 | 22.5 |
| | Master Domos | 1999 | 2012 | 1,366 | 30.5 |
| Findomestic (Italy) | Findomestic | 2000 | 2005 | 325 | - |
| | MasterDolfin | 2003 | 2008 | 329 | 4.0 |
| UCI (Spain) | UCI 3 to 11 | 1997-2004 | 2005-2017 | 3,051 | 37.3 |
| Centro Leasing (Italy) | Ponte Vecchio Finance | 2002 | 2007 | 574 | - |
| | Ponte Vecchio Finance 2 | 2003 | 2010 | 428 | - |

At 31 December 2004, no provisions were required in connection with any of the guarantees given to these securitization vehicles.

**NOTE 26 – SECURITIZATIONS (cont'd)**

- In order to reduce the credit risk on certain portfolios, the Group carries out synthetic securitizations by transferring to the market the bulk of the credit risk attached to the retained interest using credit derivatives (purchases of options or credit default swaps). These credit derivatives are entered into either through dedicated structures or directly with other credit institutions.

Synthetic securitizations concern EUR 7 billion worth of consolidated assets, corresponding to loans to major European and American companies. The risk retained by the Group concerns the equity or subordinated tranche of the notes issued by the securitization vehicles and purchased by the Group.

Synthetic Securitizations (in millions of euros)

| Securitization vehicle | Date launched | Life of the vehicle scheduled to end in | Gross counterparty risk before securitization at 31 December 2004 | Gross risk retained by the Group (1) | Provisions and losses in 2004 | Accumulated provisions and losses at 31 December 2004 (2) |
|---|---|---|---|---|---|---|
| Olan 2 (France) | 2000 | 2005 | 3,546 | 76.0 | - | 60.6 |
| Euroliberté (France) | 2001 | 2008 | 1,984 | 139.8 | 2.2 | 20.1 |
| Condor (USA) | 2001 | 2006 | 1,686 | 96.1 | - | - |
| Jules Vernes (USA) | 2002 | 2006 | 215 | 33.1 | - | - |

(1) This risk is retained by the Group due to the equity instruments issued by the securitization vehicles, against which the initial losses on assets guaranteed by the vehicles are set off.

(2) If a counterparty defaults on a loan backed by synthetic securitization, the securitization vehicle pays the amount corresponding to the default. The amount received in respect of the gross risk retained by the Group is set off against the loss of principal on the equity or subordinated tranche of the notes issued. This is why the portfolios are covered by a provision in the amount of the gross risk retained by the Group.

## NOTE 27 – PENSION AND POSTEMPLOYMENT BENEFIT OBLIGATIONS

- *Pension Benefits*

Since 1 January 1994, pursuant to the new industry-wide agreement on pensions presented in note 1, the BNP Paribas Group has been making contributions to several nation-wide supplementary pension organisations **in France**.

The BNP and Paribas pension funds pay additional benefits relative to services rendered prior to 31 December 1993. The actuarial value of these pension obligations is computed based on the 1993 mortality table recommended by the French Insurance Code. The difference between the discount and inflation rates used since 31 December 1999 is roughly 3.0%, corresponding to the constant differential between long-term interest rates and inflation. At 31 December 2004, the pension fund for BNP employees had reserves of approximately EUR 59 million, and the pension fund for Paribas employees had reserves of some EUR 282 million. Contributions paid by BNP Paribas under the above pension schemes in France are charged to the profit and loss account in the year of payment. In addition, a reserve for general banking risks was set up as a precautionary measure in 1993, mainly to take account of the general demographic risk addressed by the industry-wide agreement concluded in September 1993 (see notes 1 and 21).

BNP Paribas SA has set up a funded pension system via a company agreement. This system provides for the payment to BNP Paribas employees of additional benefits over and above those they receive from the nation-wide organisations.

Concerning plans **outside France**, pension obligations are provided for in the consolidated financial statements according to the method described in note 1.

Retirement plans are based on pension rights acquired which are defined using either the employee's last salary and the number of years' service (United Kingdom, Ireland and Canada) or rights to capital acquired each year, expressed as a percentage of annual salary and on which interest is payable at a pre-defined rate (United States).

Some plans are supplementary retirement schemes related to statutory pensions (Norway).

Other plans are wholly funded through insurance companies (Spain and Portugal) or independent fund managers (United Kingdom).

The demographic and financial assumptions used to estimate the discounted present value of benefit obligations and the estimated yield on plan assets are based on the economic conditions specific to each country or Group company. Unamortised actuarial differences amounted to EUR 76 million at 31 December 2004, net of EUR 7 million in amortisation for the year. EUR 101 million are not amortisable, in accordance with the corridor method.

In recent years, defined benefit plans have been closed to new employees in several countries (United Kingdom, Ireland, Norway, Australia, Germany and Luxembourg). These employees are now offered defined contribution plans. Under defined contribution plans, the company's obligation consists primarily of paying a percentage of the beneficiary's salary into the pension plan.

- *Seniority, Postemployment and Other Postretirement Benefits*

Employees of the various BNP Paribas Group companies are entitled to collective or contractual seniority and postemployment benefits such as retirement and seniority bonuses. In France, BNP Paribas is encouraging voluntary departures and early retirement among employees who meet certain eligibility criteria. Various companies in the BNP Paribas Group have also set up defined-benefit supplementary pension plans.

As a general rule, actuarial valuations of these obligations are made using a method that takes into account projected end-of-career salaries (projected unit credit method) in order to determine the aggregate charge corresponding to benefits remaining to be paid to early retirees, retirees (if applicable), as well as the vested benefits of active employees.

Assumptions concerning mortality, employee turnover, and future salaries, as well as discount rates (long-term market rates) and inflation, take into account economic conditions specific to each country or Group company. In France, the 1988-1990 mortality table adapted to the banking industry is used.

At 31 December 2004, the discount rate used for France and the estimated inflation rate are consistent with those used to assess the risks related to additional bank pension benefits.

BNP Paribas sets up a provision to cover the charges related to the voluntary departure or early retirement of employees, once the voluntary departure or early retirement plan concerned has been approved or submitted for collective approval.

These provisions set up for pensions and other postretirement benefit obligations in France and other countries amounted to EUR 1,349 million at 31 December 2004.

## NOTE 28 – MATURITY SCHEDULE OF LOANS, DEPOSITS AND INTEREST RATE INSTRUMENTS

| In millions of euros, at 31 December | Maturity | | | | | |
|---|---|---|---|---|---|---|
| | Demand and overnight | Maturing within three months | Maturing after three months but within one year | Maturing after one but within five years | Maturing after five years | Total |
| **LOANS (GROSS)** | | | | | | |
| **Interbank and money market items (note 3)** | **48,291** | **227,952** | **16,044** | **9,412** | **14,323** | **316,022** |
| – Cash and amounts due from central banks and post office banks | 6,843 | | | | | 6,843 |
| – Treasury bills and money market instruments | | 103,644 | 6,324 | 6,945 | 11,539 | 128,452 |
| – Due from credit institutions | 41,448 | 124,308 | 9,720 | 2,467 | 2,784 | 180,727 |
| **Customer items (note 4)** | **19,269** | **78,259** | **34,625** | **78,924** | **55,773** | **266,850** |
| – Due from customers | 19,269 | 75,637 | 31,082 | 66,611 | 53,262 | 245,861 |
| – Leasing receivables | | 2,622 | 3,543 | 12,313 | 2,511 | 20,989 |
| **Bonds and other fixed income instruments (note 5)** | | **55,424** | **2,033** | **6,722** | **3,124** | **67,303** |
| – Trading account securities | | 46,191 | | | | 46,191 |
| – Securities available for sale | | 6,418 | 673 | 3,594 | 1,460 | 12,145 |
| – Debt securities held to maturity | | 2,815 | 1,360 | 3,128 | 1,664 | 8,967 |
| **DEPOSITS** | | | | | | |
| **Interbank and money market items and securities (note 14)** | **58,547** | **160,081** | **21,429** | **3,012** | **3,069** | **246,138** |
| – Total interbank and money market items | 58,547 | 159,901 | 21,146 | 2,832 | 2,537 | 244,963 |
| – Interbank market securities | | 180 | 283 | 180 | 532 | 1,175 |
| **Customer deposits, retail certificates of deposit, and negotiable certificates of deposit (note 15)** | **113,684** | **153,488** | **19,416** | **25,488** | **16,192** | **328,268** |
| – Total customer deposits | 113,684 | 101,330 | 6,921 | 9,353 | 6,424 | 237,712 |
| – Total bonds and negotiable short-term debt instruments | | 52,158 | 12,495 | 16,135 | 9,768 | 90,556 |

The BNP Paribas Group manages its liquidity within gap limits, all currencies combined, that are determined by the General Management Committee:

– the maximum mismatch on weighted balance sheet and off balance sheet commitments maturing in more than one year (attributing standard maturities to commitments with no contractual maturity) is set at 25% of loans maturing in more than one year;

– the maximum mismatch on commitments with a contractual maturity, that are scheduled to mature in more than one year, is set at 150% of stable funds with no contractual maturity (customer demand deposits and savings deposits net of overdrafts, shareholders' equity net of fixed assets).

BNP Paribas continually seeks to comply with regulatory guidelines with respect to its short-term (one-month) liquidity ratio and its ratio of shareholders’ equity to long-term funding (funds maturing in more than five years).

Maturities of bonds and subordinated debt are presented in notes 16 and 20.

## NOTE 29 – NET INTEREST INCOME

| Expenses | | | Income | | | In millions of euros | Net income (expenses) | | |
|---|---|---|---|---|---|---|---|---|---|
| **2004** | **2003** | **2002** | **2004** | **2003** | **2002** | | **2004** | **2003** | **2002** |
| (8,165) | (7,212) | (11,460) | 6,682 | 5,846 | 8,876 | Interbank items (note 30) | (1,483) | (1,366) | (2,584) |
| (3,822) | (3,524) | (3,695) | 10,766 | 10,548 | 11,679 | Customer items (note 31) | 6,944 | 7,024 | 7,984 |
| (6,269) | (5,991) | (5,757) | 7,529 | 7,309 | 7,119 | Leasing transactions | 1,260 | 1,318 | 1,362 |
| (3,957) | (3,936) | (5,310) | | | | Debt securities | (3,957) | (3,936) | (5,310) |
| | | | 3,355 | 3,471 | 3,932 | Bonds and other fixed income instruments (note 32) | 3,355 | 3,471 | 3,932 |
| **(22,213)** | **(20,663)** | **(26,222)** | **28,332** | **27,174** | **31,606** | **Net interest income (expenses)** | **6,119** | **6,511** | **5,384** |

## NOTE 30 – NET INTEREST INCOME (EXPENSE) ON INTERBANK ITEMS

| Expenses | | | Income | | | In millions of euros | Net income (expense) | | |
|---|---|---|---|---|---|---|---|---|---|
| **2004** | **2003** | **2002** | **2004** | **2003** | **2002** | | **2004** | **2003** | **2002** |
| (4,940) | (4,751) | (7,901) | 3,510 | 3,556 | 5,622 | Interest on interbank demand deposits, loans and borrowings | (1,430) | (1,195) | (2,279) |
| (3,225) | (2,461) | (3,559) | 3,172 | 2,288 | 3,251 | Interest on securities held or given under resale/repurchase agreements | (53) | (173) | (308) |
| | | | - | 2 | 3 | Interest on subordinated term loans | - | 2 | 3 |
| **(8,165)** | **(7,212)** | **(11,460)** | **6,682** | **5,846** | **8,876** | **Net interest income (expense) on interbank items** | **(1,483)** | **(1,366)** | **(2,584)** |

## NOTE 31 – NET INTEREST INCOME (EXPENSE) ON CUSTOMER ITEMS

| Expenses | | | Income | | | In millions of euros | Net income (expense) | | |
|---|---|---|---|---|---|---|---|---|---|
| 2004 | 2003 | 2002 | 2004 | 2003 | 2002 | | 2004 | 2003 | 2002 |
| (3,241) | (2,978) | (3,225) | 10,332 | 10,133 | 11,215 | Interest on customer loans and deposits | 7,091 | 7,155 | 7,990 |
| (581) | (546) | (470) | 420 | 411 | 462 | Interest on securities held or given under resale/repurchase agreements | (161) | (135) | (8) |
| | | | 14 | 4 | 2 | Interest on subordinated term loans | 14 | 4 | 2 |
| **(3,822)** | **(3,524)** | **(3,695)** | **10,766** | **10,548** | **11,679** | **Net interest income (expense) on customer items** | **6,944** | **7,024** | **7,984** |

## NOTE 32– NET INCOME FROM SECURITIES PORTFOLIO

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Interest on bonds and other fixed income instruments** | | | |
| Securities available for sale | 751 | 653 | 810 |
| Debt securities held to maturity | 1,175 | 1,117 | 1,080 |
| From Codevi "industrial development" securities | 229 | 230 | 212 |
| From hedging of interest rate instruments and other | 1,200 | 1,471 | 1,830 |
| **Total interest on bonds and other fixed income instruments** | **3,355** | **3,471** | **3,932** |
| **Income on equities and other variable income instruments** | | | |
| Securities available for sale | 41 | 12 | 22 |
| Equity securities held for long-term investment | 147 | 148 | 157 |
| Investments in non-consolidated undertakings and other participating interests | 106 | 123 | 144 |
| **Total income on equities and other variable income instruments** | **294** | **283** | **323** |
| **Net income from securities portfolio** | **3,649** | **3,754** | **4,255** |

**NOTE 33 - NET COMMISSIONS**

| In millions of euros | Net | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| **Commissions on interbank and money market transactions** | **174** | **181** | **181** |
| **Commissions on customer transactions** | **1,632** | **1,482** | **1,530** |
| **Commissions on securities transactions (1)** | **111** | **145** | **(103)** |
| **Commissions on foreign exchange and arbitrage transactions** | **(4)** | **(9)** | **10** |
| **Commissions on securities commitments** | **277** | **193** | **113** |
| **Commissions on forward financial instruments** | **(158)** | **(143)** | **(124)** |
| **Commissions on financial services rendered:** | | | |
| Commissions on securities managed or on deposit: | | | |
| • Custody fees | 188 | 170 | 184 |
| • Mutual fund management | 818 | 732 | 739 |
| • Management of customer securities portfolios | 168 | 200 | 218 |
| • Other commissions on securities managed or on deposit | 30 | 32 | 30 |
| Total commissions on securities managed or on deposit | 1,204 | 1,134 | 1,171 |
| Commissions on securities transactions carried out on behalf of customers: | | | |
| • For purchases and sales of securities | 256 | 257 | 302 |
| • For purchases and sales of mutual fund shares | 131 | 124 | 139 |
| • Other commissions on securities transactions carried out on behalf of customers | 271 | 273 | 248 |
| Total commissions on securities transactions carried out on behalf of customers | 658 | 654 | 689 |
| Other commissions: | | | |
| • Commissions on customer assistance and advisory services | 637 | 428 | 508 |
| • Commissions on payment instruments | 579 | 558 | 552 |
| • Commissions on other financial services | (1,115) | (970) | (908) |
| • Expense recoveries | 111 | 118 | 116 |
| • Commissions on miscellaneous revenues | 388 | 365 | 350 |
| • Commissions on other banking transactions | 193 | 157 | 93 |
| Total other commissions | 793 | 656 | 711 |
| **Total commissions on financial services** | **2,655** | **2,444** | **2,571** |
| **Net commissions** | **4,687** | **4,293** | **4,178** |

(1) The change in 2003 stems from the full consolidation of the entities of the Cortal Consors Group, which were previously accounted for by the equity method.

Total commissions represented 24.9% of net banking income in 2004 (23.9% in 2003 and 24.9% in 2002).

## NOTE 34 - UNDERWRITING RESULT AND NET INVESTMENT INCOME OF INSURANCE COMPANIES

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net premium income | 10,848 | 8,980 | 7,890 |
| Net investment income | 1,894 | 1,770 | 1,706 |
| Claims expenses and changes in claims reserves | (10,848) | (9,100) | (8,170) |
| Other underwriting income and expenses, net | 25 | 8 | 14 |
| **Underwriting result and net investment income of insurance companies [(a)]** | **1,919** | **1,658** | **1,440** |

Commissions paid to business referral partners and other contracting partners are not deducted from underwriting result and net investment income of insurance companies. Those commissions are recorded as “Net commissions” in the profit and loss account under “Commissions on other financial services” (see note 33).

The above amounts are stated after eliminating intercompany income and expenses and net of reinsurance.

Changes in the value of underlying assets for unit-linked business are included in net investment income. They are offset by a symmetrical change in mathematical reserves set aside for unit-linked business, included in “Claims expenses”.

Gross premiums totaled EUR 11,196 million in 2004 (EUR 9,203 million in 2003 and EUR 8,192 million in 2002).

(a) In 2004, the contribution of Group insurance companies to underwriting result and net investment income breaks down as follows, after elimination of intercompany income and expenses:

| In millions of euros | 2004 | | | | | |
|---|---|---|---|---|---|---|
| | **NATIOVIE** | **CARDIF** | **OTHER COMPANIES** | **TOTAL** | **2003** | **2002** |
| Life underwriting result | 119 | 89 | 44 | 252 | 210 | 145 |
| Non-life underwriting result | 32 | 70 | - | 102 | 76 | 59 |
| Management fees addback | 310 | 1,090 | 57 | 1,457 | 1,289 | 1,207 |
| Financial reclassifications | 118 | 42 | 3 | 163 | 147 | 113 |
| Sub-total | 579 | 1,291 | 104 | 1,974 | 1,722 | 1,524 |
| Elimination of intercompany income and expenses | (40) | (13) | (2) | (55) | (64) | (84) |
| Net contribution to underwriting result and net investment income | 539 | 1,278 | 102 | 1,919 | 1,658 | 1,440 |

## NOTE 35 – SALARIES AND EMPLOYEE BENEFITS, INCLUDING PROFIT-SHARING

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Salaries** | **4,838** | **4,742** | **4,619** |
| **Termination benefits and social security taxes:** | | | |
| Retirement bonuses and retirement expenses | 292 | 400 | 385 |
| Social security taxes | 1,204 | 1,172 | 1,057 |
| **Total termination benefits and social security taxes** | **1,496** | **1,572** | **1,442** |
| **Incentive plans and profit-sharing:** | | | |
| Incentive plans | 85 | 82 | 57 |
| Profit-sharing | 147 | 97 | 64 |
| **Total incentive plans and profit-sharing** | **232** | **179** | **121** |
| **Payroll taxes** | **306** | **270** | **263** |
| **Total salaries and employee benefits, including profit-sharing** | **6,872** | **6,763** | **6,445** |

Gross remuneration and benefits paid to Executive Committee members in 2004 totaled EUR 20.5 million (EUR 10.4 million in 2003). Year-on-year changes are mainly attributable to the amount paid to the Head of BNP Paribas Capital in connection with his statutory share in the capital gains generated by the investment portfolio management team. A provision was booked to cover this amount in the financial years prior to 2003 during which the corresponding capital gains arose. The gross amount set out above also includes fixed compensation for 2004, variable compensation received in 2004 in respect of 2003, attendance fees paid by Group companies and shares awarded in 2000, 2001 and 2002 under the deferred bonus plan.

Attendance fees paid to members of the BNP Paribas Board of Directors totaled EUR 0.4 million.

## NOTE 36 – STOCK OPTION PLANS

### 1) BNP PARIBAS UNEXPIRED STOCK OPTION PLANS

| Plan year | Date of EGM at which plan was authorised | Date of Board Meeting at which the plan terms were decided | Number of grantees | Number of options granted | Starting date of the exercise period | Option expiry date | Exercise price (in euros) | Number of options exercised or forfeited at 31 Dec. 2004 | Options outstanding at 31 Dec. 2004 |
|---|---|---|---|---|---|---|---|---|---|
| 2001 (1) (2) | 23 May 2000 | 15 May 2001 | 932 | 6,069,000 | 15 May 2005 | 14 May 2011 | 49 | 164,000 | 5,905,000 |
| 2002 (2) | 23 May 2000 | 31 May 2002 | 1,384 | 2,158,570 | 31 May 2006 | 30 May 2012 | 60 | 66,520 | 2,092,050 |
| 2003 (3) | 23 May 2000 | 21 March 2003 | 1,302 | 6,693,000 | 21 March 2007 | 20 March 2013 | 37.10 | 39,600 | 6,653,400 |
| 2004 (3) | 23 May 2000 | 24 March 2004 | 1,458 | 1,779,850 | 24 March 2008 | 21 March 2014 | 49.80 | 2,000 | 1,777,850 |

(1) The numbers of options and exercise prices have been adjusted for the two-for-one share split which took place on 20 February 2002.
(2) The options are subject to vesting conditions related to the ratio between consolidated net income and average shareholders' equity for each of the years concerned. The minimum average ratio is 16% over the four years from the year of grant or over a rolling three-year period starting in the second year after the year of grant.
(3) The vesting rules applicable to a portion of the options granted to employees are based in part on BNP Paribas share performance in relation to the Dow Jones EuroStoxx Bank index.

### 2) BNP UNEXPIRED STOCK OPTION PLANS (1)

| Plan year | Date of EGM at which plan was authorised | Date of Board Meeting at which the plan terms were decided | Number of grantees | Number of options granted | Starting date of the exercise period | Option expiry date | Exercise price (in euros) | Number of options exercised or forfeited at 31 Dec. 2004 | Options outstanding at 31 Dec. 2004 |
|---|---|---|---|---|---|---|---|---|---|
| 1997 | 14 Dec. 1993 | 22 May 1997 | 64 | 476,000 | 23 May 2002 | 22 May 2007 | 18.45 | 268,360 | 207,640 |
| 1998 | 14 Dec. 1993 | 13 May 1998 | 259 | 2,074,000 | 14 May 2003 | 13 May 2008 | 37.28 | 867,577 | 1,206,423 |
| 1999 | 13 May 1998 | 3 May 1999 | 112 | 670,000 | 4 May 2004 | 3 May 2009 | 37.64 | 201,179 | 468,821 |
| 1999 (2) | 13 May 1998 | 22 Dec. 1999 | 642 | 5,064,000 | 23 Dec. 2004 | 22 Dec. 2009 | 45.16 | 508,720 | 4,555,280 |
| 2000 (2) | 13 May 1998 | 7 April 2000 | 1,214 | 1,754,200 | 8 April 2005 | 7 April 2010 | 42.50 | 261,500 | 1,492,700 |

(1) The numbers of options and exercise prices have been adjusted for the two-for-one share split which took place on 20 February 2002.
(2) Plans concerning the employees of the two groups, BNP and Paribas, prior to their merger. The options vested only in the event that no payments were due in respect of the Contingent Value Rights Certificates attached to the shares issued at the time of the BNP-Paribas merger (see note 22).

## NOTE 36 – STOCK OPTION PLANS (cont'd)

### 3) PARIBAS UNEXPIRED STOCK OPTION PLANS

| Plan year | Originating company | Date of EGM at which plan was authorised | Date of Board Meeting at which the plan terms were decided | Number of grantees | Adjusted number of options granted (1) | Starting date of the exercise period (2) | Option expiry date | Adjusted exercise price (1) (in euros) | Adjusted number of options exercised or forfeited at 31 Dec. 2004 (1) | Options outstanding at 31 Dec. 2004 (1) |
|---|---|---|---|---|---|---|---|---|---|---|
| • **PARIBAS SA AND MERGED SUBSIDIARIES** | | | | | | | | | | |
| 1997 | CFP | 27 May 1992 | 20 Jan. 1997 | 526 | 5,178,206 | 20 Jan. 2002 | 20 Jan. 2005 | 17.30 | 5,015,233 | 162,973 |
| | CFP | 27 May 1992 | 7 July 1997 | 4 | 77,125 | 7 July 2002 | 7 July 2005 | 19.47 | 68,447 | 8,678 |
| | CB | 26 April 1997 | 30 Sept. 1997 | 149 | 615,608 | 1 Oct. 2002 | 29 Sept. 2005 | 19.71 | 390,117 | 225,491 |
| | CFP | 25 April 1997 | 26 Dec. 1997 | 319 | 6,370,545 | 26 Dec. 2002 | 26 Dec. 2005 | 23.47 | 4,558,664 | 1,811,881 |
| 1998 | PARIBAS | 11 May 1998 | 17 Nov. 1998 | 975 | 7,255,377 | 17 Nov. 2003 | 17 Nov. 2006 | 20.41 | 4,639,939 | 2,615,438 |
| 1999 | PARIBAS | 24 April 1997 | 4 May 1999 | 1 | 30,850 | 4 May 2004 | 4 May 2007 | 31.88 | 0 | 30,850 |
| • **FULLY CONSOLIDATED SUBSIDIARY OF PARIBAS** | | | | | | | | | | |
| 1997 | CETELEM | 27 March 1997 | 22 Sept. 1997 | 117 | 332,893 | 23 Sept. 2002 | 21 Sept. 2005 | 17.19 | 224,323 | 108,570 |

**CB:** Compagnie Bancaire **CFP:** Compagnie Financière Paribas

(1) Number of options and exercise price expressed in BNP Paribas shares and calculated after the two-for-one share split which took place on 20 February 2002:

- For Compagnie Bancaire, Compagnie Financière Paribas and Banque Paribas, based on the following conversion rates:

  9 Paribas shares for 5 Compagnie Bancaire shares, 1 Paribas share for 1 Compagnie Financière Paribas share, 1 Paribas share for 1 Banque Paribas share, 3.085 BNP Paribas shares for 1 Paribas share.

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

(2) Exercise dates set at the time of grant. The BNP Paribas merger agreement stipulates that the options may not be exercised until the fifth anniversary of the date of grant, as required under French tax rules, whatever the original exercise dates.

## NOTE 37 – GAINS (LOSSES) ON DISPOSALS OF LONG-TERM INVESTMENTS AND CHANGES IN PROVISIONS

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Debt securities held to maturity** | | | |
| Disposal gains | 5 | 106 | 7 |
| Disposal losses | (4) | (3) | - |
| Deductions from provisions | 1 | 1 | - |
| **Net gains on disposals of debt securities held to maturity and changes in provisions** | **2** | **104** | **7** |
| **Equity securities held for long-term investment** | | | |
| Disposal gains | 834 | 790 | 1,147 |
| Disposal losses | (285) | (248) | (73) |
| Additions to provisions | (131) | (261) | (396) |
| Deductions from provisions | 331 | 243 | 219 |
| **Net gains on disposals of equity securities held for long-term investment and changes in provisions** | **749** | **524** | **897** |
| **Investments in non-consolidated undertakings and other participating interests** | | | |
| Disposal gains | 234 | 337 | 187 |
| Disposal losses | (252) | (501) | (109) |
| Additions to provisions | (115) | (201) | (233) |
| Deductions from provisions | 259 | 416 | 147 |
| **Net gains (losses) on disposals of investments in non-consolidated undertakings and other participating interests and changes in provisions** | **126** | **51** | **(8)** |
| **Deduction from provisions for industry risks** | **-** | **218** | **-** |
| **Operating assets** | | | |
| - Disposal gains | 24 | 53 | 11 |
| - Disposal losses | (58) | (38) | (4) |
| **Net (losses) gains on disposals of operating assets** | **(34)** | **15** | **7** |
| **Total net gains on disposals of long-term investments and changes in provisions** | **843** | **912** | **903** |

As mentioned in note 1 concerning Accounting Policies, the BNP Paribas Group has changed the method used to recognise in the profit and loss account revenues related to payouts made by funds. The impact of this change in the method used to record fund payouts resulted in the recognition of EUR 167 million in net gains on long-term investments, including EUR 100 million in revenues received on prior periods.

**NOTE 38 – NON-RECURRING ITEMS**

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| Movements in provisions and incurred costs for employee benefits | (159) | (313) | 21 |
| Compliance costs (changes in laws and regulations) | (83) | (45) | (49) |
| Movements in provisions for restructuring and discontinued operations | (37) | (59) | (51) |
| Write-downs relating to long-term investments and leased vehicles | (28) | - | (42) |
| Provision for losses on real estate lease contract with a call option | - | (10) | (25) |
| Other non-recurring expenses, net | (82) | (67) | (28) |
| **Net non-recurring items** | **(389)** | **(494)** | **(174)** |

Non-recurring items reflect the impact on the financial statements of events that do not relate to the ordinary activities of the BNP Paribas Group's various lines of business. If these items were included under other profit and loss account headings, the comparability of current-period operations with those of the reference periods would be impaired.

In 2004, BNP Paribas signed a company agreement aimed at setting up a compulsory health scheme for BNP Paribas employees in France. These employees are now all members of this scheme known as Mutuelle du Groupe BNP Paribas. Under the agreement, the Bank will pay to Mutuelle du Groupe BNP Paribas a contribution for each active employee who is a member of the scheme and will cease to pay contributions for retired members. The Bank has paid a final balance of EUR 152 million to Mutuelle du Groupe BNP Paribas to cover its total pension commitments with this establishment in relation to current and future retirees.

Under the French Pensions Reform Act (Act no.2003-775) dated 21 August 2003, employees can elect to retire before the age of 65, but can no longer be required to do so by their employer. This legislative change has no impact on the rules governing the retirement bonuses paid by BNP Paribas Group companies in France. However, it does affect the actuarial assumptions applied to date by the Group to calculate the present value of the related benefit obligation, because of the probable impact of the new legislation on the age at which employees choose to retire. The Group has revised its estimate of the benefit obligation based on the new assumptions and has also recorded a provision for the payroll taxes that will now be due on retirement bonuses paid to employees who choose to retire before the age of 65. The additional cost, in the amount of EUR 229 million, was provided for in full in 2003, in accordance with the practice consistently followed by the Bank and its French subsidiaries, and with Group policies.

In 2003, the Bank also set up a EUR 70 million provision in connection with the new Employment Adaptation Plan implemented in order to manage the impact of the Pension Reform Act on the Group's employee age pyramid in France. In 2004, this provision was topped up in the amount of EUR 7 million.

The above provisions are included in "Movements in provisions and incurred costs for employee benefits".

In 2004, the BNP Paribas Group recorded charges of EUR 83 million (EUR 45 million in 2003) to reflect the costs of adapting information systems due to the application of International Financial Reporting Standards as from 1 January 2005, and the changes in capital adequacy rules introduced by the international regulatory authorities. In 2002, BNP Paribas recorded a provision of EUR 49 million to cover the final costs of adapting its production and information systems to deal with the introduction of the single European currency, bringing the total estimated cost of the project – incurred over the period 1996 to 2002 – to EUR 500 million.

The Group's UK fleet-financing subsidiaries use an external valuation model to determine projected resale values of leased vehicles. Problems were encountered in 2002 with the model used by a recently-acquired subsidiary, leading to the adoption of a new model and the recording of an exceptional EUR 42 million write-down of the value of leased vehicles to correct the valuation errors generated by the previous model.

Under a real-estate lease agreement signed in 1993 by First Hawaiian Bank, BancWest, a Group subsidiary, entered into an agreement to lease its headquarters building located in Hawaii until December 2003. In early 2003, BancWest opted to purchase this building. The purchase value was written down by EUR 35 million (of which EUR 25 million were recorded in 2002) to take into account the lasting decline of the real estate market in Hawaii.

## NOTE 39 – SEGMENT INFORMATION

- **Income by Business Segment, Based on Allocated Capital**

Income by business segment based on allocated capital is determined by attributing to each business the capital allocated to it based on the risks incurred. Capital allocations are made by applying a series of criteria based mainly on the capital required to cover risk-weighted assets, as determined according to capital adequacy rules.

| In millions of euros | Net banking income | | Gross operating income | | Operating income (loss) | | Pre-tax income | |
|---|---|---|---|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** | **2004** | **2003** | **2004** | **2003** |
| French Retail Banking | 4,922 | 4,733 | 1,556 | 1,467 | 1,333 | 1,242 | 1,337 | 1,240 |
| Financial Services and International Retail Banking | 5,057 | 4,903 | 2,240 | 2,158 | 1,801 | 1,629 | 1,644 | 1,408 |
| Corporate and Investment Banking | 5,685 | 5,818 | 2,442 | 2,434 | 2,384 | 1,801 | 2,448 | 1,879 |
| Asset Management and Services | 3,019 | 2,476 | 1,066 | 803 | 1,061 | 787 | 993 | 723 |
| BNP Paribas Capital | 4 | (34) | (26) | (73) | (26) | (76) | 661 | 496 |
| Other business units | 136 | 39 | (47) | (139) | - | (94) | (178) | (160) |
| **Total** | **18,823** | **17,935** | **7,231** | **6,650** | **6,553** | **5,289** | **6,905** | **5,586** |
| France | 10,365 | 9,891 | 3,504 | 3,303 | 3,150 | 2,522 | 3,531 | 2,886 |
| Other European Economic Area countries | 4,269 | 3,748 | 1,807 | 1,332 | 1,533 | 1,024 | 1,650 | 1,190 |
| America and Asia | 3,752 | 3,874 | 1,717 | 1,832 | 1,699 | 1,617 | 1,554 | 1,393 |
| Other countries | 437 | 422 | 203 | 183 | 171 | 126 | 170 | 117 |

- **Group Activity by Geographic Area**

| In millions of euros, at 31 December | Interbank and money market items | | Customer items | | Total | |
|---|---|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** | **2004** | **2003** |
| **Assets** | | | | | | |
| France | 97,672 | 68,501 | 136,778 | 118,338 | 234,450 | 186,839 |
| Other European Economic Area countries | 95,894 | 91,665 | 65,233 | 53,593 | 161,127 | 145,258 |
| America and Asia | 119,686 | 112,463 | 51,311 | 45,518 | 170,997 | 157,981 |
| Other countries | 2,434 | 2,279 | 4,758 | 4,524 | 7,192 | 6,803 |
| **Total assets (notes 3 and 4)** | **315,686** | **274,908** | **258,080** | **221,973** | **573,766** | **496,881** |
| **Liabilities** | | | | | | |
| France | 83,426 | 53,875 | 112,339 | 90,582 | 195,765 | 144,457 |
| Other European Economic Area countries | 85,166 | 84,622 | 77,298 | 74,172 | 162,464 | 158,794 |
| America and Asia | 74,577 | 50,633 | 41,570 | 40,113 | 116,147 | 90,746 |
| Other countries | 1,794 | 2,124 | 6,505 | 5,754 | 8,299 | 7,878 |
| **Total liabilities (notes 14 and 15)** | **244,963** | **191,254** | **237,712** | **210,621** | **482,675** | **401,875** |

## NOTE 40 – CORPORATE INCOME TAX

| In millions of euros | 2004 | 2003 | 2002 |
|---|---|---|---|
| Current taxes for the period | 1,756 | 1,579 | 1,058 |
| Deferred taxes for the period | 74 | (98) | 117 |
| **Income tax expenses** | **1,830** | **1,481** | **1,175** |
| – on recurring items | 1,967 | 1,524 | 1,210 |
| – on non-recurring items | (137) | (43) | (35) |

A new tax regime was introduced in the 2003 Finance Act. This regime allows listed real estate investment companies (SIIC) to claim full exemption from corporate income tax on disposal gains and recurring profits generated by their eligible businesses, in exchange for the payment of an exit tax equal to 16.5% of unrealised gains on assets eligible at 1 January 2003. The Klépierre group elected for this regime, and in 2004 the BNP Paribas Group recorded a EUR 26 million provision for the related taxes (EUR 104 million in 2003).

An exceptional tax was introduced in the 2004 Finance Act on a portion of the special long-term capital gains reserve set up by companies. At 31 December 2004, the BNP Paribas Group recorded a EUR 28 million tax charge corresponding to the compulsory portion of this tax.

Tax savings realised by the Group in 2004 from the recognition of tax loss carryforwards or the deduction of expenses accounted for in prior years amounted to EUR 57 million (EUR 51 million in 2003 and EUR 40 million in 2002). Unrecognised deferred tax assets at 31 December 2004 amounted to EUR 373 million (EUR 370 million at 31 December 2003 and EUR 321 million at 31 December 2002).

Analysis for the effective rate of tax:

| In % | 2004 | 2003 | 2002 |
|---|---|---|---|
| Standard tax rate in France | 33.3 | 33.3 | 33.3 |
| Impact of long-term capital gains taxed at a reduced rate in France | (4.0) | (1.4) | (0.6) |
| Share of earnings of companies carried under the equity method | (0.9) | (0.8) | (0.6) |
| Permanent differences added back to taxable income in France | 1.6 | (2.0) | (3.1) |
| Differences in foreign tax rates | (5.2) | (6.8) | (8.0) |
| Effect of losses deducted from net income | 1.9 | 3.3 | 2.9 |
| Other | (0.2) | 0.9 | 0.5 |
| **Effective rate of tax** | **26.5** | **26.5** | **24.4** |

Deferred taxes break down as follows:

| In millions of euros, at 31 December | 2004 | | | 2003 | 2002 |
|---|---|---|---|---|---|
| | Companies included in the BNP Paribas SA tax group (note 2) | Other companies | Total | Total | Total |
| Deferred tax assets (1) | 1,906 | 717 | 2,623 | 1,950 | 1,664 |
| Deferred tax liabilities | 1,909 | 1,246 | 3,155 | 2,514 | 2,374 |
| **Net deferred tax liabilities** | **3** | **529** | **532** | **564** | **710** |

(1) Deferred tax assets include tax loss carryforwards of EUR 65 million in 2004 (EUR 156 million in 2003 and EUR 134 million in 2002).

The deferred tax liability on the capital gain realised on BNP's transfer to its subsidiary Compagnie Immobilière de France of buildings and rights to real estate leasing contracts amounted to EUR 163 million at 31 December 2004.

## NOTE 41 – BNP-PARIBAS MERGER-RELATED RESTRUCTURING COSTS

In connection with the merger of BNP and Paribas, on 30 September 1999 – the date on which the Paribas Group was first consolidated – provisions and asset write-downs were recorded in connection with the restructuring of the two groups, for a total amount of EUR 989 million net of tax.

The following table presents an analysis of merger-related restructuring costs incurred since 1 October 1999.

| In millions of euros | Restructuring provision | Amortisation of goodwill | Tax effect | Total restructuring charge, net of tax |
|---|---|---|---|---|
| Fourth quarter 1999 | (59) | (183) | 33 | (209) |
| 2000 | (330) | - | 101 | (229) |
| 2001 | (501) | - | 163 | (338) |
| 2002 | (143) | - | 45 | (98) |
| 2003 | (98) | - | 34 | (64) |
| 2004 | (51) | - | 18 | (33) |

## NOTE 42 – NUMBER OF EMPLOYEES AT YEAR-END

The number of employees of the BNP Paribas Group (fully and proportionally consolidated companies) breaks down as follows:

| | 31/12/2004 | 31/12/2003 | 31/12/2002 |
|---|---|---|---|
| BNP Paribas mainland France | 37,473 | 37,200 | 37,335 |
| *including executives* | *14,917* | *14,066* | *13,368* |
| Subsidiaries in mainland France | 14,745 | 13,844 | 14,065 |
| Total mainland France | 52,218 | 51,044 | 51,400 |
| Total outside mainland France | 42,674 | 38,027 | 36,285 |
| **Total BNP Paribas Group** | **94,892** | **89,071** | **87,685** |
| BNP Paribas SA | 44,534 | 44,060 | 44,908 |
| Subsidiaries | 50,358 | 45,011 | 42,777 |