$1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes
The Proceeds of Which Constitute Tier 1 Regulatory Capital
Issue Price: 100.00%

*The $1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**") of BNP Paribas (the "**Issuer**") will be issued outside the French Republic and will bear interest at a fixed rate of 5.186% per annum from and including June 29, 2005 (the "**Issue Date**") to but excluding June 29, 2015, payable semi-annually in arrears on a non-cumulative basis on June 29 and December 29 of each year, commencing on December 29, 2005, and thereafter at a floating rate equal to 3-month USD Libor plus a margin equal to 1.68% per annum, payable quarterly in arrears on March 29, June 29, September 29 and December 29 of each year, commencing on September 29, 2015.*

Payment of interest on the Notes will be mandatory if the Issuer pays dividends on its ordinary shares and in certain other circumstances described herein. Otherwise, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes. Any interest not paid shall be forfeited and shall no longer be due and payable by the Issuer. Interest accrual may also be reduced if the Issuer's consolidated regulatory capital falls below required levels and in certain other circumstances.

The Notes are undated and have no final maturity. The Notes may, at the option of the Issuer but subject to the prior approval of the Secrétariat général de la Commission bancaire *("**SGCB**") or its successor, be redeemed at par in whole or in part on June 29, 2015 and on any Interest Payment Date (as defined in "Terms and Conditions of the Notes—Definitions" herein) thereafter. In addition, the Notes may, in case of certain tax or regulatory events, be redeemed at par at any time (in whole but not in part), subject to the prior approval of the SGCB. The principal amount of the Notes may be written down to a minimum amount of one cent of one dollar if the Issuer incurs losses and certain regulatory capital events occur, subject to restoration in certain cases described herein. The Notes are subordinated to substantially all of the Issuer's other obligations, including in respect of ordinarily subordinated debt instruments. (See "Terms and Conditions of the Notes—Status of the Notes and Subordination".)*

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Notes have been assigned a rating of "A1" by Moody's Investors Service, Inc., "A+" by Standard & Poor's Ratings Services and "AA-" by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

See "Investment Considerations" herein for certain information relevant to an investment in the Notes.

*The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the state securities laws of any state of the United States or any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Plan of Distribution" and "Notice to Investors".*

The Notes are not deposits of BNP Paribas and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

*The Notes sold in the United States pursuant to Rule 144A will be represented by one or more global certificates in registered form (together the "**Rule 144A Global Note**"). The Notes sold outside the United States pursuant to Regulation S will be represented by one or more global certificates in registered form (together the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be registered in the name of a nominee of, and will be deposited with a custodian for, The Depository Trust Company, New York ("**DTC**") on the Issue Date. It is expected that delivery of the Notes will be made only in book-entry form through the facilities of DTC and its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking,* société anonyme *("**Clearstream, Luxembourg**").*

This Offering Circular has not been submitted to the approval of the French securities regulator, the Autorité des marchés financiers.

BNP PARIBAS
Lead Manager and Sole Bookrunner

BNP PARIBAS
Structuring Advisor

Citigroup, HSBC, Merrill Lynch & Co,
Morgan Stanley, RBS Greenwich Capital
Co-Lead Managers

The date of this Offering Circular is June 17, 2005

This Offering Circular does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in "Plan of Distribution" herein) or any affiliate of any of them to subscribe for or purchase, any Notes in any jurisdiction by any person to whom it is unlawful to make such an offer, invitation or solicitation in such jurisdiction. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions, including the United States, the United Kingdom and the French Republic, may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Plan of Distribution" herein. No person is authorized to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date. In making an investment decision regarding the Notes, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of any of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is or shall be relied upon as a promise or representation, whether as to the past or the future.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "**Order**") (all such persons together being referred to as "**relevant persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

References herein to the "**Issuer**" or to the "**Bank**" are to BNP Paribas. References to the "**Group**" or the "**BNP Paribas Group**" are to BNP Paribas, together with its consolidated subsidiaries.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer, the Group and the Notes which is material in the context of the issue and offering of the Notes, that the statements contained in this Offering Circular relating to the Issuer, the Group and the Notes are in every material respect true and accurate and not misleading, that the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue of the Notes, make any information or statement in this Offering Circular misleading in any material respect, and all reasonable enquiries have been made by the Issuer to ascertain such facts and matters and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is unlawful.

In connection with this issuance, BNP Paribas Securities Corp. (the "Stabilizing Manager") or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the part of the Stabilizing Manager or any of its agents to do this. Such stabilization, if commenced, may be discontinued at any time, must be brought to an end after a limited period (not exceeding 30 days after the Issue Date) and will be carried out in compliance with all applicable laws and regulations.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

ADDITIONAL INFORMATION

The Issuer currently furnishes certain information to the SEC in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is one of the foreign private companies that claim exemption from the registration requirements of Section 12(g) of the Exchange Act. If, at any time, the Issuer is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), it will furnish, upon written request of a holder of the Notes or a prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) of the Securities Act.

LIMITATIONS ON ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a *société anonyme* duly organized and existing under the laws of France, and many of its assets are located in France. Many of its subsidiaries, legal representatives and executive officers and certain other parties named herein reside in France, and substantially all of the assets of these persons are located in France. As a result, it may not be possible, or it may be difficult, for a holder or beneficial owner of the Notes located outside of France to effect service of process upon the Issuer or such persons in the home country of the holder or beneficial owner or to enforce against such persons judgments obtained in non-French courts, including those judgments predicated upon the civil liability provisions of the U.S. federal or state securities laws.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. Statements that are not historical facts, including statements about the Issuer's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events.

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SUMMARY OF THE BNP PARIBAS GROUP

The Group is one of the top global players in financial services, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world. The Group is a leading European provider of corporate and investment banking products and services and a leading provider of private banking and asset management products and services throughout the world. It provides retail banking and financial services to over 20 million individual customers throughout the world, in particular in Europe and the western United States. The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking. Operationally, these divisions are organized into five core businesses (French Retail Banking, International Retail Banking and Financial Services, Asset Management and Services, Corporate and Investment Banking and BNP Paribas Capital).

According to rankings published in July 2004 by *The Banker* (based on 2003 figures):

- based on total assets, the Group was the second largest banking group in France, the fifth largest in Europe, and the seventh largest in the world; and

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

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

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

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalized terms used but not defined in this summary shall bear the respective meanings ascribed to them under "Terms and Conditions of the Notes". Prospective investors should also consider carefully, amongst other things, the factors set out under "Investment Considerations".

Issuer:	BNP Paribas (the "**Issuer**").
Description:	USD 1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**").
Bookrunner	BNP Paribas Securities Corp.
Structuring Advisor:	BNP Paribas
Fiscal Agent, Principal Paying Agent and Calculation Agent:	BNP Paribas Securities Services, Luxembourg Branch
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Method of Issue:	The Notes will be issued on a syndicated basis.
Denomination:	USD 1,000 per Note.
Original Principal Amount:	USD 1,000 per Note, which amount may be permanently reduced in the event of a partial call as described below under "Call from the First Call Date".
Current Principal Amount:	Equal to the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions, as described below under "Loss Absorption" and "Reinstatement", respectively.
Maturity:	The Notes will be undated securities of the Issuer with no fixed redemption or maturity date.
Form of the Notes:	Each Note will be issued in the form of one or more fully registered global certificates, without coupons, registered in the name of a nominee of DTC and deposited with a custodian for DTC. Investors may hold a beneficial interest in the Notes through DTC, Euroclear or Clearstream, Luxembourg directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems.

Status of the Notes:

The Notes are deeply subordinated notes issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce*.

The principal and interest on the Notes (which constitute *obligations* under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Parity Securities (as defined below), but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations (as defined below) and Unsubordinated Obligations (as defined below). In the event of liquidation, the Notes shall rank in priority to any payments to holders of Equity Securities (as defined below).

There will be no limitations on issuing debt at the level of the Issuer or of any consolidated subsidiaries.

"**Equity Securities**" means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer's share capital or other securities of the Issuer ranking junior to the Parity Securities.

"**Parity Securities**" means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, "Parity Securities" include, without limitation, any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.'s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.'s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred II L.L.C.'s 7.00% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred III L.L.C.'s 6.625% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred IV L.L.C.'s 6.342% Noncumulative Company Preferred Securities, (vi) BNP Paribas Capital

Preferred V L.L.C.'s 7.20% Noncumulative Company Preferred Securities and (vii) BNP Paribas Capital Preferred VI L.L.C.'s 5.868% Noncumulative Company Preferred Securities).

"**Ordinarily Subordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

"**Unsubordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

Regulatory Treatment: The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer ("**Tier 1 Capital**"). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognized as *fonds propres de base* by the *Secrétariat général de la Commission bancaire* ("**SGCB**"). The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité*".

Negative Pledge: There will be no negative pledge in respect of the Notes.

Events of Default: There will be no events of default in respect of the Notes. However, the Notes must be redeemed in the event of liquidation of the Issuer, in an amount calculated on the basis of the Original Principal Amount of the Notes.

Interest: The Notes bear interest on their Current Principal Amount at a fixed rate of 5.186% per annum from, and including, June 29, 2005 (the "**Issue Date**") to, but excluding, the First Call Date

payable semi-annually in arrears on a non-cumulative basis on June 29 and December 29 of each year (each a "**Fixed Rate Interest Payment Date**"), commencing on December 29, 2005.

Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month USD Libor plus a margin equal to 1.68% per annum payable quarterly in arrears on a non-cumulative basis on March 29, June 29, September 29 and December 29 of each year (each a "**Floating Rate Interest Payment Date**" and together with each Fixed Rate Interest Payment Date, an "**Interest Payment Date**"), commencing on September 29, 2015.

"**First Call Date**" means June 29, 2015.

"**Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

"**Floating Rate Interest Period**" means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"**Interest Period**" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

Interest payments are subject to the provisions set forth below under "Interest Payments", "Loss Absorption" and "Reinstatement".

Interest Payments:

Optional Non-Payment of Interest

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraphs. The interest to be paid will be calculated on the basis of the Current Principal Amount of the Notes outstanding during any Interest Period.

For so long as the provisions set forth below under "Mandatory Interest Payment" do not apply, the Issuer may elect not to pay interest on any Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

Any amount of interest, excluding Broken Interest (as defined below), not so paid on an Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer.

Furthermore, the Issuer shall be *required not* to pay interest on the Notes, subject to the provisions set forth below under "Mandatory Interest Payment", if, on or at any time prior to the fifth Business Day prior to such Interest Payment Date, a Capital Deficiency Event (as defined below) has occurred or would occur upon payment of the interest due on such Interest Payment Date.

Notice of non-payment of interest on the Notes on any Interest Payment Date in accordance with the above provisions (an "**Interest Non-Payment Notice**") shall be given to the Noteholders no later than two Business Days prior to the relevant Interest Payment Date. Furthermore, payment of any Broken Interest (as defined below) will not be made on such Interest Payment Date.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

The amount of Broken Interest may be reduced pursuant to the provisions set forth below under "Loss Absorption". At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses, may be paid on the first Interest Payment Date after the end of a Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such Interest Payment Date shall be forfeited.

"**Broken Interest**" means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

"**Capital Deficiency Event**" means the first date on which either of the following events occurs:

(a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or

(b) the Issuer is notified by the SGCB, or its successor or any other relevant regulatory authority by which the Issuer is then-supervised (the "**Relevant Banking Regulator**"), that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

"**Applicable Banking Regulations**" means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

Mandatory Interest Payment

In the event that during the one-year period prior to any Interest Payment Date any of the following events occurs:

(i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or

(ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement (as defined under "Reinstatement" below), or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities);

then irrespective of whether an Interest Non-Payment Notice has been delivered and is outstanding, the Issuer shall be required to pay interest on the Notes accrued in respect of the Interest Period ending immediately prior to such Interest Payment Date (such payment, a "**Mandatory Interest Payment**" and such date a "**Mandatory Interest Payment Date**"); *provided, however,* that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) of this section.

The interest amount payable on each Note in relation to a Mandatory Interest Payment will be calculated as follows:

(x) If the Mandatory Interest Payment results from an event described in sub-paragraph (i) of this section, it will be calculated on the basis of the Current Principal Amount of such Note, and

(y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of this section, it shall be equal to the Notional Interest Amount.

"**Notional Interest Amount**" means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to "Optional Non-Payment of Interest" above, for the one-year period prior to, and including, such Interest Payment Date, calculated on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

"**Underlying Security**" means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

"**Underlying Security Payment Percentage**" means the ratio, calculated as a percentage, equal to (i) the payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Loss Absorption:

In the event that at any time a Capital Deficiency Event has occurred, the board of directors of the Issuer will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event in full, or if such event remains in effect on the last day of the fiscal half-year during which the said event has occurred, the board of directors of the Issuer will implement, within ten days following the last day of such fiscal half-year, a reduction of the amount of Broken Interest, if any, and thereafter the

Current Principal Amount of the Notes (a "**Loss Absorption**") necessary in order to remedy such event to the fullest extent possible. Notwithstanding anything to the contrary, the nominal value of the Notes shall never be reduced to an amount lower than one cent (USD 0.01).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the Issuer to absorb losses in order to ensure the continuity of its activities, will be the lower of (i) the amount of consolidated losses of the Issuer which, following a Capital Deficiency Event, have not been allocated to its shareholders' funds (*capitaux propres)* as set out in its consolidated financial statements and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Reinstatement:

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the Current Principal Amount of the Notes (a "**Reinstatement**") on any date and in an amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount (as defined below) on any date that it determines if (i) a Mandatory Reinstatement Event (as defined below) has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

For the avoidance of doubt, following a Reinstatement the Current Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes.

"**Consolidated Net Income**" means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the difference between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "Mandatory Reinstatement Event", the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

"**Restricted Payment**" means an Equity Securities Payment or a Parity Securities Payment.

"**Equity Securities Payment**" means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

"**Parity Securities Payment**" means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

Call from the First Call Date:

The Issuer will have the right, subject to the prior consent of the Relevant Banking Regulator, to call the Notes in whole or in part on the Interest Payment Date falling on the First Call Date or upon any Interest Payment Date thereafter. Such call

will be exercised at a price (the "**Base Call Price**") equal to the Original Principal Amount of the Notes plus any accrued but unpaid interest thereon.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from the Loss Absorption mechanism and the resulting reduced Current Principal Amount. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

Call before the First Call Date: The Issuer will have the right, and in certain circumstances the obligation, to redeem the Notes at the Base Call Price at any time (in whole but not in part) in case of imposition of withholding tax on interest payments on the Notes, in case of loss of deductibility of interest paid on the Notes for corporate income tax purposes and in case of loss of Tier 1 Capital status of the Notes due to a change in Applicable Banking Regulations, subject to the prior consent of the Relevant Banking Regulator.

Taxation: The Notes will, upon issue, benefit from an exemption from deduction for withholding tax. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts.

Use of proceeds: The net proceeds of the issue of the Notes amount to approximately USD 1,336,500,000 and will be used for general corporate purposes by the Issuer.

Clearing Systems: The Notes will be accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear.

Listing: Application has been made to list the Notes on the Luxembourg Stock Exchange.

Selling Restrictions: The Issuer has not registered, and will not register, the Notes under the Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws. See "Notice to Investors".

Ratings: The Notes have been assigned a rating of "A1" by Moody's Investors Service, Inc., "A+" by Standard & Poor's Ratings Services and "AA-" by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be

subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Governing Law: The Notes will be governed by, and construed in accordance with, the laws of the State of New York, except that Condition 3 (Status of the Notes and Subordination) will be governed by French law.

Global Note Codes: Rule 144A Global Note:

CUSIP: 05565A AA 1
ISIN: US05565AAA16
Common Code: 022312090

Regulation S Global Note:

CUSIP: F1058Y HV 3
ISIN: USF1058YHV32
Common Code: 022324713

INVESTMENT CONSIDERATIONS

The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out and incorporated by reference in this Offering Circular, including in particular the investment considerations detailed below. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Offering Circular. Capitalized terms used but not defined in the following discussion bear the respective meanings ascribed to them under "Terms and Conditions of the Notes".

The Notes are Deeply Subordinated Obligations

The Issuer's obligations under the Notes are deeply subordinated obligations of the Issuer which are the most junior debt instruments of the Issuer, ranking *pari passu* among themselves and with all other present and future Parity Securities, and subordinated to and ranking behind the claims of all other unsubordinated and ordinarily subordinated creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer. In the event of liquidation, the Issuer's obligations under the Notes rank in priority only to any payments to holders of Equity Securities.

The Principal Amount of the Notes May Be Reduced to Absorb Losses of the Issuer

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Tier 1 Capital of the Issuer. See "Terms and Conditions of the Notes - Status of the Notes and Subordination" and "Capital Adequacy of the BNP Paribas Group" below. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the terms and conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Notes may be restricted and, in certain cases, forfeited and the amount of Broken Interest and the Current Principal Amount of the Notes may be reduced. See "Terms and Conditions of the Notes – Loss Absorption and Return to Profitability".

There Are Certain Restrictions on Payments under the Notes

For so long as the mandatory interest provisions do not apply, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes on any Interest Payment Date. Any interest not so paid on any such Interest Payment Date shall be forfeited and shall no longer be due and payable by the Issuer, save as otherwise provided. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

In addition, in certain circumstances, payment of interest will be suspended automatically upon the occurrence of a Capital Deficiency Event. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

There Is No Limitation on Issuing Debt

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of

indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

The Notes Are Undated Securities

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in "Terms and Conditions of the Notes—Redemption and Purchase").

The Noteholders have no right to require redemption of the Notes, except if a judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason. See "Terms and Conditions of the Notes—Mandatory Redemption" below.

The Notes May Be Redeemed Under Certain Circumstances

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. Nevertheless, the Notes may be redeemed at the option of the Issuer (i) in whole or in part on the First Call Date and on any Interest Payment Date thereafter and (ii) in whole (but not in part) at any time for certain tax or regulatory reasons. See "Terms and Conditions of the Notes—Redemption and Purchase".

In certain circumstances for tax reasons (see "Terms and Conditions of the Notes—Redemption and Purchase"), the Issuer will be required to redeem the Notes in whole (but not in part).

In each case, early redemption of the Notes is subject to the prior approval of the Relevant Banking Regulator.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

There Is No Prior Market for the Notes

There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes or that Noteholders will be able to sell their Notes in the secondary market. There is no obligation to make a market in the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange.

USE OF PROCEEDS

The net proceeds of the issue of the Notes amount to approximately USD 1,336,500,000, and will be used for general corporate purposes by the Issuer.

EXCHANGE RATE AND CURRENCY INFORMATION

In this Offering Circular, references to "**euro**," "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. References to "**$**," "**U.S.$**" and "**U.S. dollars**" are to United States dollars. References to "cents" are to United States cents. Certain financial information contained herein are presented in euros. On June 16, 2005, the Noon Buying Rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York (the "**Noon Buying Rate**") was U.S.$1.21 per one euro.

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

Month	**Period End**	**Average rate***	**High**	**Low**
U.S. dollar/Euro				
May 2005	1.23	1.27	1.29	1.23
April 2005	1.29	1.29	1.31	1.28
March 2005	1.30	1.32	1.35	1.29
February 2005	1.33	1.30	1.33	1.28
January 2005	1.30	1.31	1.35	1.30
Year				
U.S. dollar/Euro				
2004	1.35	1.24	1.36	1.18
2003	1.26	1.13	1.26	1.04
2002	1.05	0.95	1.05	0.86
2001	0.89	0.89	0.95	0.84
2000	0.94	0.92	1.03	0.83

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

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

PRESENTATION OF FINANCIAL INFORMATION

Most of the financial data presented in this Offering Circular are presented in euros. The Issuer and the BNP Paribas Group began presenting its financial information in euros as of the advent of the euro on January 1, 1999.

Any reference in this information statement to the "Financial Statements" is to the consolidated financial statements, including the notes thereto, of the Issuer and its consolidated subsidiaries as of and for the years ended December 31, 2004, 2003 and 2002. The Financial Statements are prepared in accordance with generally accepted accounting principles in France ("**French GAAP**"). French GAAP differs in certain significant respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). For a narrative discussion of certain differences between French GAAP and U.S. GAAP with respect to the Financial Statements, see "Summary of Certain Differences Between French GAAP and U.S. GAAP." The Group has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the BNP Paribas Group, the terms of any offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between French GAAP and U.S. GAAP, and how those differences might affect the information herein. The Group's fiscal year ends on December 31, and references in this Offering Circular to any specific fiscal year are to the twelve-month period ended December 31 of such year.

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

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

CAPITALIZATION OF THE GROUP

Except as set forth in this section, there has been no material change in the capitalization of the Issuer and the Group since December 31, 2004.

The following table sets forth the consolidated capitalization of the Group as at December 31, 2004 and December 31, 2003. For the avoidance of doubt, the figures set out in the following table have been extracted from the Group's 2004 financial statements prepared in accordance with French GAAP.

	As of December 31, 2004	**As of December 31, 2003**
	(in millions of euros)	
Medium- and Long-Term Debt of which the unexpired term to maturity is more than one year [1]		
Medium- and long-term debt denominated in foreign currency	1,129	567
Medium- and long-term debt denominated in euros	10,535	8,760
Intercompany eliminations on medium-and long-term senior debt	(1,847)	(447)
Medium- and long-term subordinated foreign currency debt	3,766	4,088
Medium- and long-term subordinated euro debt	6,028	6,272
Negotiable certificates of deposit	24,399	19,131
Total Medium- and Long-Term Debt	**44,010**	**38,371**
Shareholders' Equity and Equivalents		
Issued capital[2]	1,769	1,806
Capital surplus	10,340	11,017
Retained earnings[3]	16,049	13,879
Revaluation surplus[4]	19	19
Capital surplus on real estate restructuring[5]	350	355
Undated participating subordinated notes[6]	308	312
Undated subordinated FRNs[7]	1,342	1,409
Total Shareholders' Equity and Equivalents	**30,177**	**28,797**
Minority interest[8]	4,654	4,723
Reserve for general banking risks	752	843
Total Capitalization	**79,593**	**72,734**

Notes:

On February 20, 2002, BNP Paribas effected a two-for-one stock split.

(1) Medium- and long-term debt does not include the following items: interbank items, money market securities, customer term deposits and retail certificates of deposits. All medium- and long-term senior debt of BNP Paribas, denominated both in euros and other currencies, ranks equally with deposits. The subordinated debt of BNP Paribas is subordinated to all other debt with the exception of undated participating subordinated notes (*titres participatifs*).

BNP Paribas and its subsidiaries issue medium- to long-term debt on a continuous basis, particularly through private placements in France and abroad.

Between January 1, 2005 and March 31, 2005, BNP Paribas issued the following medium- and long-term debt:

- Euro 4,974 million equivalent raised through private placements pursuant to its Euro Medium Term Note Programme;
- Euro 127 million equivalent raised through private placements pursuant to its US Medium Term Note Program; and
- Euro 231 million raised pursuant to its program for the issuance of medium-term notes in France (*Bons à Moyen Terme Négociables*).

Euro against foreign currency – as of December 31, 2004: CAD = 1.6289; GBP = 0.7078; CHF = 1.5469; HKD = 10.5594; JPY = 139.0119; USD = 1.3584; as of March 31, 2005: CAD = 1.5686; GBP = 0.6867; CHF = 1.5511; HKD = 10.1125; JPY = 138.9761; USD = 1.2966.

(2) The number of shares outstanding has decreased since December 31, 2004, as a result of the issuance of 518,758 new shares under the Group's stock option plans and the cancellation of 13,994,568 shares. BNP Paribas' share capital was modified on May 10, 2005. It stands at €1,742,449,268 divided into 871,224,634 common shares with a par value of €2 per share, all fully paid.

(3) After deduction at cost of 44,818,443 BNP Paribas shares held by BNP Paribas as at December 31, 2003 and of 51,683,500 BNP Paribas shares as at December 31, 2004. Between January 1, 2005 and March 31, 2005, BNP Paribas purchased a net number of 803,754 BNP Paribas shares.

(4) Only applicable to French companies that carried out the revaluation of their assets in accordance with French accounting standards.

(5) The item "Capital surplus on real estate restructuring" concerns a restructuring transaction in 1991 and 1992 whereby BNP transferred its real estate holdings to its subsidiary Compagnie Immobilière de France ("CIF"). The resulting capital gain is recognized on the consolidated income statement in proportion to the additional depreciation charge taken by CIF. This item was written down as at December 31, 1997 by €420 million, to reflect a decline in the real estate market that was then considered to be lasting.

(6) Pursuant to the French Law of January 3, 1983, BNP issued a first block of 1,800,000 undated participating subordinated notes (*titres participatifs*) with a par value of FF 1,000, for a total of €274 million, in July 1984. Subscription rights to new undated participating subordinated notes were attached to each of these notes. In respect of rights exercised between July 1 and July 30, 1985, 1986, 1987 and 1988, BNP issued a total of 412,761 new undated participating subordinated notes with a face value of FF 1,000 and received an issue premium of €4 million. These notes are redeemable only in the event of a liquidation of BNP Paribas but may be redeemed in accordance with the terms of the Law.

(7) In October 1985, BNP issued €305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). These notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all of the bank's other debts but senior to the undated participating subordinated notes issued by BNP Paribas. The Board of Directors is entitled to postpone the interest payments on these securities if the stockholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP raised a further $500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In 1996, 1997, and the first half of 1998, BNP issued undated floating-rate subordinated notes that may be called at the issuer's discretion, starting from a date specified in the issuing agreement and contingent upon the consent of the *Commission Bancaire*.

(8) In December 1997, BNP US Funding LLC, a wholly-owned subsidiary of BNP Paribas, issued $500 million of noncumulative preferred securities, which do not dilute earnings per ordinary share. They pay a contractual dividend of 7.738% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to LIBOR.

In October 2000, BNP Paribas Capital Preferred LLC, a wholly-owned subsidiary of BNP Paribas, issued $500 million of noncumulative preferred securities, via BNP Paribas Capital Trust. They pay a contractual dividend of 9.003% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to LIBOR.

In October 2001, BNP Paribas Capital Preferred II LLC, a wholly-owned subsidiary of BNP Paribas, issued €350 million of noncumulative preferred securities, via BNP Paribas Capital Trust II. They pay a contractual dividend of 7.00%. As from October 5, 2006, the issuer may redeem the securities at par on each dividend payment date.

In October 2001, BNP Paribas Capital Preferred III LLC, a wholly-owned subsidiary of BNP Paribas, issued €500 million of noncumulative preferred securities, via BNP Paribas Capital Trust III. They pay a contractual dividend of 6.625% for a period of ten years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

In January 2002, BNP Paribas Capital Preferred IV LLC, a wholly owned subsidiary of BNP Paribas, issued €660 million of noncumulative preferred securities, via BNP Paribas Capital Trust IV. They pay a contractual dividend of 6.342% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

In June 2002, BNP Paribas Capital Preferred V LLC, a wholly-owned subsidiary of BNP Paribas, issued $650 million of noncumulative preferred securities, via BNP Paribas Capital Trust V. They pay a contractual dividend of 7.20%. As from June 30, 2007, the issuer may redeem the securities at par on each dividend payment date.

In January 2003, BNP Paribas Capital Preferred VI LLC, a wholly owned subsidiary of BNP Paribas, issued €700 million of noncumulative preferred securities, via BNP Paribas Capital Trust VI. They pay a contractual dividend of 5.868% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR.

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group as at and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000.

The selected financial data for the Group as at and for the years ended December 31, 2004, 2003 and 2002 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of and for the years ended December 31, 2004, 2003 and 2002 included herein. The selected financial data for the Group as of and for the years ended December 31, 2001 and December 31, 2000 have been derived from the audited consolidated financial statements of the Group for such years.

The selected financial data and the financial statements from which they are derived have been prepared in accordance with French GAAP, which differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain differences between French GAAP and U.S. GAAP with respect to the Group's consolidated financial statements, see "Summary of Certain Differences Between French GAAP and U.S. GAAP." For a discussion of the Group's transition to IFRS, investors should refer to the section herein entitled "Transition to International Financial Reporting Standards."

BNP Paribas Group Consolidated Income Statement	**Year ended December 31,**				
	2004	**2003**	**2002**	**2001**	**2000**
	(in millions of euros)				
Net interest and assimilated income	6,413	6,794	5,707	4,540	4,347
Net gains on financial operations	5,166	4,597	4,826	6,519	5,540
Net commissions [(1)]	6,606	5,951	5,618	5,692	5,691
Other net income	638	593	642	699	685
Net banking income	18,823	17,935	16,793	17,450	16,263
Operating expense and depreciation	(11,592)	(11,285)	(10,955)	(10,933)	(10,438)
Gross operating income	7,231	6,650	5,838	6,517	5,825
Net additions to provisions for credit risks and country risks	(678)	(1,361)	(1,470)	(1,312)	(1,142)
Operating income	6,553	5,289	4,368	5,205	4,683
Gains on disposal of long-term investments, net of provisions	843	912	903	1,125	1,709
Share of earnings of companies carried under the equity method	194	131	80	228	317
Other income and expenses	(685)	(746)	(538)	(326)	(525)
Income taxes	(1,830)	(1,481)	(1,175)	(1,817)	(1,632)
Minority interests	(407)	(344)	(343)	(397)	(428)
Net income attributable to the BNP Paribas Group	4,668	3,761	3,295	4,018	4,124

(1) Includes insurance activities.

BNP Paribas Group Consolidated Balance Sheet	**At December 31,**				
	2004	**2003**	**2002**	**2001**	**2000**
	(in millions of euros)				
Assets					
Interbank and money market items	315,686	274,908	240,386	271,574	198,301
Customer items	258,080	221,973	225,341	234,907	230,910
Securities and insurance company investments	208,654	169,786	121,734	154,769	125,620
Long term investments	7,884	8,403	13,074	10,656	10,226
Tangible and intangible assets	9,582	9,008	8,640	7,514	5,831
Accrued income and other assets	99,808	93,420	94,597	141,387	119,887
Goodwill	6,244	5,578	6,547	4,489	2,540
Total Assets	905,938	783,076	710,319	825,296	693,315
Liabilities and Shareholders' Equity					
Interbank and money market items	244,963	191,254	177,905	220,296	196,255
Customer items	237,712	210,621	195,569	216,096	172,877
Bonds and negotiable debt instruments	103,966	83,101	84,057	87,863	75,725
Other accounts [(1)]	271,285	250,691	206,528	259,307	211,249
Subordinated debt	12,242	13,226	14,283	13,038	11,745
Reserve for general banking risks	752	843	997	1,007	1,039
Minority interests in consolidated subsidiaries	4,824	5,019	4,535	3,079	2,812
Shareholders' equity (group share)	30,194	28,321	26,445	24,610	21,613
Total Liabilities and Shareholders' Equity	905,938	783,076	710,319	825,296	693,315

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

BNP Paribas Group Capital Ratios	**At December 31,**		
	2004	**2003**	**2002**
Total ratio	10.3%	12.9%	10.9%
Tier 1 ratio	8.1%	9.4%	8.1%
Risk-weighted assets (in € billions)	324	274	284

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

The following discussion and analysis relate to the results of operations and financial condition of the Group for the year ended and as of December 31, 2004 as compared to the year ended and as of December 31, 2003, and for the year ended and as of December 31, 2003 as compared to the year ended and as of December 31, 2002.

The following discussion and analysis should be read in conjunction with "Selected Financial Data" and the audited consolidated financial statements of the Group as of and for the years ended December 31, 2004, 2003 and 2002 included herein. The Group's financial statements have been prepared in accordance with French GAAP applicable to the French banking industry.

Economic Conditions

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

	2002	2003	2004
French GDP[1]	1.1%	0.5%	2.4%
Euro zone GDP[2]	0.9%	0.5%	1.8%
U.S. GDP[3]	1.9%	3.0%	4.4%
Short-term interest rates (France)[4]	2.87%	2.12%	2.16%
Long-term interest rates (France)[5]	4.25%	4.30%	3.67%
S&P 500*	-23.4%	26.4%	9.0%
FTSE 100*	-24.5%	11.7%	7.5%
CAC 40*	-33.7%	16.1%	7.4%

1 Source: Banque de France

2 Source: Eurostat

3 Source: U.S. Bureau of Economic Analysis

4 Source: Banque de France

5 Source: Banque de France

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

The global economy during 2002 was characterized, especially starting in June, by geopolitical uncertainties, a continued economic slowdown and a major crisis in the equity markets. Following the 9/11/01 attacks, a series of other attacks were targeted at western democracies and a climate of war preparations overshadowed the entire year 2002. The economic recovery expected in the U.S. arrived late and was stop-and-go, while Europe in turn faced a sharp slowdown. The year 2003 was marked by a strong economic recovery in the United States, propelled by low interest rates and a high level of mortgage refinancing, while the labor market continued to struggle to add jobs. Europe as a whole, and France in particular, continued to experience sluggish growth in 2003, especially in the first quarter, when the Iraq conflict dominated the headlines, financial markets deteriorated and the euro continued to appreciate rapidly, in particular against the U.S. dollar, making exports less competitive. In 2004, global economic growth was particularly sustained, even though its pace remained limited in Europe. This overall positive environment helped to lift corporate earnings and reduce the overall number of corporate bankruptcies. Capital markets, which were more bullish at the beginning of the year,

remained hesitant thereafter, with uneven trading volumes and historically low volatility. The U.S. dollar continued to depreciate against the euro and thus to weigh on the results of European companies doing business in the United States (including the Group, as summarized below).

In 2002, long-term interest rates began to decrease as a result of the continued economic slowdown in the United States and Europe, and 3-month EURIBOR rose during the first part of the year and then declined in the latter portion of the year. In 2003, the downward trend in 3-month EURIBOR continued, while long-term interest rates remained relatively constant. The year 2004 was marked by relative stability in short-term interest rates, while long-term rates declined further.

In 2002, financial markets faced misgivings over corporate debt, against a backdrop of questions over U.S. corporate accounting practices, considerable equity market volatility, and an unprecedented crisis in the equity markets starting in June. The overall result was a sharp downturn in the U.S. and European financial markets by the end of 2002. The condition of U.S. and European financial markets continued to deteriorate through the early spring of 2003, at which point these markets began to recover, posting healthy gains overall in 2003, with lower volatility. In 2004, U.S. and European financial markets again posted healthy gains, though they were more muted than in 2003.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. After an initial three-year period in which the euro generally depreciated against the U.S. dollar, in 2002, 2003 and 2004 the euro generally appreciated against the U.S. dollar thus weakening European exports in real terms and decreasing the value of dollar-denominated earnings of French companies, including the Group's U.S. operations. For more information on the euro/dollar exchange rates for the period under review, see "Exchange Rate and Currency Information."

Basis of Presentation

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 39 to the Group's consolidated financial statements as of and for the year ended December 31, 2004 included herein.

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

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

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

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

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

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

Results of operations by division

Retail Banking

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

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

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

French Retail Banking

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

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

Net banking income of the French Retail Banking branch network[1] increased 4.1% to €5,086 million. Net interest revenue increased 2.8% to €2,910 million, due to a 7.8% increase in the average volume of loans outstanding, while deposits increased by 6.0%. The growth in net interest revenue was nevertheless limited by a contraction in the gross interest margin (from 3.74% to 3.57%) between 2003 and 2004, which was primarily due to (i) the above-mentioned proportionately greater increase in the average volume of loans outstanding (+7.8%) that outpaced the increase in deposits (+6.0%), such that a lower percentage of loans were financed through deposits rather than through other higher-cost sources of funding, (ii) reduced market lending rates in 2004 as compared to 2003, and (iii) an increase in outstanding corporate loans (+0.7%) and mortgage loans (+19.8%) during 2004, both of which tend to be relatively low-margin categories, as a percentage of total loans.

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

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

[1] Including 100% of private banking in France.

6.0% to €30.3 billion. Total average outstanding customer balances (excluding mutual fund and life insurance assets under management) rose 6.0% to €73.6 billion.

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

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

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

International Retail Banking and Financial Services (IRFS)

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

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

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

Provisions decreased (-17.0%) compared to 2003, to €439 million, due in particular to a 46.7% fall in provisions at BancWest which was in turn due to the substantial write-backs of general reserves

associated with portfolios of loans running off, and amortization of goodwill fell 6.2% to €271 million. Revenue from other non-operating items increased strongly (+67.6%) compared to 2003, to €114 million, due in particular to increased income from companies accounted for under the equity method. Accordingly, pre-tax income increased 16.8% to €1,644 million, yielding a 32% pre-tax return on allocated equity compared with 29% in 2003.

BancWest

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

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

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

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

Cetelem

(in millions of euros)	2004	2003	Change	At constant scope and exchange rates
Net banking income	**1,680**	**1,565**	**+7.3%**	**+4.1%**
Operating expenses and depreciation	-882	-811	+8.8%	+3.3%
Gross operating income	**798**	**754**	**+5.8%**	**+4.9%**
Provisions	-380	-361	+5.3%	-44.1%
Operating income	**418**	**393**	**+6.4%**	**+13.2%**
Amortization of goodwill	-45	-52	-13.5%	
Other non-operating items	116	86	+34.9%	
Pre-tax income	**489**	**427**	**+14.5%**	**+18.4%**
Cost/income ratio	52.5%	51.8%	+0.7 pt	
Allocated equity (in billions of euros)	1.5	1.4	+8.1%	
Pre-Tax ROE	32%	30%	+2 pt	

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

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

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

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

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

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

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

* Unallocated headquarters or central costs.

Asset Management and Services (AMS)

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

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

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

The value of total assets under the Group's management rose by 5.8% (at current scope) to €292.1 billion as of December 31, 2004, resulting principally from €11.6 billion in net new money (as

compared with €11.1 billion in 2003) and a €6.4 billion increase linked to higher equity prices. Overall, the margin on assets under management increased compared to 2003 at constant scope.

Wealth & Asset Management (WAM)*

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

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

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

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

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

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

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

Insurance

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

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

Securities Services

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

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

Corporate and Investment Banking

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

* *Including customer activity and related revenues.*

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

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

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

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

Advisory and Capital Markets

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

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

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

Financing Businesses

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

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

BNP Paribas Capital

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

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

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

Results of operations by nature of income and expense

Net banking income

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

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

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

The 3.9% increase in income on equities and other variable income instruments results from a three-fold increase in income from securities available for sale, itself due to increased dividend payments on such securities, partially offset by a decrease in income from investments in non-consolidated undertakings and other shareholdings. This decrease primarily resulted from the gradual

reduction in the value of the investment portfolio of BNP Paribas Capital (from €3.9 billion at the end of 2003 to €3.7 billion at December 31, 2004) in accordance with the Group's divestment strategy.

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

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

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

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

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

Interbank and money market items due to credit institutions increased 28.0%, from €192.3 billion at December 31, 2003 to €246.1 billion at December 31, 2004. Contributing to the increase was

a 38.9% increase in time deposits and borrowings, to €85.8 billion at December 31, 2004, a 21.5% increase in securities and bills sold outright or under repurchase agreements, to €151.3 billion at December 31, 2004, and a 57.4% increase in demand accounts, to €7.9 billion at December 31, 2004.

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

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

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

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

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

The main component of net gains on financial operations is net gains on sales of trading account securities, which amounted to €4,713 million in 2004, as compared with €4,407 million in 2003 (an increase of 6.9%), and which is in turn composed of net income from (i) financial instruments

(forward and option contracts), (ii) trading account securities and (iii) foreign exchange transactions. These items do not include the cost of carry of the trading portfolio, whereas revenues reported by division include this cost. Accordingly, the trading revenues of the business lines present a more economically pertinent view of trading results. See "—Results of operations by division – Corporate and Investment Banking."

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

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

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

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

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

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

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

Operating Expense and Depreciation

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

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

Gross Operating Income

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

Net Additions to Provisions for Specific Risks and Country Risks

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

Net additions to provisions for specific risks and country risks decreased by 50.2% in 2004 compared to 2003 (-52.7% at constant scope and exchange rates). The overall decrease in net additions to provisions was due to a 47.8% decrease in net additions to provisions for specific risks. This decrease was in turn primarily due to a significant decline (90.8%, or €575 million) to just €58 million

in net additions to provisions in Corporate and Investment Banking, given the improved financial condition of corporate clients around the world. Provisions also declined by 17% in IRFS, while remaining substantial (€439 million). Net additions to provisions were stable in French Retail Banking (-0.9% to €223 million) due to the improved financial condition of corporate customers, and remained relatively moderate overall as they amounted to 0.31% of French Retail Banking's overall weighted assets for the year (as compared to 0.32% in 2003).

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

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

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

Net Income Attributable to BNP Paribas Group

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

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

Non-operating items. Non-operating items include (i) the Group's share of earnings from companies carried under the equity method, which increased from €131 million in 2003 to €194 million in 2004, largely as a result of the increased contribution from Finaxa, and (ii) gains on disposals of long-term investments and changes in provisions, which decreased from €912 million in 2003 to €843 million in 2004. This decrease was largely the result of a €102 million decrease in net gains on disposals of debt securities held to maturity and changes in provisions, and the effect of a €218 million write-back of provisions for industry risks in 2003. This decrease was partially offset by a

42.9% increase in net gains on equity securities held for long-term investment and changes in provisions, from €524 million in 2003 to €749 million in 2004, and an increase in net gains on disposals of non-consolidated undertakings and other participating interests and changes in provisions, from €51 million in 2003 to €126 million in 2004. In 2004, the Group changed its accounting method relating to payments made by venture capital funds in which the Group holds an interest. The impact of this change in accounting method resulted in the recording of €167 million in net gains on long-term investments in 2004, including €100 million with respect to payments made by venture capital funds in prior periods. See Notes 1 and 37 to the Group's 2004 financial statements included herein for further detail.

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

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

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

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

Financial Condition

Assets

General. At December 31, 2004, consolidated assets of the Group amounted to €905.9 billion, up 15.7% from €783.1 billion at December 31, 2003. The main components of the Group's assets at December 31, 2004 were interbank and money market items, customer items, insurance company investments and securities (including bonds and other fixed-income instruments, equities and other variable-income instruments, investments in non-consolidated undertakings and other

participating interests, equity securities held for long-term investment and investments in companies carried under the equity method), which together accounted for 87.2% of assets, as compared with 86.2% at December 31, 2003. The 15.7% increase in total assets was due primarily to an increase in value of most of the Group's assets. In particular, the value of the Group's securities portfolio increased by 26.9% and the value of interbank and money market items increased by 14.8%. These increases were in turn due primarily to higher equity prices (resulting in higher values recorded for marked to market securities) and an increase in trading volumes in the capital markets, partially offset by the depreciation of the dollar against the euro (as the Group has significant dollar denominated assets). Also contributing to the 15.7% increase in total assets was a 16.3% increase in the value of customer items, which was in turn due primarily to increases in the amount of short-term and mortgage loans outstanding.

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

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

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

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

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

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

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

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

Liabilities (excluding shareholders' equity and provisions)

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

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

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

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

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

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

Provisions and Reserve for General Banking Risks

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

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

Minority Interests

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

Shareholders' Equity

Consolidated shareholders' equity of the Group at December 31, 2004, before dividend payments, amounted to €30.2 billion, an increase of 6.6% as compared with €28.3 billion at December 31, 2003. This increase corresponds essentially to recognition of 2004 net income of €4.7 billion, partially offset by payment of dividends with respect to the 2003 fiscal year in the amount of €1.2 billion. The €0.3 billion increase in capital resulting from employee share issues and the exercise of stock options was more than offset by the Group's repurchase of 35,751,407 shares during 2004, which led to a €1.7 billion deduction from shareholders' equity (since the Group deducts the value of its treasury stock from the calculation of shareholders' equity). Finally, the translation adjustment for 2004 was €-0.2 billion. For more information, see Note 22 to the Group's consolidated financial statements as of and for the year ended December 31, 2004 included herein.

Off-Balance Sheet Items

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

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

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

by the Capital Markets business line on behalf of clients. After weighting and netting agreements, counterparty risks on forward and option contracts totaled €16.3 billion at December 31, 2004, as compared with €14.7 billion at December 31, 2003.

For further information concerning the Group's off-balance sheet assets and liabilities, see Notes 23 and 24 to the Group's consolidated financial statements as of and for the year ended December 31, 2004 included herein.

Year Ended December 31, 2003 as Compared with Year Ended December 31, 2002

The following discussion presents the results of operations and financial condition for the BNP Paribas Group for the year ended and as at December 31, 2003 as compared to the year ended and as at December 31, 2002. Results are presented and analyzed by division and then on a consolidated basis by income statement line items.

Changes affecting the comparability of the Group's results generally between the year ended December 31, 2003 and the year ended December 31, 2002 include the full consolidation of Cogent and Consors beginning January 1, 2003, the full consolidation of Facet and United California Bank for the full year 2003 as opposed to only part of 2002 and the decline in the value of the dollar.

Results of operations by division

Retail Banking

(in millions of euros)	**2003***	2002*	Change	At constant scope and exchange rates
Net banking income	**9,636**	9,466	**+1.8%**	**+3.1%**
Operating expenses and depreciation	**-6,011**	-6,036	-0.4%	+1.6%
Gross operating income	**3,625**	3,430	**+5.7%**	**+5.6%**
Net additions to provisions	**-754**	-720	+4.7%	
Operating income	**2,871**	2,710	**+5.9%**	**+6.4%**
Amortization of goodwill	**-289**	-270	+7.0%	
Other non-operating items	**66**	51	+29.4%	
Pre-tax income	**2,648**	2,491	**+6.3%**	**+9.0%**
Cost/income ratio	**62.4%**	63.8%	-1.4 pt	
Allocated equity (in billions of euros)	**9.4**	9.6	-2.4%	
Pre-tax ROE	**28%**	26%		

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

In 2003, Retail Banking's operations continued to expand and to enhance their profitability. Net banking income increased 1.8% to €9,636 million, while gross operating income rose 5.7% to €3,625 million. Pre-tax income was up 6.3%, to €2,648 million. Pre-tax return on allocated equity (*i.e.*, the amount of the Group's capital allocated to this division for internal analytical purposes, as discussed above under "–Basis of Presentation") increased by 2 percentage points to 28%, despite a 2.4% decrease in allocated equity.

French Retail Banking

(in millions of euros)	**2003***	2002*	Change
Net banking income	**4,884**	4,740	**+3.0%**
Of which fees and commissions	***2,053***	*2,000*	*+2.7%*
Of which net interest revenue	***2,831***	*2,740*	*+3.3%*
Operating expenses and depreciation	**-3,355**	-3,272	+2.5%
Gross operating income	**1,529**	1,468	**+4.2%**
Net additions to provisions	**-225**	-198	+13.6%
Operating income	**1,304**	1,270	**+2.7%**
Non operating items	**-2**	0	n.m.
Pre-tax income	**1,302**	1,270	**+2.5%**
Income attributable to AMS	**-62**	-63	-1.6%
Pre-tax income of French Retail Banking	**1,240**	1,207	**+2.7%**
Cost/income ratio	**68.7%**	69.0%	-0.3pt
Allocated equity (in billions of euros)	**4.5**	4.7	-4.4%
Pre-tax ROE	**27%**	25%	

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

Net banking income of the French Retail Banking branch network[2] increased 3.0% to €4,884 million. Net interest revenue increased 3.3% to €2,831, largely as the result of a rise in the gross interest margin (from 3.54% to 3.74% between 2002 and 2003). The increase in the gross interest margin was largely due to (i) an overall improvement in the loan to deposit ratio, such that a greater percentage of loans were able to be financed through deposits rather than through other higher-cost sources of funding, and (ii) a reduction in the rates paid on regulated savings accounts in France beginning in August 2003. This increase was offset by a slight contraction of the overall volume of loans outstanding (-1.7%), itself due to a decrease in corporate loans outstanding, and an increase in deposits (3.5%), particularly savings accounts (15.6%). The 2002 gross interest margin (3.54%) differs from that previously reported (3.62%) due to a change in the scope of calculation implemented in 2003, for purposes of comparability.

The increase in net banking income also reflects an increase (2.7%) in fees and commissions to €2,053, due primarily to increases in fees on payment instruments and banking services (which increases in turn resulted from an increase in asset values), partially offset by a decrease in securities transactions, due to continued weakness in the French financial market in the first half of the year.

The Group's sales drive targeting individual customers gained further momentum in 2003. The number of check and current accounts grew by over 120,000 in 2003, although check and current account balances (average cash outstanding) rose by only 0.9% to €28.5 billion. Total average outstanding customer balances (excluding mutual fund and life insurance assets under management) rose 3.5% to €69.4 billion. Net inflow of funds into Private Banking accounts amounted to €1 billion in 2003. Outstanding loans to individual customers rose 9.3%, in particular due to a strong increase in new mortgages (leading to an 11.2% increase in overall outstanding mortgages, to €25.9 billion outstanding). The increase in new mortgages was primarily attributable to the low interest rate environment that prevailed in 2003. Life insurance assets under management rose 9.9% in 2003 to €35.9 billion, while mutual fund assets under management rose 12.4%, to €57.8 billion.

Outstanding corporate loans decreased by 9.6%, due to weak demand given the economic context. The French retail network concentrated on sales of financial products (e.g., structured

[2] Including 100% of private banking in France.

financing, bond issues, leveraged acquisition financing, hedging and forex products) and services in conjunction with Corporate and Investment Banking, and sales of such products and services grew significantly. The French retail network also increased its placement of mutual funds for corporate customers by €1.4 billion, due to an expansion in the range of such funds by BNP Paribas Asset Management. Similarly, the French retail network took steps to grow sales of the products and services of specialty subsidiaries, in particular Arval PHH (with a 21% rise in the number of vehicles managed), Arius (with a 12% increase in the number of new clients) and BNP Paribas Factor (which increased the number of new contracts by 9%).

Operating expenses and depreciation were kept in check, rising 2.5% to €3,355 million, leading to an improvement of 0.3% in the cost/income ratio (*i.e.*, ratio of operating expenses and depreciation to net banking income). Gross operating income rose 4.2%, to €1,529 million.

Provisions increased 13.6% to €225 million as a result of general economic conditions, yet remained relatively moderate as they amounted to 0.32% of the division's overall weighted assets for the year (as compared to 0.25% in 2002). After provisions and allocation of one-third of the income of French Private Banking to Asset Management and Services, French Retail Banking ended the year with pre-tax income of €1,240 million, up 2.7% as compared with 2002.

This rise in income, combined with a reduction in allocated equity subsequent to the decrease in the volume of corporate loans, led to a two-percent rise in pre-tax return on allocated equity edged, to 27%, in 2003.

*International Retail Banking and Financial Services (IRFS)**

(in millions of euros)	**2003**	2002	Change	At constant scope and exchange rates
Net banking income	**4,903**	4,878	**+0.5%**	**+4.0%**
Operating expenses and depreciation	**-2,745**	-2,853	-3.8%	+1.2%
Gross operating income	**2,158**	2,025	**+6.6%**	**+7.9%**
Net additions to provisions	**-529**	-522	+1.3%	-1.1%
Operating Income	**1,629**	1,503	**+8.4%**	**+11.1%**
Amortization of goodwill	**-289**	-270	+7.0%	
Other non-operating items	**68**	51	+33.3%	
Pre-tax income	**1,408**	1,284	**+9.7%**	
Cost/income ratio	**56.0%**	58.5%	-2.5pt	
Allocated equity (in billions of euros)	**4.8**	4.9	-0.5%	
Pre-tax ROE	**29%**	26%		

* The IRFS core business now combines: BancWest, emerging and overseas markets (formerly part of the International Retail Banking core business), and Cetelem, BNP Paribas Lease Group, UCB and Arval PHH (formerly part of the Retail Financial Services core business). 2002 data have been restated to reflect the new composition of this core business.

Net banking income of International Retail Banking and Financial Services increased slightly (+0.5%) compared to 2002, to €4,903 million. At constant scope and exchange rates, net banking income rose 4.0%. Exchange rate effects (in particular the weakening of the U.S. dollar) had a significant negative impact on recorded net banking income in this division, given the relative contribution of BancWest and, to a lesser degree, other non-Euro zone operations to revenues.

Operating expenses and depreciation decreased 3.8% to €2,745 million, but increased 1.2% at constant scope and exchange rates. Due primarily to the decrease in operating expenses and depreciation, gross operating income rose 6.6% to €2,158 million. At constant scope and exchange rates, gross operating income rose 7.9%. Likewise, the cost/income ratio improved by 2.5 points to

56.0%. Provisions increased slightly (+1.3%) compared to 2002, to €529 million, with a 31.1% decrease in provisions in International Retail Banking (totaling €104 million) nearly offsetting a 14.6% increase in provisions (totaling €425 million) in Financial Services.

Buoyed by the improvement in gross operating income, pre-tax income rose by 9.7% to €1,408 million, translating into a 29% pre-tax return on allocated equity compared with 26% in 2002.

BancWest had a brisk lending business in 2003, especially in the consumer lending segment, in which outstanding loans grew by 21.3%. Overall, average outstanding loans and leases of BancWest increased by 10.8% to $24.8 billion. The effect of this increase in outstanding loans and leases was partially offset by a decrease in BancWest's net interest margin to 4.18% (from 4.58% in 2002), due primarily to the effects of the decreasing interest rate environment that continued into 2003. (While the decreasing rate environment reduced BancWest's yield on earning assets by 77 basis points, to 5.60% in 2003 from 6.37% in 2002, it also decreased the rate it paid on sources of funds by 51 basis points to 1.28% in 2003 from 1.79% in 2002, lessening the overall impact of the decreasing rate environment on BancWest's net interest margin.) The full effect of synergies achieved following the merger between United California Bank and Bank of the West helped reduce BancWest's operating expenses and depreciation by 4.3%, at constant scope and exchange rates, compared to 2002. Finally, provisions for loan and lease losses decreased from $95.4 million in 2002 to $81.3 million in 2003, and the ratio of non-performing assets to total outstandings fell to 0.59% as of December 31, 2003, compared to 1.01% as of December 31, 2002. Operating income rose 11.8% at constant scope and exchange rates.

Retail Banking's business activities in emerging and overseas markets held up well under difficult operating conditions in several countries (in particular the Ivory Coast). Provisions were lower than in 2002, due to a higher write-back of provisions for counterparty risk during 2003.

Cetelem continued to record strong growth in loan volumes in France, due to strong loan production by Facet, as well as growth outside of France (especially in southern and eastern Europe), where outstanding loans increased by 18.6% to €11.0 billion, representing 37.9% of total loans managed by Cetelem. Its total outstanding loans increased 4.3% to €29.0 billion. Cetelem's gross operating income increased by 27.8% to €754 million, and its pre-tax income rose 12.1% to €427 million, due largely to the full consolidation of Facet for all of 2003 as opposed to only part of 2002.

UCB reported a sharp rise in new loans both in France (+23%) and outside France (+33%). Outstanding loans to individuals totaled €15.7 billion as of December 31, 2003 (+9.4%). Cross-selling with French Retail Banking led to the opening of 10,000 new customer accounts in 2003. UCB's gross operating income increased 20.8% in 2003, to €128 million.

Arval PHH continued to pursue its rapid expansion in continental Europe with a 7.1% rise in the number of vehicles under management in France and a 17.5% rise outside France. The number of vehicles under management in the United Kingdom decreased by 24.8% however, due to the termination of three low margin contracts with car rental companies. Arval PHH has also announced its intention to acquire Arma in Benelux, which has 20,000 vehicles under management, including 15,000 in the Netherlands.

BNP Paribas Lease Group made further inroads into international markets based on partnership alliances, leading to a 1.4% increase in outstanding leases outside of France. However, outstanding leases in France decreased by the same percentage. Overall, BNP Paribas Lease Group's outstanding leases as of December 31, 2003 amounted to €15.8 billion, a decrease of 0.9% as compared with December 31, 2002.

As leaders in their respective markets, Arval PHH and BNP Paribas Lease Group contributed significantly to the overall increase in profitability at the divisional level.

Overall, in 2003 the specialized financial services companies generated substantial portions of their new loans outside of France: 51% for Cetelem, 52% for UCB, 32% for BNP Paribas Lease Group and 67% for Arval PHH.

Financial information regarding the Group's International Retail Banking and Financial Services businesses, respectively, as well as a breakdown by subsidiary and business category of gross operating income and pre-tax income of the latter, is provided below:

International Retail Banking

(in millions of euros)	**2003**	2002	Change	At constant scope and exchange rates
Net banking income	**2,174**	2,379	**-8.6%**	**—**
Operating expenses and depreciation	**-1,187**	-1,320	-10.1%	-1.3%
Gross operating income	**987**	1,059	**-6.8%**	**+1.6%**
Net additions to provisions	**-104**	-151	-31.1%	
Operating income	**883**	908	**-2.8%**	
Amortization of goodwill	**-149**	-168	-11.3%	
Other non-operating items	**-7**	-39	-82.1%	
Pre-tax income	**727**	701	**+3.7%**	
Cost/income ratio	**54.6%**	55.5%	-0.9pt	
Allocated equity (in billions of euros)	**2.0**	2.1	-6.3%	
Pre-tax ROE	**37%**	34%		

Financial Services

(in millions of euros)	**2003**	2002	Change	At constant scope and exchange rates
Net banking income	**2,729**	2,499	**+9.2%**	**+7.5%**
Operating expenses and depreciation	**-1,558**	-1,533	+1.6%	+3.2%
Gross operating income	**1,171**	966	**+21.2%**	**+14.3%**
Net additions to provisions	**-425**	-371	+14.6%	
Operating income	**746**	595	**+25.4%**	
Amortization of goodwill	**-140**	-102	+37.3%	
Other non-operating items	**75**	90	-16.7%	
Pre-tax income	**681**	583	**+16.8%**	
Cost/income ratio	**57.1%**	61.3%	-4.2pt	
Allocated equity (in billions of euros)	**2.9**	2.8	+3.9%	
Pre-tax ROE	**24%**	21%		

(in millions of euros)	**Cetelem**	**BNP Paribas Lease Group**	**UCB**	**Long Term Leasing with Services**	**Other**	**Total Financial Services**
Gross operating income	**754**	**195**	**128**	**133**	**-39**	**1,171**
Change % 2003/2002	27.8%	-6.3%	20.8%	17.7%	nm	21.2%
Pre-tax income	**427**	**124**	**153**	**57**	**-80**	**681**
Change % 2003/2002	12.1%	-5.3%	6.3%	x7.1	nm	16.8%

*Asset Management and Services (AMS)**

(in millions of euros)		Wealth and Asset Management	Insurance	Securities Services	Total	Total at constant scope and exchange rates
Net banking income		**1,143**	**733**	**600**	**2,476**	
	2002	1,073	674	545	2,292	
	% Change	+6.5%	+8.8%	+10.1%	+8.0%	-1.0%
Operating expenses and depreciation		-845	-352	-476	-1,673	
	2002	-795	-342	-363	-1,500	
	% Change	+6.3%	+2.9%	+31.1%	+11.5%	-2.1%
Gross operating income		**298**	**381**	**124**	**803**	
	2002	278	332	182	792	
	% Change	+7.2%	+14.8%	-31.9%	+1.4%	+1.0%
Net additions to provisions		-12	-4	0	-16	
	2002	-13	5	0	-8	
	% Change	n.m.	n.m.	n.m.	n.m.	
Operating income		**286**	**377**	**124**	**787**	
	2002	265	337	182	784	
	% Change	+7.9%	+11.9%	-31.9%	+0.4%	
Amortization of goodwill		-37	-13	-24	-74	
	2002	-21	-10	-12	-43	
	% Change	+76.2%	+30.0%	x2	+72.1%	
Other non-operating items		1	27	-18	10	
	2002	-36	25	57	46	
	% Change	n.m.	+8.0%	n.m.	-78.3%	
Pre-tax income		**250**	**391**	**82**	**723**	
	2002	208	352	227	787	
	% Change	+20.2%	+11.1%	-63.9%	-8.1%	
Cost/income ratio		73.9%	48.0%	79.3%	67.6%	
	2002	74.1%	50.7%	66.6%	65.4%	
Allocated equity (in billions of euros)		0.9	1.8	0.3	3.0	
	2002	0.8	1.7	0.4	2.9	
	% Change	+2.7%	+10.5%	-19.7%	+4.1%	
Pre-tax ROE		29%	21%	26%	24%	

* The AMS core business now includes Cortal Consors' results (formerly part of the Retail Financial Services core business). Cortal Consors and Cogent have been fully consolidated since January 1, 2003. 2002 data have been restated to reflect the new composition of this core business.

Having been negatively affected at the beginning of 2003 by the accelerating fall in stock market prices, AMS experienced a strong rebound in revenues once the stock market stabilized at the end of the first quarter and began improving thereafter. This rebound in revenues was evident in the fourth quarter of 2003, with quarterly pre-tax income up 31.0% (17.9% at constant scope and exchange rates) compared to the fourth quarter of 2002.

For the full year 2003, AMS's net banking income increased 8.0% to €2,476 million. This increase was largely the result of external growth, and in particular the full consolidation of Cortal Consors and Cogent. Operating expenses and depreciation increased 11.5% to €1,673 million, also due primarily to the full consolidation of Cortal Consors and Cogent in 2003. At constant scope and exchange rates, AMS's net banking income decreased 1% compared to 2002, while operating expenses and depreciation decreased 2.1%. Gross operating income therefore edged up slightly (+1.4%) to €803 million; the increase was 1.0% at constant scope and exchange rates.

Total assets under the Group's management rose by 8% to €276 billion as of December 31, 2003, resulting principally from €11.1 billion in net new money (as compared with €9.4 billion in 2002) and the effect of the full consolidation of Cortal Consors and of Shinhan (a €8.5 billion increase). The margin on assets under management decreased slightly from 63 basis points in 2002. In particular:

- Net banking income of the Wealth and Asset Management business increased 6.5%, from €1,073 million for the year ended December 31, 2002 to €1,143 million for the year ended December 31, 2003, due primarily to the full consolidation of Cortal Consors, as mentioned above, which offset the negative effect of low stock market prices in the first half of the year. At constant scope and exchange rates, net banking income of Wealth and Asset Management decreased 3.2% due to the decline in the value of the U.S. dollar, as a large portion of this business line's revenues are in dollars. Within the Wealth and Asset Management business, Private Banking significantly grew its sales of structured products and cut its costs, while Cortal Consors capitalized on merger synergies and on the recovery of stock market activities (in particular in Germany), reaching breakeven in 2003. Cortal Consors' assets under management increased 24% in 2003, to €13.7 billion as of December 31, 2003. Gross operating income of the Wealth and Asset Management business rose 7.2% to €298 million.

- The Insurance business continued to pursue its global expansion with the signing of new distribution agreements outside France and a partnership with Russian Standard Bank to establish a life insurance company in Russia. Insurance premiums in France, where unit-linked policies account for 30% of insurance products, a proportion substantially above the market average of 16% (source: *FFSA*), rose by 11%, and by 17% outside of France. Overall, gross premiums were up 12.3%. Partially as a result of this new money, and partially due to the improvement in equity markets (which resulted in an increase of 7.2% in technical reserves of unit-linked products, which are marked to market), total technical reserves, which consist of funds under management (at historical value, except for unit-linked funds) increased 9.3%, compared to an increase of 2.4% in 2002. Net banking income of the Insurance business increased 8.8% to €733 million. Gross operating income rose 14.8% to €381 million.

- Net banking income of the Securities Services business rose 10.1% to €600 million, due principally to the full consolidation of Cogent. At constant scope and exchange rates, net banking income of this business, however, decreased 10.8%. The value of assets under custody increased 15% to €2,000 billion, which in turn resulted in an increase in value-based commissions. Offsetting this improvement was a reduction in the number of transactions effected following the introduction of netting in Germany in April 2003, which negatively affected fee income. Further, pressure on margins relating to clearing and custody services has intensified since the stock market crisis in 2002, and revenues from direct services to investors, a future source of growth which the Group strengthened through its acquisition of Cogent, are growing only gradually. Operating expenses and depreciation in 2003 increased 31.1% to €476 million, again due primarily to the full consolidation of Cogent. This increase had a negative impact on gross operating income, which totaled €124 million, 31.9% lower than in 2002 (29.9% lower at constant scope and exchange rates). Finally, other non-operating items in 2003 resulted in a loss of €18 million compared to a gain of €57 million in 2002, the principal difference being the €77 million one-off capital gain generated by the sale of the Group's interest in Clearstream in 2002.

Corporate and Investment Banking

(in millions of euros)		Advisory and Capital Markets	Financing Businesses	Total	Total at constant scope and exchange rates
Net banking income*		**3,835**	**1,983**	**5,818**	
	2002	2,965	2,181	5,146	
	% Change	+29.3%	-9.1%	+13.1%	+23.8%
Operating expenses and depreciation		-2,407	-977	-3,384	
	2002	-2,245	-1,026	-3,271	
	% Change	+7.2%	-4.8%	+3.5%	+12.6%
Gross operating income		**1,428**	**1,006**	**2,434**	
	2002	720	1,155	1,875	
	% Change	+98.3%	-12.9%	+29.8%	+43.7%
Provisions* *		0	-633	-633	
	2002	10	-725	-715	
	% Change	n.m.	-12.7%	-11.5%	
Operating income		**1,428**	**373**	**1,801**	
	2002	730	430	1,160	
	% Change	+95.6%	-13.3%	+55.3%	
Non-operating items* * *		102	-24	78	
	2002	4	22	26	
	% Change	n.m.	n.m.	n.m.	
Pre-tax income		**1,530**	**349**	**1,879**	
	2002	734	452	1,186	
	% Change	+108.4%	-22.8%	+58.4%	
Cost/income ratio		62.8%	49.3%	58.2%	
	2002	75.7%	47.0%	63.6%	
	% Change	-12.9 pt	+2.3 pt	-5.4 pt	
Allocated equity (in billions of euros)		2.7	4.3	6.9	
	2002	3.3	4.6	7.9	
	% Change	-20.0%	-6.6%	-12.2%	
Pre-tax ROE		**57%**	**8%**	**27%**	
	2002	22%	10%	15%	

* Includes trading revenues of which trading on behalf of clients and related revenues, amounting to €3,456 million in 2003 versus €2,550 million in 2002 (+35.5%).

** Includes a €235 million general provision relating to Europe during the first nine months of 2003, and use in the fourth quarter of USD 21 million of the USD 90 million general provision for U.S. risks recorded in 1999.

*** Includes non-recurring capital gains in the third quarter of 2003, from the sale of a corporate bond portfolio.

In 2003, Corporate and Investment Banking matched the record level of profitability that it had achieved in 2000. Net banking income grew 13.1% to €5,818 million (+23.8% at constant scope and exchange rates). In particular:

- Net banking income of the Advisory and Capital Markets business jumped sharply by 29.3% to €3,835 million. Both business lines (fixed income and equity) contributed to this performance, with equity derivatives performing particularly well. In 2003, the Bank ranked among the top five bookrunners for eurobond issues (source: *IFR*) and among the top ten for share and convertible bond issues in Europe (sources: *Dealogic, IFR*).

- Net banking income of the Financing Businesses, consisting of energy and commodities services, syndicated loans, acquisition financing, leveraged buyout financing, project financing, optimization and asset financing and media and telecommunications financing,

decreased 9.1% to €1,983 million due to sluggish demand in Europe and the depreciation of the U.S. dollar against the euro given the substantial dollar-denominated revenues of this business line.

Corporate and Investment Banking's operating expenses and depreciation edged up by 3.5% to €3,384 million. The increase was 12.6% at constant scope and exchange rates, but excluding bonuses there was a slight overall decrease on this basis. Therefore the cost/income ratio, one of the lowest in Europe for this type of business, improved 5.4 points at 58.2%. Gross operating income rose 29.8% to €2,434 million (43.7% at constant scope and exchange rates).

Corporate and Investment Banking's provisions fell 11.5% to €633 million, despite the recording of a €235 million general provision to cover the consequences of a possible prolonged economic slowdown in Europe. The overall reduction in provisions stemmed from the economic recovery in 2003 in the United States, where provisions had been very high in 2002.

Corporate and Investment Banking's operating income rose 55.3% to €1,801 million and pre-tax income rose 58.4% to €1,879 million. Pre-tax return on allocated equity increased 12 points to 27%.

BNP Paribas Capital

(in millions of euros)	**2003**	2002
Net capital gains	**584**	705
Other net revenues	-49	-50
Operating expenses and depreciation	-39	-44
Pre-tax income	**496**	611
Allocated equity (in billions of euros)	1.2	1.6

BNP Paribas Capital's pre-tax income decreased 18.8% to €496 million in 2003, due to the 17.2% fall in net capital gains. This gradual reduction in BNP Paribas Capital's contribution to our revenues is consistent with the Group's strategy to gradually divest its holdings.

Given the divestitures carried out in 2003 (in particular, Royal Canin, Mobistar and Aegon), the portfolio's estimated market value declined to €3.9 billion at December 31, 2003 from €4.5 billion at the end of 2002. While €584 million in capital gains were realized during the year, unrealized capital gains decreased only €0.2 billion to €1.2 billion at December 31, 2003, due to the rise in stock market valuations.

Results of operations by nature of income and expense

Net banking income

	Year ended December 31,		
	2003	**2002**	**% change**
	(in millions of euros)		
Net interest and assimilated income	6,794	5,707	+19.0%
Net gains on financial operations	4,597	4,826	-4.7%
Net commissions	5,951	5,618	+5.9%
Other net income (charges)	593	642	-7.6%
Net banking income	**17,935**	**16,793**	**+6.8%**

General. The 6.8% increase in net banking income of the BNP Paribas Group in 2003 as compared with 2002 was due principally to a 19.0% increase in net interest and assimilated income and a 5.9% increase in net commissions, partially offset by a 4.7% decrease in net gains on financial operations.

Net interest and assimilated income. Net interest and assimilated income includes (i) net interest income (on interbank items, customer items, leasing transactions, debt securities, bonds and other fixed income instruments) and (ii) income on equities and other variable income instruments in the BNP Paribas securities portfolio (securities available for sale, equity securities held for long-term investment, and investments in non-consolidated undertakings and other shareholdings). The increase in net interest and assimilated income resulted from a 20.9% increase in net interest income, from €5,384 million in 2002 to €6,511 million in 2003, slightly offset by a 12.4% decrease in income (consisting primarily of dividends) on equities and other variable income instruments, from €323 million in 2002 to €283 million in 2003.

The 12.4% decline in income on equities and other variable income instruments results primarily from decreases in income from securities available for sale, equity securities held for long-term investment, and from investments in non-consolidated undertakings and other shareholdings. These decreases primarily resulted from the gradual reduction in the value of the investment portfolio of BNP Paribas Capital (from €4.5 billion at the end of 2002 to €3.9 billion at December 31, 2003) in accordance with the Group's divestment strategy.

The increase in net interest income resulted largely from a 47.1% decrease in net interest expense on interbank items due in turn to lower prevailing interest rates, and a 25.9% decrease in net interest expense on debt securities, itself also largely due to the lower interest rate environment. Conversely, net interest income on customer items decreased by 12%, net interest income on leasing transactions decreased by 3.2% and net income from bonds and other fixed income instruments decreased by 11.7%. The decreases in net interest income on customer items and leasing resulted from decreases in amounts due from customers, partly as a result of general economic conditions, in particular lower interest rates, and partly as a result of the decline in the value of the U.S. dollar against the euro (resulting in a decrease in the value of dollar denominated commitments when reported in euros). Finally, the decrease in net interest income from bonds and other fixed income instruments resulted primarily from a 19.6% decrease in interest from hedging of interest rate instruments and other revenues.

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

Interest-earning assets include outstanding customer loans and interbank and money market items due from credit institutions. Total customer items, net of provisions, amounted to €222.0 billion at December 31, 2003, a decrease of 1.5% as compared with €225.3 billion at December 31, 2002. The decline was due partly to the decline in the value of the dollar against the euro, and partly to the low demand for business loans among French corporate customers. The main items affected were commercial and industrial loans, which decreased 15.0% to €10.0 billion at December 31, 2003, and other credits (short-term loans, mortgage loans, investment loans, export loans and other customer loans), which decreased 2.7% to €153.8 billion at December 31, 2003.

Total interbank and money market items, net of provisions, increased 14.4%, from €240.4 billion at December 31, 2002 to €274.9 billion at December 31, 2003.

Interest-bearing liabilities include interest-bearing customer items and interbank and money market items due to credit institutions. Total interest bearing customer items (including customer deposits, negotiable certificates of deposit and retail certificates of deposit) increased 5.8%, from €267.2 billion at December 31, 2002 to €282.6 billion at December 31, 2003, largely as a result of an increase in repurchase agreements, as discussed below. Within customer items, customer deposits totaled €210.6 billion at December 31, 2003, an increase of 7.7% compared with the prior year. Funds deposited in regulated savings accounts increased by 17.7% to €36.6 billion, due to increased fund flows out of equity investments and into savings accounts. Conversely, funds deposited in time accounts contracted by 4.5% to €68.9 billion, due mainly to low interest rates, which prompted customers to invest in products offering higher returns, such as guaranteed yield funds, money market funds, life insurance and regulated savings accounts, and funds deposited in demand accounts decreased slightly by 2.1% to €69.5 billion. However, repurchase agreements increased 66.9% to €35.6 billion at December 31, 2003. Bonds and negotiable short-term instruments increased very slightly from €71.6 billion at December 31, 2002 to €71.9 billion at December 31, 2003.

Interbank and money market items due to credit institutions increased 7.5%, from €178.9 billion at December 31, 2002 to €192.3 billion at December 31, 2003. Contributing to the increase was a 16.9% increase in time deposits and borrowings, to €61.7 billion at December 31, 2003, and a 7.1% increase in securities and bills sold outright or under repurchase agreements, to €124.5 billion at December 31, 2003. This was partially offset by a 43.3% decrease in demand accounts, to €5.0 billion at December 31, 2003.

Volumes of interest-earning assets and interest-bearing liabilities can be affected by several factors in addition to general economic conditions and growth of the Group's lending businesses, either organically or through acquisitions. One such factor is the Group's mix of businesses, such as the relative proportions of capital allocated to interest-generating as opposed to fee-generating businesses. For example, in 2003 the Group continued to reduce the capital allocated to Corporate and Investment Banking due to weak demand for business loans by corporate customers. In addition, the ratio of interest-earning assets to interest-bearing liabilities is affected by the funding of non-interest income by way of interest-bearing loans (*i.e.*, the cost of carry of the Group's trading portfolio), thereby increasing interest-bearing liabilities without a corresponding increase in interest-earning assets.

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

The gross interest margin continued to widen in 2003, largely due to an overall improvement in the loan to deposit ratio and a reduction in the rates paid on regulated savings accounts in France. See "– Results of operations by division – Retail Banking."

As discussed above, net interest income is an aggregate of revenues earned on disparate interest-bearing products and assets. In addition, the accounting presentation of net interest income does not correct for the effect of the carrying cost of the trading portfolio. Therefore, the Group believes that an operational analysis of the elements of net interest income by division is more pertinent as an economic matter than an analysis of the line item itself on a consolidated basis. For

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

Net gains on financial operations. Net gains on financial operations includes the line items net gains on sales of trading account securities and net gains on sales of securities available for sale. These line items in turn include both capital gains/losses on sales and marking to market gains and losses. Net gains on financial operations decreased 4.7%, from €4,826 million in 2002 to €4,597 million in 2003.

The main component of net gains on financial operations is net gains on sales of trading account securities, which amounted to €4,407 million in 2003, as compared with €4,687 million in 2002 (a decrease of 6.0%), and which is in turn composed of net income from (i) financial instruments (forward and option contracts), (ii) trading account securities and (iii) foreign exchange transactions. These items do not include the cost of carry of the trading portfolio, whereas revenues reported by division include this cost. Accordingly, the trading revenues of the business lines present a more economically pertinent view of trading results. See "—Results of operations by division – Corporate and Investment Banking."

Net gains on sales of securities available for sale increased by 36.7%, from €139 million in 2002 to €190 million in 2003. This item includes net income from securities available for sale and from equity available for sale in the medium term.

Overall, the decrease in net gains on financial operations primarily reflects the continued economic downturn, particularly during the first part of the year, for which the improving conditions in the second half did not fully compensate.

Net commissions. Net commissions consist of the line items net commission income (which includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments, and financial services) and underwriting result and net investment income of insurance companies. Net commissions increased 5.9%, from €5,618 million in 2002 to €5,951 million in 2003. This increase was the result of a 2.8% increase in net commission income (from €4,178 million in 2002 to €4,293 million in 2003), and a 15.1% increase in underwriting result and net investment income of insurance companies (from €1,440 million in 2002 to €1,658 million in 2003).

The increase in net commission income was primarily the result of the full consolidation in 2003 of the entities of the Cortal Consors group that were previously accounted for under the equity method, which caused commissions on securities transactions to increase to €145 million in 2003, compared to €-103 million in 2002. Commissions on securities managed or on deposit decreased by 3.2%, commissions on customer transactions decreased by 3.1%, commissions on foreign exchange and arbitrage transactions decreased from a gain of €10 million in 2002 to a loss of €9 million in 2003, commissions on securities transactions carried out on behalf of customers decreased by 5.1% and commissions on customer assistance and advisory services decreased by 15.7%. These decreases were partially offset by increases in commissions on securities commitments (+70.8%) and commissions on other banking transactions (+68.8%).

The increase in underwriting result and net investment income of insurance companies was primarily the result of an increase in gross premium income (from €8,192 million in 2002 to €9,203 million in 2003), coupled with an increase in commissions on funds under management. See Note 34 to the Group's 2003 financial statements for a breakdown of the components of this line item. Its main components are net premium income, net investment income, and claims expenses and changes in claims reserves. Net investment expense/income consists of the net margin generated on the management of funds and credits or debits corresponding to variations in the market value of unit-linked products. Claims expenses and changes in claims reserves includes (i) credits or debits corresponding to variations in the value of unit-linked products (offsetting the corresponding credits or debits to net investment income/expense), (ii) net additions to technical reserves, *i.e.*, new money and (iii) claims expenses on traditional insurance products and outflows upon termination of contracts.

The Group recorded net investment income of €1,770 million in 2003, as compared with €1,706 million in 2002. The increase in 2003 is the result of an increase in the market value of unit-linked funds, as well as an increase in commissions on funds under management. As explained above, the increase in the market value of unit-linked funds is ultimately transmitted to investors, and is therefore offset in the Bank's accounts by a credit to claims expenses and changes in claims reserves. The overall effect, however, was an increase in net insurance income.

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

Overall, underwriting result and net investment income of insurance companies increased 15.1%, while insurance revenues recorded at the operational level increased only 8.8%, to €733 million, because income recorded under underwriting result and net investment income of insurance companies does not take into account commissions paid to retail distributors.

Operating Expense and Depreciation

	Year ended December 31,		
	2003	**2002**	**% change**
	(in millions of euros)		
Salaries and employee benefits, including profit sharing	6,763	6,445	+ 4.9%
Other administrative expenses	3,764	3,892	- 3.3%
Depreciation, amortization and provisions on tangible and intangible assets	758	618	+22.7%
Operating expense and depreciation	**11,285**	**10,955**	**+3.0%**

Operating expense and depreciation increased slightly by 3.0% (+4.9% at constant scope and exchange rates), from €10,955 million in 2002 to €11,285 million in 2003. Growth in expenses was limited by the Group's continued focus on cost control. Despite the increase, operating expense and depreciation as a percentage of net banking income decreased 2.3 points, from 65.2% for 2002 to 62.9 % for 2003, as a mechanical result of the increase in net banking income.

Gross Operating Income

The Group's gross operating income increased 13.9% (+18.7% at constant scope and exchange rates), from €5,838 million in 2002 to €6,650 million in 2003, as the result of the increase in net banking income and the relatively slower increase in operating expenses, as discussed above.

Net Additions to Provisions for Specific Risks and Country Risks

	Year ended December 31,		
	2003	**2002**	**% change**
	(in millions of euros)		
Net additions to provisions for specific risks	1,727	1,555	+11.1%
Net additions (write-backs) to provisions for country risks	(366)	(85)	+330.6%
Total net additions to provisions for specific risks and country risks	**1,361**	**1,470**	**- 7.4%**

Net additions to provisions for specific risks and country risks decreased 7.4% in 2003 compared to 2002. The overall decrease in net additions to provisions was due to a higher write-back of provisions for country risks during the period under review, largely as a result of a reclassification of a €273 million provision for country risks as a provision for specific risks, which accounted primarily for the 11.1% increase in net additions to provisions for specific risks. See Note 1 to the audited consolidated financial statements of the Group included herein for a discussion of the reclassification of the €273 million provision for country risks.

The increase in net additions to provisions for specific risks was primarily the result of the €273 million reclassification of provisions referred to above. Net additions to provisions were particularly high in French Retail Banking as a result of general economic conditions, yet remained relatively moderate overall as they amounted to 0.32% of the division's overall weighted assets for the year (as compared to 0.25% in 2002).

While the United States experienced a strong rebound in its economy during 2003, Europe exhibited slower overall growth, where bankruptcies were on the rise. As at December 31, 2003, total doubtful loans and commitments amounted to €13.3 billion, and specific provisions totaled €8.5 billion. The coverage ratio at the same date was 64%. The following table sets forth certain ratios relating to the BNP Paribas Group's risks and provisions:

	At December 31,	
	2003	**2002**
Doubtful specific risks outstanding as a percentage of total commercial commitments	3.7%	3.9%
Provisions as a percentage of average risk weighted assets	0.50%	0.51%

For a more detailed discussion of net additions to provisions for specific risks and country risks by division, see "—Results of operations by division." For more information about the BNP Paribas Group's overall exposure and the Bank's asset quality and loan loss reserves as of December 31, 2003, see "Risk Management."

Net Income Attributable to BNP Paribas Group

	Year ended December 31,		
	2003	**2002**	**% change**
	(in millions of euros)		
Operating income	5,289	4,368	+21.1%
Non-operating items	1,043	983	+6.1%
Income before tax, non-recurring items and amortization of goodwill	6,332	5,351	+18.3%
Income taxes	(1,481)	(1,175)	+26.0%
Amortization of goodwill and non-recurring items	(746)	(538)	+38.7%
Minority interests	(344)	(343)	+0.3%
Net income	3,761	3,295	+14.1%

General. The 14.1% increase in net income attributable to the BNP Paribas Group was due to increases in gross operating income net of provisions and non-operating items, partially offset by increases in income taxes and amortization of goodwill and non-recurring items.

Non-operating items. Non-operating items include (i) the Group's share of earnings from companies carried under the equity method, which increased from €80 million in 2002 to €131 million in 2003, largely as a result of the full consolidation of Consors and Cogent (which together had represented a net loss of €36 million for the Group in 2002 under the equity method of accounting) and the addition of Cofinoga, and (ii) gains on disposals of long-term investments and changes in provisions, which increased from €903 million in 2002 to €912 million in 2003, largely as a result of a €218 million write-back of provisions for industry risks and a €104 million net gain on disposals of debt securities held to maturity and changes in provisions, partially offset by a 41.6% decrease in net gains on equity securities held for long-term investment and changes in provisions, from €897 million in 2002 to €524 million in 2003.

Income taxes. The BNP Paribas Group recorded corporate income tax expense for 2003 of €1,481 million, up from €1,175 million for 2002. The increase was primarily the result of the increase in pre-tax income, but also reflected an increase in the effective tax rate from 24.4% to 26.5%, as a result of (i) Klépierre's election of a new tax regime in 2003, pursuant to which the Group recorded a €104 million provision for the related exit tax associated with this election, and (ii) changes, both geographic and by nature, in the Group's mix of revenues.

Amortization of goodwill and non-recurring items. Amortization of goodwill and non-recurring items amounted to an expense of €746 million for 2003, as compared with €538 million for 2002. This amount includes (i) net amortization of goodwill amounting to €399 million (as compared with €366 million for 2002) due in particular to the full consolidation of Facet for the full year 2003 as opposed to only part of 2002, (ii) net non-recurring expense of €494 million (as compared with €174 million for 2002) and (iii) movements in the reserve for general banking risks, which increased the Group's net income by €147 million, as compared with €2 million in 2002.

Net non-recurring expense included principally (i) a €313 million provision relating to employee benefits associated with the adoption of the French Pensions Reform Act dated August 21, 2003, which no longer permits employers to require employees to retire before the age of 65, and accordingly caused the Group to modify its actuarial assumptions for calculating the present value of its retirement benefit obligations, (ii) a €59 million provision relating to restructuring and discontinued operations, in particular involving the Retail Financial Services and International Retail Banking operations in several countries, and the equity trading business of Corporate and Investment Banking, (iii) a €45 million provision relating to changes in capital adequacy rules introduced by international regulatory authorities and to adapting information systems in connection with the application of international accounting standards beginning January 1, 2005, and (iv) a €10 million provision relating to the purchase value of BancWest's headquarters in Hawaii (which BancWest had formerly leased but decided to purchase in 2003, pursuant to its lease option), which was taken as a result of the perceived long-term decrease in property values in Hawaii.

Minority interests. The share of earnings attributable to minority interests in companies consolidated by the BNP Paribas Group was stable, at €344 million for 2003 compared to €343 million for 2002.

Financial Condition

Assets

General. At December 31, 2003, consolidated assets of the BNP Paribas Group amounted to €783.1 billion, up 10.2% from €710.3 billion at December 31, 2002. The main components of the Group's assets at December 31, 2003 were interbank and money market items, customer items, insurance company investments and securities (including bonds and other fixed-income instruments, equities and other variable-income instruments, investments in non-consolidated undertakings and other participating interests, equity securities held for long-term investment and investments in companies carried under the equity method), which together accounted for 86.2% of assets, as compared with 84.5% at December 31, 2002. The 10.2% increase in total assets was due primarily to an increase in value of most of the Group's assets. In particular, the value of the Group's securities portfolio increased by 49.3% and interbank and money market items increased by 14.4%. These increases were in turn due primarily to the higher equity prices (resulting in higher values recorded for marked to market securities) and a strong increase in trading volumes in the capital markets, partially offset by the depreciation of the dollar against the euro (as the Group has significant dollar denominated assets).

Interbank and money market items. Interbank and money market items (net of provisions) amounted to €274.9 billion at December 31, 2003, an increase of 14.4% as compared with December 31, 2002. Interbank and money market items include (i) cash and amounts due from central banks and post office banks, (ii) treasury bills and money market instruments, and (iii) amounts due from credit institutions. Within interbank and money market items, treasury bills and money market instruments were the main driver of the overall increase, increasing by 27% to €106.7 billion, in addition to an 11.2% increase to €162.9 billion in amounts due from credit institutions, mainly reflecting the impact of securities received under resale agreements. These increases were partially offset by a 46.5% decrease in cash and amounts due from central banks and post office banks, to €5.3 billion at December 31, 2003. The interbank and money market line item is prone to significant fluctuation between periods, as it includes compulsory non-interest bearing central bank deposits corresponding to statutory reserves.

Customer items. Total customer items (net of provisions) decreased 1.5% to €222 billion at December 31, 2003. The largest contributor to this decrease was other credits (a category including short-term loans, mortgage loans, investment loans, export loans and other customer loans), which decreased 2.7% to €153.8 billion at December 31, 2003. This 2.7% decrease was in turn due to the opposing trends in short-term loans (down 12.6% to €44.1 billion at December 31, 2003) and mortgage loans (up 9.5% to €46.7 billion at December 31, 2003), due to foreign exchange rate effects and an environment generally characterized by weak demand for credit, other than mortgage loans. The decrease in total customer items was partially offset by a 20% increase in securities and bills purchased outright or under resale agreements, to €19.3 billion at December 31, 2003.

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

Insurance company investments. At December 31, 2003, the BNP Paribas Group held insurance company investments amounting to €62.3 billion, an increase of 9.0% as compared with €57.2 billion at December 31, 2002. This increase largely reflects the impact of a 9.3% increase in bonds and other fixed-income instruments and a 8.7% increase in admissible assets related to unit-linked business (*i.e.*, the assets held in connection with Group life insurance contracts in which

payments made to the policy holder are not fixed but rather based on the value of an underlying portfolio of securities). Although the stock market recovery fueled an improvement in underwriting result and net investment income of insurance companies, all of the Group's insurance companies reduced their proportionate investments in equities and reinvested the funds in the bond market, which is less volatile in times of market crises. For more information with respect to the assets of the Group's insurance business, see "—Results of operations by division – Asset Management and Services" and "Results of operations by nature of income and expense – Net commissions."

Securities portfolio. At December 31, 2003, the Group held bonds and other fixed-income instruments, equities and other variable-income instruments, investments in non-consolidated undertakings and other participating interests, equity securities held for long-term investment and investments in companies carried under the equity method having a total value of €115.9 billion, an increase of 49.3% as compared with €77.7 billion at December 31, 2002.

The increase was largely the result of the recovery in financial markets, which boosted the value of the trading portfolio to €158.6 billion at December 31, 2003, an increase of 58.1% from €100.3 billion at December 31, 2002. For more information, see "– Results of operations by division – Corporate and Investment Banking" and "Results of operations by nature of income and expense – Net gains on financial operations." The value of equities and other variable income instruments grew by over 130% to €52.5 billion at December 31, 2003, while bonds and other fixed-income instruments climbed 31.1% to €55.0 billion. Aggregate investments in non-consolidated undertakings and other participating interests and equity securities held for long-term investment decreased by 40.0% to €6.8 billion at December 31, 2003, mainly due to the sale of the Group's €3.1 billion interest, based on net book value, in Crédit Lyonnais.

Net unrealized gains on investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment, calculated by reference to the year-end stock market prices for listed securities, amounted to €2.3 billion at December 31, 2003, as compared with €2.1 billion at December 31, 2002, an increase which was driven by the recovery in the financial markets.

Accrued income and other assets. Accrued income and other assets totaled €93.4 billion at December 31, 2003, a decrease of 1.2% as compared with €94.6 billion at December 31, 2002. The decrease was largely the result of (i) a 31.5% decrease in the valuation of adjustment accounts, to €13.9 billion as at December 31, 2003 and (ii) a 29.4% decline in other adjustment accounts, to €6.7 billion, both of which were almost entirely offset by a 16.1% increase in premiums on purchased options to €42.2 billion, due to the recovery in the financial markets.

Liabilities (excluding shareholders' equity and provisions)

General. At December 31, 2003, consolidated liabilities of the BNP Paribas Group (excluding shareholders' equity and provisions) totaled €744.8 billion, an increase of 10.5% as compared with €674.2 billion at December 31, 2002. This amount includes interbank and money market items, customer items, debt securities, insurance company technical reserves and accrued expenses and other liabilities, virtually all of which increased as compared with 2002. In particular, accrued expenses and other liabilities increased by 26.7%, interbank and money market items by 7.5% and customer items by 7.7%.

Interbank and money market items. Interbank and money market items increased 7.5%, from €177.9 billion at December 31, 2002 to €191.3 billion at December 31, 2003. Within this item, time

deposits and borrowings increased by 16.9% to €61.7 billion, and securities and bills sold outright or under repurchase agreements increased 7.1% to €124.5 billion. These increases were partly offset by a 43.3% contraction in demand accounts to €5.0 billion.

Customer items. Customer deposits totaled €210.6 billion, an increase of 7.7% as compared with €195.6 billion at December 31, 2002. The increase was primarily driven by a 66.9% increase in securities and bills sold outright or under repurchase agreements, from €21.4 billion to €35.6 billion, which was partially offset by a 4.5% decrease in funds deposited in time accounts, from €72.2 billion to €68.9 billion. This decrease was mainly due to low interest rates, which led customers to invest in higher-yielding investments such as guaranteed yield funds, money market funds, life insurance and regulated savings accounts. (As on the asset side, amounts due by the Bank under this item vary widely on a daily basis. Therefore, comparison on a year-end basis is not meaningful.). The shift fueled a 17.7% rise in funds invested in regulated savings accounts, from €31.1 billion to €36.6 billion. Demand accounts declined 2.1%, from €71.0 billion to €69.5 billion. For more information with respect to customer deposits, see "—Results of operations by division – Retail Banking" and "—Results of operations by nature of income and expense – Net interest and assimilated income."

Debt securities. Debt securities totaled €83.1 billion at December 31, 2003, a decrease of 1.1% as compared with €84.1 billion at December 31, 2002. Within this line item, outstanding bonds decreased by 11.6% to €10.0 billion at December 31, 2003, primarily reflecting redemptions of euro-denominated fixed rate bonds. Retail certificates of deposit fell 26.5% to €4.9 billion at December 31, 2003, while negotiable certificates of deposit rose 3.2% to €67.0 billion.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 9.3%, from €56.5 billion at December 31, 2002 to €61.8 billion at December 31, 2003, reflecting new money invested in non-unit-linked contracts and positive mark-to-market adjustments to unit-linked liabilities following the stock market recovery. See "—Results of operations by division – Asset Management and Services," "—Results of operations by nature of income and expense – Net Commissions" and "—Financial Condition – Assets – Insurance company investments."

Accrued expenses and other liabilities. Accrued expenses and other liabilities amounted to €184.8 billion at December 31, 2003, as compared with €145.8 billion at December 31, 2002, an increase of 26.7%. The strong rise was largely due to a 53.9% increase in liabilities related to securities transactions to €88.4 billion, a 23.9% increase in other payables and liabilities to €13.5 billion, a 39.7% increase in settlement accounts related to securities transactions to €6.9 billion and a 15.5% increase in liabilities related to written options to €43.6 billion.

Provisions and Reserve for General Banking Risks

Provisions for contingencies and charges amounted to €4.0 billion at December 31, 2003, as compared with €4.1 billion at December 31, 2002. During 2003, provisions for pensions and other post-employment benefits were increased by €0.2 billion to take into account a revision of the actuarial assumptions applied in prior years following a change in French law. The €0.2 billion general provision for industry risks, which was notionally set off against unrealized losses on listed shareholdings at December 31, 2002, was written off to the profit and loss account in 2003 and replaced by specific provisions. Lastly, utilizations of provisions for restructuring costs totaled €0.1 billion in 2003.

In 2003, €0.25 billion was recorded under provisions for credit risks and equivalents for general risks in connection with the impact of a possible further economic slowdown in Europe.

The reserve for general banking risks was reduced by €0.1 billion to €0.8 billion at December 31, 2003.

Shareholders' Equity

Consolidated shareholders' equity of the BNP Paribas Group at December 31, 2003, before dividend payments, amounted to €28.3 billion, an increase of 7.1% as compared with €26.5 billion at December 31, 2002. This increase corresponds essentially to recognition of 2003 net income of €3.8 billion, partially offset by payment of dividends with respect to fiscal year 2002 in the amount of €1 billion. The €0.2 billion increase in capital resulting from employee share issues and the exercise of stock options was offset by the €1.1 billion of shares repurchased through the Bank's share buyback program. Share buybacks in 2003 had the effect of reducing shareholders' equity by €0.9 billion. For more information, see Note 22 to the Group's consolidated financial statements as of and for the year ended December 31, 2003.

Off-Balance Sheet Items

The BNP Paribas Group's off-balance sheet commitments as of December 31, 2003 totaled €18,676.4 billion, an increase of 31.0% as compared with €14,251.8 billion at December 31, 2002. The following table sets forth the composition of the Group's off-balance sheet items at December 31, 2003 and December 31, 2002.

	At December 31, 2003	At December 31, 2002	% change in 2003
	(€ in billions)		
Commitments given:			
Financing commitments given	156.3	140.4	+11.3%
Guarantees and endorsements given	56.9	60.2	-5.5%
Commitments given on securities	7.4	8.0	-7.5%
Insurance company commitments	1.3	0.9	+44.4%
Commitments incurred on forward and options contracts	18,356.8	13,959.8	+31.5%
Commitments received:			
Financing commitments received	44.0	21.5	+104.7%
Guarantees and endorsements received	43.0	43.8	-1.8%
Commitments received on securities	7.9	15.0	-47.3%
Insurance company commitments	2.8	2.1	+33.3%

By far the largest component of off-balance sheet commitments consists of commitments incurred on forward and options contracts, which increased 31.5%, from €13,959.8 billion at December 31, 2002 to €18,356.8 billion at December 31, 2003. Commitments incurred on forward contracts increased 26.4% to €14,750.5 billion, while commitments incurred on option contracts increased 57.2% to €3,606.3 billion. It should be noted that the total amounts are the aggregate of the nominal values of option and forward contracts, both purchased and sold. The increases reflected high trading volumes, linked to the Bank's hedging activity as well as to swaps and other interest rate derivatives entered into by the Fixed Income business line on behalf of clients. After weighting and netting agreements, counterparty risks on forward and option contracts totaled €14.7 billion at December 31, 2003, as compared with €13.9 billion at December 31, 2002.

For further information concerning the BNP Paribas Group's off-balance sheet assets and liabilities, see Notes 23 and 24 to the Group's consolidated financial statements as of and for the year ended December 31, 2004 included herein.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

Group income statement under IFRS

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

2004 (in millions of euros)	French GAAP	2004 IFRS	EU-IFRS Simulation
Net Banking Income	**18 823**	**19 369**	**19 150**
Operating Expenses and Dep.	-11 592	-12 043	-12 030
Gross Operating Income	**7 231**	**7 326**	**7 120**
Provisions	-678	-685	-847
Operating Income	**6 553**	**6 641**	**6 273**
Amortisation of Goodwill	-384	0	0
Other Non Operating Items	736	478	477
Pre-Tax Income	**6 905**	**7 119**	**6 750**
Tax Expense	-1 830	-1 764	-1 654
Minority Interests	-407	-416	-420
Net Income, Group Share	**4 668**	**4 939**	**4 676**

Summary of effect on net income

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

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

- "One-off" restatements: this means that the difference between French GAAP and IFRS is a one-time occurrence in 2004 or will disappear in one or two year's time. An example is the charge to, or reversal of, the reserve for general banking risks;

- "Timing" differences: this means that the spreading over time of income or expenses is different under French GAAP than it is under IFRS. Examples are a different amortization rate for leases and the amortization of the commercial margin (day-one-profit) on structured trading derivatives. The differences resulting from the different accounting treatments can be either positive or negative; and

- "Recurring" impacts: this means that the different accounting treatments give rise to differences that recur over time. Examples are the elimination of goodwill amortization and the recognition of stock options as expenses in the income statement.

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

In millions of euros	2004 IFRS impacts	IAS 39 simulation*	
IAS 37 – Reserve for general banking risks	-85		
IAS 19 – Mutual health insurance	+97		
IFRS 2 and IAS 19 – Deferral of 2002 and 2003 bonuses	-74		
IAS 27, 28 & 31 – Capital gains private equity adjustment as at 1Q04	-125		
One off	**-187**		
IAS 17 – Leases	-15	Day-one profit	-90
IAS 19 – Retirement benefits	-53	Change in PEL provision	-20
IAS 27, 28 &31– Reversal of provisions on companies accounted for by the equity method	+155	Securities available for sale	-120
Other	-13	Other	-20
Timing	**+74**		**-250**
IFRS 2 – Stock options	-23		
IAS 36 – Goodwill amortization	+388		
IAS 36 – Restructuring costs	-16		
IAS 27, 28 &31– Net income from companies accounted for by the equity method	+58		
IAS 27, 28 &31– Less realized capital gains	-23		
Recurring	**+384**		
TOTAL	**+271**		**-250**

Summary of effect on shareholders' equity and Tier 1 ratio

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

* Rounded and approximate figures

The following table summarizes the effect of IFRS on the Group's shareholders' equity and Tier 1 capital, under both 2004 IFRS and a simulation of EU-IFRS:

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

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

** Excluding undated subordinated notes

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

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

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

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

	In millions of euros	Group shareholders' equity	Tier 1	
IFRS 2004	2004 IFRS impact on permanent equity as at 1/1/2004	-91	-284	-0.1%
	2004 IFRS impact on 2004 net income	+334*	+84	
EU-IFRS standards (rounded and approximate figures)	*Impact on permanent equity*	*-1,700***	*1,700*	
	Day-one profit	-500	-500	
	Provisions for incurred losses (discounting)	-450	-450	
	Portfolio provisions	-100	-100	
	Derivatives: hedging strategies not recognized under IFRS	-400	-400	
	Provisions for PEL-CEL contracts	-250	-250	
	*Impact on Valuation Reserves****	*+3,100*	no impact	
	Securities available for sale	+2,700	no impact	
	Derivatives for cash flow hedges	+300	no impact	
	Insurance-Securities available for sale	+100	no impact	
	Total IAS 39 impacts estimated as at 1/1/2005	**+1,400**	**-1,700**	**-0.5%**
	Total EU-IFRS impacts estimated as at 1/1/2005	**+1,650**	**-1,900**	**-0.6%**

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

** Excluding undated subordinated notes

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

Main differences between IAS/IFRS and French GAAP

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

Standards applicable as of January 1, 2004

Reserve for General Banking Risks (IAS 37)

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

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

Employee benefits (IAS 19)

Pensions

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

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

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

Health Insurance

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

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

Share-based Payments—Stock Options (IFRS 2)

Under French GAAP, the cost of stock options is not recognized on the grant date in the profit and loss account. Under IFRS, the cost of stock options granted to certain employees is recognized in the profit and loss account over the option vesting period (four years in the case of BNP Paribas), with a corresponding increase in equity. This accounting treatment has no effect on equity. Given the Group's limited annual awards of stock options representing on average less than 0.5% of share

capital, the impact of this change is limited. The effect on net income, which is a recurring effect, was -€23 million and is expected to be approximately -€10 million in 2005 and again in 2006. There was no effect on shareholders' equity or on Tier 1 capital in the 2004 IFRS financial data.

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

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

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

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

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

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

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

Intangible Assets—Software (IAS 36 and 38)

Under French GAAP, software developed by the Group is recorded in the balance sheet and amortized over five years. Under IFRS, the criteria for asset recognition are more restrictive. In addition, amortization periods vary depending on the type of software involved (infrastructure or commercial applications). Software has been analyzed by category, with each category amortized over a different useful life. The resulting adjustments to accumulated amortization at January 1, 2004 have been recognized in equity. The effects under 2004 IFRS are a €253 million reduction in shareholders'

equity as at January 1, 2004 and a €132 million increase in Tier 1 capital. The change of method also affects annual amortization expense. The effect on net income is negligible.

Goodwill (IAS 36 and IFRS 3)

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

Leases (IAS 17)

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

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

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

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

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

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

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

- timing: an increase of €155 million related to reversals of provisions in companies accounted for under the equity method;

- one-off: a reduction of €125 million related to the cancellation of first quarter 2004 profit and the loss impact from the change in methodology to estimate the value of shares in funds;

- recurring: an increase of (i) €58 million related to profit or loss from companies accounted for under the equity method, and (ii) €23 million related to a decrease in capital gains.

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

Standards applicable as of January 1, 2005*

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

Allowances for impairment losses on loans

Specific risks - Individual basis

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

Portfolio basis

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

Fees and commissions (IAS 18 and IAS 39)

The fees and commissions received or paid in connection with financing transactions carried out by the Corporate and Investment Banking business, are recognized in the French GAAP accounts when the loans are set up. In the IFRS accounts, they are included in the interest on the loans that is

* Rounded and approximate figures

recognized in the profit and loss account by the effective interest method, in accordance with IAS 18. The revenues and expenses recognized when the loans were set up will therefore be reversed in the IFRS accounts and included in interest by the effective interest method. This change mainly concerns commissions paid to referral agents by the Specialized Financial Services business and participation fees received by the Corporate and Investment Banking financing businesses. The simulated effect on shareholders' equity as at January 1, 2005 and on Tier 1 capital are negligible.

Cash Flow Hedges

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

Hedging Strategies Not Recognized under IAS

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

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

Macro Hedging

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

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

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

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

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

Under IFRS, this approach continues to apply provided that the value of trading derivatives can be established based on observable market data. If not, the value of the instrument at the time of the transaction is deemed to be the transaction price and this value is recorded in the income statement. In practice, when a complex structured product is sold, the commercial margin (day-one-profit) is spread over the life of the product. When the valuation parameters of the derivative become observable in the market, the remaining commercial margin is recognized immediately. The Group has elected to retrospectively restate all complex derivative contracts falling under the "day-one profit" rule. All things being equal, this option enables a faster reduction of the differences with the former methods.

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

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

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

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

Available-for-sale Securities

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

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

The application of EU-IFRS accordingly leads to a simulated effect on 2004 net income of -€120 million (timing effect). The simulated effect on valuation reserves as at January 1, 2005 is

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

Insurance Contracts (IFRS 4 and IAS 39)

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

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

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

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

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

RECENT DEVELOPMENTS

First Quarter 2005 Results

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

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

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

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

Strong growth in revenues and profits at Group level

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

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

Gross operating income amounted to €2,460 million, a rise of 36.5% from the first quarter 2004 (+21.9% excluding BNP Paribas Capital[1]). The cost/income ratio, at 59.8% excluding BNP Paribas Capital1, also improved by 2.7 points, confirming the competitive position of the Group within the Euro zone.

Provisions, totaling €103 million, were down 62.4% from first quarter 2004 levels, within a still favorable credit risk context.

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

The annualized return on equity after-tax was 23.8%. The Tier 1 core capital ratio was approximately 7.4% as at March 31, 2005.

All of the core businesses contributed to this healthy performance.

Strong growth across all core businesses

Retail Banking

French Retail Banking (FRB)*

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

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

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

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

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

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

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

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

International Retail Banking and Financial Services (IRFS)

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

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

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

BancWest improved its pre-tax income by 8.2%, benefiting from the integration of Community First Bankshares and Union Safe Deposit Bank, two western U.S. banks acquired in November 2004.

This integration is proceeding rapidly and is expected to generate the estimated synergies (cost savings of approximately USD 50 million) during the course of 2005. BancWest's interest margin decreased by 27 basis points from Q1 2004 to 3.83% in Q1 2005.

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

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

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

Asset Management and Services (AMS)

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

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

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

As at March 31, 2005, total assets under management of all business units within AMS represented €361.4 billion (€308.8 billion net of cross-selling among AMS business lines), a rise of

€18.3 billion (€16.7 billion excluding cross-selling effects) versus December 31, 2004. This strong rise is in particular the result of record net new inflows during the first quarter 2005 of €9.8 billion (€8.8 billion excluding cross-selling effects), which were twice the level in Q1 2004. For assets under management, this represented an annualized net new inflow rate of 11.4%.

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

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

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

Corporate and Investment Banking (CIB)

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

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

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

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

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

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

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

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

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

BNP Paribas Capital

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

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

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

Share buybacks

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

Other Developments

Commercial Federal Corporation

On June 14, 2005, BancWest Corporation ("**BancWest**"), the Group's wholly owned subsidiary, announced that its subsidiary, Bank of the West, had reached an agreement to acquire 100% of the shares of Commercial Federal Corporation ("**Commercial Federal**"), a New York Stock Exchange-listed company headquartered in Omaha, Nebraska. The agreement, which has been approved by the Boards of Directors of all of the entities involved (including the Group), provides that Commercial Federal shareholders will receive U.S.$34.50 per share at closing, consisting of a cash payment of U.S.$34.00 per share from BancWest and a special one-time dividend of U.S.$0.50 per share. The total purchase price for the Group is U.S.$1.36 billion (€1.12 billion), representing a 27% premium over the average closing price of Commercial Federal shares over the past six months, and is equivalent to 1.8 times book value as at March 31, 2005. Subject to approval by Commercial Federal's shareholders and by various regulatory agencies in the U.S., the acquisition is currently expected to close in the fourth quarter of 2005. All else being equal and not taking into account the proceeds of the offering to which this Offering Circular relates, the acquisition would have the effect of decreasing the Group's Tier 1 ratio by 30 basis points.

Commercial Federal had U.S.$10.4 billion of assets as of March 31, 2005 and for the 2004 fiscal year recorded revenues of $382 million and net income of $76 million. Commercial Federal operates through 198 branches in seven states, and has a particularly significant presence in Denver, Colorado and Des Moines, Iowa, in addition to Omaha, Nebraska. The acquisition expands and deepens BancWest's geographic coverage into areas that it believes offer high growth potential; following the acquisition, BancWest will have more than 4.2 million client accounts and approximately 739 branches located across 20 states. Commercial Federal's activities will be conducted under the "Bank of the West" brand name.

Russian Standard Bank

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

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

Türk Ekonomi Bankasý AS

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

By taking advantage of BNP Paribas' product expertise and cross-selling know-how, TEB will attempt to capitalize on its recognized presence and strong knowledge of the market to further develop its activities which will include, among others, retail, corporate and investment banking, as well as asset management and private banking.

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

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

Galeries Lafayette Group

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

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

- Contribution by the Moulin family and BNP Paribas of their Galeries Lafayette shares to SEMAD, a holding company majority owned by the Moulin family;

- Launch of a public tender offer by SEMAD and BNP Paribas for the outstanding share capital of Galeries Lafayette; and

- The entry into an agreement *(protocole d'accord)* between BNP Paribas and the Moulin family as shareholders of SEMAD governing among other things the terms on which BNP Paribas will be provided with liquidity for its investment, the intention being that BNP Paribas gradually dispose of its interest in SEMAD over time.

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

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

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

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

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

1. Maintaining Cofinoga's commercial autonomy, given the complementary nature of the product offering. Cofinoga will be positioned separately from Cetelem, notably as the sole supplier to the Galeries Lafayette Group's brands. It will be the preferred vehicle for banking and insurance partnerships as well as for the development of Northern European operations.

2. Realizing cost synergies between platforms increasing the profitability of Cofinoga and Cetelem. Cost synergies relate to funding costs (application of BNP Paribas' refinancing margin), to certain operating costs in France and internationally and to the cost of risk (assessment and scoring tool sharing).

3. Realizing revenue synergies and developing new activities. These synergies will be derived from cross-selling of protection products on Cofinoga's receivables, and from the increase in sales of insurance products to its customers.

Credisson

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

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

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

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

Nachenius, Tjeenk & Co. N.V.

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

Calyon Asia-Pacific equity execution business

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

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

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

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

Oil-for-Food Program Inquiries

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

Following media reports concerning alleged improprieties in respect of the Program, on April 21, 2004, the UN announced the formation of an independent inquiry committee (the **"IIC"**) to investigate the administration and management of the Program. On February 3, 2005, the IIC issued an interim report relating to certain specific aspects of its investigation, including the initial selection by the UN of the principal service providers under the Program (including the Bank). While the report

found deficiencies in the UN's process of selecting its principal service providers, the report includes neither findings nor allegations of any impropriety by the Bank. The IIC has indicated that it hopes to issue a "definitive report" on the entire internal administration of the Program by mid-2005.

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

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

BUSINESS OF THE GROUP

Summary Overview

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

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

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

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

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

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

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

Retail Banking

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

French Retail Banking

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

International Retail Banking and Financial Services

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

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

Asset Management and Services

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

Wealth & Asset Management

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

BNP Paribas Asset Management offers discretionary asset management services to a prestigious international clientele of insurance companies, pension funds, central banks, international

organizations and multinational corporations and distributes mutual funds through the Bank's branch network and Private Banking units, as well as through an external network of banks and other financial institutions.

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

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

Insurance

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

Securities Services

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

Corporate & Investment Banking

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

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

Advisory and Capital Markets

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

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

Financing businesses

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

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

BNP Paribas Capital

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

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

Strategy

"Vision 2007"

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

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

- At UCB, the Group will continue expanding its commercial network in France, Italy and Spain. It will work to integrate Abbey National France following its acquisition in 2004, by attempting to grow its debt consolidation business and its relationships with foreign clients;

- Regarding retail banking in Emerging Markets and Overseas, the Group will seek to capitalize on its recent acquisition of Turk Ekonomi Bankasi (TEB), which was finalized on February 11, 2005. It will also continue to implement its development plans in North Africa and the Middle East, in particular in Saudi Arabia and Kuwait;

• Asset Management and Services: the Group's objective is to grow its revenues faster than the market by strengthening its positions in France and throughout Europe and by pursuing selected business expansion in the rest of the world;

- At BNP Paribas Private Banking, the Group's aim will be to strengthen its position as a global leader. It will seek to capitalize on its leading position in France, develop its services for ultra-high net worth clients and strengthen its position in developing markets, including Asia and continental Europe;

- At BNP Paribas Asset Management, the Group will seek to grow total assets under management by €50 billion, capitalize on the trend toward open architecture (i.e., selling by the Group and its competitors of each others' products) to develop its external customer base and expand internationally;

- At Cortal Consors, the Group will seek to strengthen its leading position in Europe and substantially increase assets under management. In addition, it will seek to develop its network of independent financial advisers in Europe;

- At BNP Paribas Assurance, the Group will seek to grow its market share in savings in France, grow its offering of death and disability coverage and continue its international expansion;

- At BNP Paribas Securities Services, the Group will seek to strengthen its leading position in Europe across the range of securities products, grow its market share among institutional clients in Europe and develop new client segments;

- Regarding real estate investment services, the Group will aim to promote new real estate fund management services and develop its cross-selling efforts;

• Corporate and Investment Banking: the Group's objective is to achieve strong growth by expanding coverage in Europe, and by pursuing targeted business expansion in the U.S. and Asia. The Group will also seek to maintain a solid return on equity and a cost/income ratio that compares favorably with other market competitors.

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

Continued Productivity Improvement

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

Risk Management

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

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

Capital Management

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

- through organic growth, which is the Group's priority and is expected to result from the business objectives mentioned above;

- through external growth, by seizing acquisition opportunities based on clearly defined commercial (in particular retail banking and one-off acquisition opportunities in other areas of business) and geographic (in particular Europe and the U.S., particularly via BancWest) priorities. Thanks to the diversity and high quality of its franchises, the Group enjoys an array of acquisition opportunities. At the same time, any acquisition must meet the Group's strict acquisition criteria. Accordingly, the Group will seek acquisition opportunities that present low execution risk and that meet defined financial criteria (return on investment higher than cost of capital and near-term accretive effect). Upon any acquisition, the Group will seek to apply its expertise in the integration of newly acquired companies;

- through an active dividend distribution policy, reflected in the 37.9% increase in the dividend paid with respect to the 2004 fiscal year (as compared with the 2003 fiscal year); and

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

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

Activities of the Group

History

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

The French government owned over 80% of the voting stock of BNP and its predecessor banks until 1982 and owned 100% of the voting stock of BNP from 1982 until 1993. In October 1993, BNP was privatized through the offering of shares to the public in France and internationally. During the 1990s, BNP launched new banking products and services and expanded its presence in France and internationally, while positioning itself to benefit fully from the introduction of the euro. Privatization also significantly boosted BNP's profitability—in 1998, it led the French banking industry in terms of return on equity.

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

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

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

Organization

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

Retail Banking

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

French Retail Banking

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

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

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

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

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

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

French Retail Banking also includes a cash management unit that forms part of BNP Paribas Cash Management, one of the leading cash management operators in Europe. This business provides

an array of domestic and international solutions for payment, collection and cash management, which are suited to companies of all sizes.

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

International Retail Banking and Financial Services

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

Cetelem

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

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

UCB

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

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

property buyers to UCB. Its strengths are specialization, a commitment to innovation, effective risk management and a high market share among French civil service employees, all of which make UCB a recognized force in residential property financing. Synergies with BNP Paribas' retail network lend additional power to UCB's existing resources.

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

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

BNP Paribas Lease Group (BPLG)

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

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

Contract Hire and Fleet Management

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

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

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

Arval is the business line's main company. It has direct operations in 17 countries and a leading European position in the long-term leasing and fleet management market, with 602,000 vehicles under its management at the end of 2004.

BancWest

In the United States, the International Retail Banking and Financial Services business is conducted through BancWest Corporation, a holding company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank. BancWest's branch network operates under two brand names: Bank of the West on the mainland and First Hawaiian Bank in Hawaii.

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

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

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

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

Emerging Markets and Overseas

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

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

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

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

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

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

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

Asset Management and Services (AMS)

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

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

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

- Insurance (BNP Paribas Assurance); and

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

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

Wealth & Asset Management

Private Banking

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

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

Asset Management

BNP Paribas Asset Management specializes in third party asset management services. With a view to combining solid performance with high service quality, teams have been organized into

specialized units that cover separate asset classes. These dedicated and highly responsive teams offer investment solutions that combine advisory services, innovation and risk management, in the areas of traditional active management and alternative and structured management.

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

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

Cortal Consors

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

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

Real Estate Investment Services

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

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

- property development (through Meunier, the third largest French property developer (source: Classement des promoteurs 2004));
- real estate investments and project financing (through BNP Paribas PFI); and
- real estate services, which include:
    - commercial real estate advisory services (including transactions, valuations and investments). BNP Paribas Immobilier holds a leading position in mainland Europe in this field through Atis Real, which has operations in seven countries;
    - asset management, through Antin Vendôme – the number two property fund manager in France (source: IEIF – Institut de l'Epargne Immobilière et Foncière);

- property management: 11 million square meters of office space is managed in Europe, including 5.5 million square meters in France (through Comadim) and 16,500 French residential properties (through Gerer); and

- sale of residential properties: through Espaces Immobiliers BNP Paribas, which managed 19 sites at the end of 2004.

Insurance

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

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

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

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

Securities Services

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

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

- clearing and custody for all asset classes,

- fund administration (accounting, middle-office outsourcing, depositary bank, performance measurement and attribution analysis),

- issuer services, and

- cash and securities financing.

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

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

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

Corporate & Investment Banking (CIB)

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

Outside of Europe, the Coverage and Territories International (CTI) group covers corporate relationships in the Americas, the Asia-Pacific region, Africa and the Middle East, and leads operations in the corresponding Corporate and Investment Banking territories. The Financial Institutions Group (FIG), which is part of CTI, is the global group responsible for covering relationships with financial institutions (banks, insurers, supranational organizations, etc.) throughout the world.

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

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

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

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

Advisory and Capital Markets

Corporate Finance

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

Corporate Finance has adopted an inter-disciplinary organizational structure designed to give clients access to the best combination of specialists in each product, industry and geographical area, while optimizing resource management.

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

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

Equities and Equity Derivatives

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

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

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

Fixed Income

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

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

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

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

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

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

Financing Businesses

Energy, Commodities, Export and Project Finance (ECEP)

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

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

- financing of commodities trading, in all forms, an activity in which BNP Paribas is a global leader;
- structured commodities financing in emerging markets which, in addition to export pre-financing, includes reserves financing and structured inventory financing;
- corporate loans for energy, metals and mining activities in industrialized countries;
- commodities derivatives brokerage on organized exchanges and over-the-counter transactions in New York, London and Singapore;
- export financing, with 15 export desks covering 28 public credit insurers, and some thirty correspondent banks in importing countries;
- project finance – especially in the energy and infrastructure sectors – with loans structured on the basis of cash flows; and
- global trade services, which offers a range of products and services, including e-banking and international guarantees for import-export trading.

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

Structured Finance

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

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

BNP Paribas Capital

BNP Paribas Capital encompasses all of the Group's private equity activities. The private equity business consists of investing in the capital of unlisted companies, with the objective of realizing a capital gain in the medium-term. As of December 31, 2004, BNP Paribas Capital managed a portfolio with a market value of €3.7 billion, including unrealized capital gains of €1.4 billion.

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

- advising the BNP Paribas Group on its proprietary portfolio; and
- managing or advising funds held partly by the Group and partly by outside investors.

BNP Paribas Capital is active in all segments of the private equity market. Large leveraged buy-outs in Europe are handled by PAI partners. Dedicated funds managed or advised by Banexi Capital Partenaires, Banexi Venture Partners and BNP Private Equity handle medium-sized leveraged buy-outs and venture capital transactions in France as well as investments in the media and telecommunications sectors.

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

Klépierre

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

Listed Investment and Sovereign Loan Management

The Listed Investment Management team manages BNP Paribas' portfolio of minority stakes in large listed groups.

Sovereign Loan Management's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, eurobonds and restructured credits.

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to actively manage assets with a view to deriving the greatest possible value over the medium-term. The medium-term perspective clearly differentiates this business from a trading activity.

Litigation

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

Main Shareholders of BNP Paribas

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

RISK MANAGEMENT

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

The Role and Organization of GRM

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

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

GRM has a broad scope of competence and is responsible for all risks arising in the course of the Group's business. It intervenes at all levels in the process of risk taking and risk monitoring. GRM's mission includes formulating recommendations concerning risk policies, analyzing the loan portfolio on a forward-looking basis, approving loans and trading limits, guaranteeing the quality and effectiveness of risk monitoring procedures and producing comprehensive and reliable risk reporting data for Group management. GRM is also responsible for ensuring that all of the consequences in terms of risks associated with proposed new businesses or products have been properly evaluated. These evaluations are performed jointly by the business line in question and all of the specific departments concerned (legal, ethics and compliance, tax, information systems, general and management accounting). GRM's role is to assess the quality of the validation exercise by analyzing the list of identified risks and the proposed methods of minimizing them, and determining the essential prerequisites for the sound development of the business.

There are four main categories of risk:

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

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

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

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

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

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

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

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

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

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

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

To define appropriate methods, policies, procedures and decision-making processes and deploy effective monitoring and control systems, GRM is required to have an in-depth understanding of the

banking business, market imperatives and complex transactions, and to act rapidly in certain circumstances. In order to achieve the required level of responsiveness, GRM teams are based in various territories, wherever possible on the same sites as the operating units. Independence is maintained by placing these teams under the direct authority of GRM and by establishing strong central guidance. Where a direct reporting relationship would be inefficient but acceptable in terms of risk—as is the case, for example, in Retail Banking—the operating units concerned may establish their own risk management teams, with a clearly defined functional reporting relationship with GRM. GRM's organizational structure is tailored to reflect the different types of risk. There are three departments within GRM: one manages credit and counterparty risks (comprised of three units, France, International, Banks and Financial Institutions), one manages market and liquidity risks and one manages operational risks.

- *Credit Risk France* monitors the credit risks of the French Retail Banking business and of the real estate financing business, which is under the supervision of the Asset Management and Services business.

- *International Credit Risk* monitors risks on corporate customers throughout the Corporate and Investment Banking and International Retail Banking divisions, as well as risks on large corporate customers in the Retail Financial Services division.

- *Counterparty Risk and Financial Institutions* monitors risks on banks and other financial institutions, as well as on private banking clients outside France. It also monitors the methods used to assess and report counterparty risks generated by the fixed-income, currency instruments, securities services and asset and liability management units.

- *Market and Liquidity Risk* is responsible for monitoring market and liquidity risks throughout the Group. The tasks assigned to the unit include ensuring that risks are properly valued in the Group's financial statements, verifying the effectiveness of risk monitoring systems and helping to enhance the quality of risk management. The unit makes recommendations concerning the definition and updating of risk acceptance policies. It also defines the methods and tools used to measure and monitor market and liquidity risks.

- *Operational Risk* defines the framework for monitoring operational risks and assists in rolling out the framework to all Group entities as part of a constant effort to reduce this type of risk.

- *Group Risk Portfolio* is the cross-departmental unit in GRM responsible for providing industry expertise and analyzing credit risks. Tasks assigned to this unit include drafting credit and rating policies, developing risk measurement methodologies and consolidating risk data for reporting purposes.

- *The Chief Operating Officer* is in charge of all GRM support functions, including information technology sponsorship teams for credit risk. He manages cross-departmental projects, such as the one designed to ensure the reliability of credit data and risk reporting known as "SQUAD+."

Credit Risk

Global Credit Policy

The Bank's lending operations are subject to the Global Credit Policy approved by the Risk Policy Committee, headed by the Chief Executive Officer. The purpose of the committee is to determine the Group's risk management strategy. The principles governing the Global Credit Policy include compliance with the Group's ethical standards, a clear definition of responsibilities, as well as the existence and strict application of risk analysis procedures. The Global Credit Policy is applied throughout the Group in the form of specific policies tailored to each type of business.

Procedures

Decision-making procedures

A system of discretionary lending limits has been established and all lending decisions must be approved by a formally designated member of the Risk Management Department. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of a credit committee.

Lending limits correspond to aggregate commitments and vary according to internal credit ratings and the specific nature of the business concerned. The system of discretionary lending limits ensures that risk management principles are applied consistently and that loan applications representing large amounts, or which are unusually complex or sensitive, are submitted for approval at the appropriate level.

Certain types of lending commitments, such as loans to banks, sovereigns and customers operating in certain industries, are required to be referred to a higher level for approval. In addition, the loan application may have to be backed up by the recommendation of an industry expert or designated specialists, and some credit restrictions may apply.

Loan applications must comply with the Bank's Global Credit Policy and with any specific policies applicable to the business line or the type of facility requested. Any exception must be approved by the next level of lending authority. The same applies to loan applications that are not unanimously approved. To be considered, all loan applications must comply with applicable laws and regulations.

The Group Credit Committee, chaired by the Chief Executive Officer, an Adviser (Dominique Hoenn), one of the Chief Operating Officers or the Chief Risk Officer, has ultimate decision-making authority for all credit and counterparty risks. In Retail Banking, simplified procedures are applied, based on statistical decision-making tools.

Monitoring procedures

The Group maintains a comprehensive risk monitoring and reporting system, covering all Group entities. The system is organized around control and reporting units responsible for ensuring that lending commitments comply with the loan-approval decision, that credit risk reporting data are reliable, and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks.

Monitoring is carried out at different levels, generally reflecting the organization of discretionary lending limits. Depending on the level, the monitoring teams report to GRM or to the Group Debtor Committee, which in turn reports to the Chief Executive Officer. The Group Debtor Committee meets at monthly intervals to examine all sensitive or problem loans in excess of a certain amount. Its responsibilities include deciding on any adjustments to provisions for problem loans, based on the recommendations of the business line and GRM. In Retail Banking, the Group employs a monitoring system more specifically tailored to the needs of this business line.

Provisioning procedures

Customer loans are recorded on the Group's consolidated balance sheet net of the provision for possible loan losses. The establishment of a provision, or an increase in its amount, is reflected in the Group's consolidated statement of income by a provision. The reversal of a provision is reflected by a credit to income. The amount of new provisions, less reversals of provisions and recoveries of loans written-off, is recorded under "Net additions to provisions for credit risks and country risks."

GRM reviews all customer loans in default at monthly intervals, to determine the amount of any impairment loss to be recognized, either by reducing the carrying value or by recording a loan loss provision, depending on the applicable accounting standards. The amount of the impairment loss takes into account potential recoveries, including the value of any collateral or other guarantees.

In accordance with applicable regulations, interest accruals on loans in default are either suspended or continued; in the latter case, a provision is generally recorded immediately in order to offset the accrual. A loan is generally written down or off only when the loss has become final and certain. When a loan is written down or off, any related provision is eliminated and a net charge to income is made for any portion of the loan not covered by a provision.

Where possible or desirable, due to the specific nature of the lending activities concerned (for example, consumer loans) case-by-case provisions are replaced by statistical provisions. In addition to these specific or statistical provisions, the Bank may also set aside general provisions to cover a probable increase in risks, relating, for example, to a specific industry, country or rating category.

Measuring Risk

The Bank has a comprehensive rating system that already complies with future requirements under consideration by regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios. For a summary of the new standards under consideration, see "Capital Adequacy of the Group – Proposed Changes to the BIS Capital Standards."

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

- a payment default that is probable or certain, and likely to generate a partial or total non-recovery for the Group, irrespective of collateral or guarantees received (this category includes obligors that are likely to be forced to restructure all or part of their debt),

- the existence of any uncured, missed or delayed payment (principal, interest, fees) outstanding for more than 3, 6 or 9 months depending on the type of receivable, or

- the commencement of a litigation proceeding, such as a filing for bankruptcy protection.

Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of the business line staff and GRM credit risk managers, who make the final decision. High quality tools have been developed to support the rating process, including analytical aids and credit scoring systems. The decision to use these tools and the choice of technique depend on the nature of the risk.

Various quantitative and other methods are used to check rating consistency and the reliability of the rating system. Loans to private customers and very small businesses are rated based on statistical analyses of groups of risks with the same characteristics. These risk measurement parameters serve as the basis for setting discretionary lending limits, primarily for corporate loans, and they are also used to calculate risk-weighted assets and the corresponding risk-adjusted margins. GRM has overall responsibility for maintaining the quality of the rating system. It fulfills this responsibility by either defining certain aspects of the rating system itself, or by evaluating or verifying its performance.

Portfolio Policy

In addition to carefully selecting individual risks and accurately measuring the related exposure, the Bank follows a portfolio-based policy designed to diversify risks among borrowers and industries, backed by a cautious approach to country risks. The results of this policy are regularly reviewed by the Risk Policy Committee, which may modify or fine-tune it as required, based on GRM's analyses and guidelines. The business lines actively manage the policy. For example, they can intervene in the initial taking of risks, and they can decide on ways to hedge or attenuate risks, based on a strict, regulated framework, using dedicated instruments such as securitizations and credit derivatives.

Diversification of counterparty risks

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

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

Diversification of industry risks

The Bank also pays close attention to diversifying industry risks and performs projections to actively manage its exposures. Diversification of industry risks is based on the opinions of independent industry experts working within GRM about probable developments in the industries they track,

supported by analyses of underlying trends and factors that explain the vulnerability of the main industry players. The depth of industry research varies according to the weighting of the industry concerned in the Bank's total portfolio, the technical expertise necessary to assess industry risks, the cyclical nature of the industry and its level of globalization, and the possible existence of specific risk issues. Where appropriate, and for all substantial loans, the opinion of an industry expert may be mandatory in order to fully and independently assess the quality of the customer's strategy and competitive positioning.

Geographic diversification

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

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

Market and Liquidity Risks

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

Measuring risk

Market risk

There are three types of indicators used to measure market risks:

1. Gross Earnings at Risk (GEaR), which is based on an internal model approved by banking regulators, measures the potential change in the value of the trading portfolio over a one-day holding period, using historical data covering 260 trading days and a 99% confidence level. The model analyzes variables such as interest rates (market rates and signature spreads), exchange rates, securities prices, commodity prices, volatilities and correlations, as well as the resulting effects of diversification. Data are taken directly from the Bank's trading systems and are used to perform numerous simulations, based on a variety of scenarios ranging from the simplest to the most complex.

2. Stress tests, which are performed at daily or monthly intervals, as appropriate. These tests simulate changes in the value of trading portfolios under extreme market conditions, based on worst-case scenarios. The variables used to perform these simulations are adjusted regularly to take account of changes in economic conditions. Stress test results are used to assess position limits and the overall results are analyzed and discussed at the monthly Market Risk Committee meetings.

3. Position sensitivities, based on different market parameters.

Liquidity risk

A general liquidity policy has been defined and approved by Group Executive Management, consisting of a set of management principles – covering both normal and crisis situations – backed by internal standards and warning indicators for the day-to-day monitoring of the liquidity position. The Bank's refinancing capacity is measured primarily by reference to the amount of liquid assets available (with the degree of liquidity assessed differently according to each country). The overall aim is to have adequate cash reserves to cope with an exceptional increase in liquidity needs in a period of restricted availability of interbank refinancing. GRM-MLR (Market and Liquidity Risk) is responsible for the entire system, from the development of liquidity risk measurement methodologies to liquidity risk reporting.

Controlling Risk

The market and liquidity risk control structure is based on:

- *General Exposure Limits*. These consist of GEaR or "nominal" limits and cover trading positions by country and by issuer as well as sensitivities, in order to specifically limit certain risks that are not fully captured by GEaR calculations and stress tests.

- *Rolled Down Exposure Limits*. The Chief Executive Officer has overall responsibility for setting market risk exposure limits, in the same way as for credit limits. The Market Risk Committee is responsible for rolling down these limits to the various levels in the organization. For secondary market trading, these are expressed in terms of GEaR or OYE (One Year Equivalent); for underwriting activities, limits are set according to counterparty credit strength.

- *Decision-Making Rules*. Risk-acceptance decisions are based on a two-dimensional process. The first dimension corresponds to the approval of new businesses or risks. The second concerns the approval of transactions proposed in the normal course of business. Transactions involving large amounts or which are unusually complex must be approved by the Executive Position Committee (EPC) – an offshoot of the Market Risk Committee – for market risk aspects.

- *Risk Monitoring*. This system is based on: daily monitoring of Group positions; monitoring of accidental or authorized temporary trading limit overruns, which are logged in a central database and analyzed; review and approval by GRM-MLR of market risk measurement and management models; weekly GRM-MLR reporting of the aggregate amount of material positions, by business line, to senior management of the business line concerned; monthly meetings of the Market Risk Committee to approve the main market risks incurred by the Group.

Operational Risk

The BNP Paribas operational risk management system is based on a quantitative and qualitative assessment of risk that complies with the requirements of the Basel II Capital Accord's Advanced Measurement Approach (AMA). The system is designed to contribute to reducing losses from operational risks, while optimizing the allocation of capital to cover these risks.

Group Executive Management has approved a general operational risk management system based on four broad principles, which focus on the understanding of internal processes. The system consists of performing cause-event-effect analyses, taking into account risk profiles and risk tolerance thresholds and establishing and monitoring responsibilities. It sets forth the principles relating to organization of the risk management process, which include initial decision-making by the Operational Risk Committees and management of the resources necessary to conduct the process.

The BNP Paribas operational risk analysis and measurement system is based on:

- Historical loss data derived from the Group-wide incident reporting system.
- External data supplied by the ORX consortium, of which BNP Paribas is a founding member.
- A prospective approach based on identifying mission-critical processes and scenario analyses.
- Environmental and internal control factors.

Implementation of this system, which is supported by an integrated suite of analysis and management applications, should enable the Bank to determine its future needs in terms of both regulatory and economic capital to cover operational risk.

The analyses of operational risks and the definition of exposure measures is being conducted in close cooperation with the divisions, business lines and territories and the various corporate departments involved (information systems, human resources, legal and tax and the various components of the Bank's internal control structure).

Legal Risk and Special Regulations

BNP Paribas is subject to regulations applicable to financial institutions in all countries where it does business, including banking, insurance and financial services regulations. The Bank is required to respect the integrity of the markets and safeguard clients' interests.

Group Legal Affairs has established and regularly updates an internal control system designed to anticipate, detect, measure and manage legal risk. In 2004, new structures were established and various reorganization measures were implemented to improve coordination and avoid potential conflicts of interest amongst the control structures.

The system, as upgraded in 2004, is organized around:

- Specific committees, including:
  - The Group Legal Affairs Committee, which is responsible for overseeing the activities of the Legal Affairs department.

- The Legislation Tracking Committee, which analyzes and distributes to all relevant departments the texts of new laws and regulations, as well as developments in relevant French jurisprudence.

- The Global Legal Committee, which coordinates the activities of the legal department throughout the Group and in all countries that have their own legal staff. In 2004, a Group Legal Coordination department was created in order to ensure that the Group's legal policies are internally consistent and to address cross-departmental issues.

- Internal procedures and databases, providing a framework for the activities of the Group's legal staff. At the end of 2004, a procedures database containing all internal procedures, written in both French and English, was posted on the Group intranet site.

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

- Internal reporting systems, model documents and analysis systems, which are upgraded on an ongoing basis by Group Legal Affairs.

The system helps the Group to actively track new legal developments, both in France and abroad.

As was the case in 2003, one of Group Legal Affairs' priorities in 2004 was to seek to combat money laundering. During 2004, Group Legal Affairs also took into account various changes in French and European law, and drafted various memoranda and procedures on issues such as the prevention of money laundering, the French "Financial Security" Act, the reform of French securities laws, long-distance sales and certain aspects of the retail banking business, such as consumer lending.

Tax Risk

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

Group Tax Affairs is a global department, responsible for overseeing the consistency of the Group's tax solutions. It also works with Group Finance and Development to monitor overall tax risk. In addition, it performs back-up checks to ensure that tax risks remain at a manageable level and are consistent with the Group's reputation and profitability objectives.

As part of its effort to control and manage tax risks more effectively, Group Tax Affairs added new procedures and extended the tax reporting process to all divisions during 2004. The latter initiative provides an example of the coordination between the International Tax team and the Internal Control team with Group Finance and Development.

Group Tax Affairs resources include:

- A network of tax correspondents, covering all of the countries where the Group does business.

- A qualitative data reporting system, which contributes to managing tax risks and monitoring compliance with local tax laws.

- A tax coordination committee, composed of representatives of both Group Tax Affairs and Group Finance and Development, whose mission now extends to all divisions of the Group. The committee is responsible for analyzing key tax issues and making appropriate decisions. Group Tax Affairs is the sole adviser to Group Finance and Development on tax issues that affect financial and accounting information.

- A reporting system to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

A clear framework has been defined for the assignment of responsibility for managing tax risks associated with customer transactions. This includes a tax risk charter used to draw up job descriptions for local tax managers and to specify the responsibilities of divisional heads with regard to entities that do not have their own tax manager. This charter will be revised in 2005, based on the new charter applicable to Territory Chief Executives. Group tax rules and standards have also been created and distributed throughout the organization. Lastly, Group Tax Affairs is responsible for approving all new products with significant tax implications, all new businesses, “specific” transactions put together in France and abroad, the use of outside tax advisors, framework agreements and standard banking industry agreements, and all internal circulars or documents giving rise to material tax issues.

Information Systems Security

The internal control system established by Group Information Systems is organized around:

- A collection of procedures distributed throughout the Group, reflecting the Group’s overall information systems security policy. This policy describes IT-related assets (information, software, physical and service assets) and the criteria applied to define security requirements related to these assets (availability, integrity, confidentiality and auditability).

- A network of security coordinators based in the various divisions and Group departments, supported by security correspondents responsible for operational aspects.

- Committees with extended powers, such as the Group Information Systems Architecture Committee, which is responsible for ensuring that IT projects comply with Group standards on systems architecture, security, risks and operations.

- A project management approach which factors in systems security issues from the outset. This approach is an integral part of Group quality assurance standards.

- Periodic monitoring of systems security and systematic monitoring of mission critical systems.

- Technical intelligence gathering to take into account inherent systems weaknesses as and when they come to light.

- A joint Group Information Systems/Internal Audit information systems audit unit, established in the autumn of 2004. The team reports to the head of Internal Audit and receives all necessary technical support from Group Information Systems.

Avoiding any interruption of operations is a key concern of management, at the Group level and also at the level of the various business lines. Contingency and disaster recovery plans, covering resources, organization and standby facilities, are regularly updated and strengthened.

To maintain appropriate standards of information systems security, the Bank regularly reviews the processes established to protect systems against the increase in external threats, such as viruses and the illegal capture of authentication data in the online banking business. Electronic banking applications and the new applications used by BNP Paribas Securities Services, Corporate and Investment Banking, AMS Real Estate, Group Risk Management and Group Finance and Development have been protected by installing firewalls and creating secure areas to host the most sensitive applications. In 2005, probes capable of swiftly detecting abnormal network activity will be deployed and additional firewalls will be installed to increase network protection.

Significant Events of the Year in the Area of Internal Control

The Group continuously strives to attain the highest standards in ethics, risk control and internal auditing. In the face of changes in the banking environment and regulators' increasingly stringent requirements in these areas, the Group created a new corporate compliance department in 2004. This new department will have Group-wide responsibility for strengthening organizational procedures relating to risk management and internal control processes. In particular, it will be charged with:

- ensuring that the Group's measures for complying with the legal and regulatory requirements applicable to the banking and finance industry are consistent and effective; and

- organizing internal control procedures throughout the Group.

The Group will gradually define the structure and underlying principles of the newly created compliance department over the course of 2005. The head of the department will report directly to the Group's Chief Executive Officer, and will be responsible for:

- supervision of the consistency and effectiveness of actions undertaken with regard to ethical rules, and more broadly, with regard to the legislative and regulatory provisions specific to banking and finance activities. He will be directly in charge of the Ethics department and of actions designed to combat money laundering and corruption. He will also have functional authority over Group Legal Affairs for all matters related to control and compliance missions; and

- direction and coordination of internal control procedures established throughout the Group. He will chair a monthly committee meeting attended by the Inspector General and by Group managers in charge of Risk, Tax Affairs, Legal Affairs, Ethics and Finance and Development. He will produce the Group's report on internal control and compliance.

Risks

GRM—Exposures

2004 saw a significant improvement in credit risk in all regions, confirming a trend that first emerged in 2003 in North America. In Europe, companies continued to strengthen their financial position by negotiating replacement medium-term financing. There were no major bankruptcies in the United States, and Europe's single large-scale corporate failure–in Italy–had no impact on the Group's accounts. The credit quality of BNP Paribas' loan portfolio improved throughout the year, leading to a substantial reduction in provision expense in the Corporate and Investment Banking division.

Credit Risks

Outstanding commercial loans at December 31, 2004 totaled €473 billion, compared to €384 billion at December 31, 2003. The 23% increase was attributable to favorable lending conditions and increased demand for credit generally, strong marketing initiatives in leading economic regions and the integration of new retail banking networks (mainly on the West Coast of the United States), and to higher prices for oil and other commodities, leading to increased trade financing needs.

The U.S. economy's return to growth and sound economic conditions in Europe enabled a substantial decrease in net additions to provisions for credit risks and country risks, as shown in the following table:

In millions of euros	**French Retail Banking**	**International Retail Financial Services**	**Asset Management and Services**	**Corporate & Investment Banking**	**Group Total**
Net additions to provisions for credit risks and country risks –2003	225	529	16	633	1,361
Net additions to provisions for credit risks and country risks –2004	223	439	5	58	678

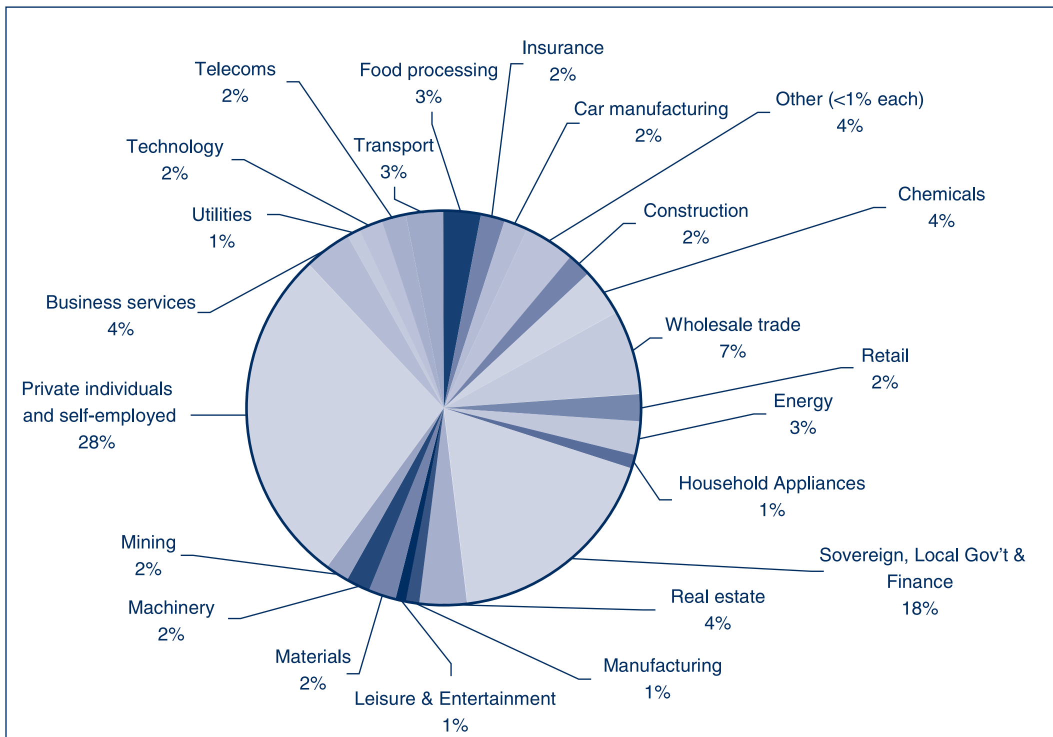
Diversification by counterparty

Diversification of commitments by counterparty is a matter of ongoing concern and is closely monitored by the Group. The Group's concentration of credit risks is well below the limits set forth in the European Directive on major banking risks.

The breakdown of the Group's commercial commitments by main customer category is set forth in Note 4 to the audited consolidated financial statements of the Group included herein. The top 10 client groups represented less than 4% of total commitments at December 31, 2004.

Industry diversification

Due to its disciplined approach to industry risks, the Group believes that it is not exposed to any material concentration of credit risks in any single industry. No single industry accounts for more than 5% of total commitments, with the exception of the "sovereign, local government and finance" sector and the "wholesale trade" sector, corresponding largely to commodity traders. The following chart presents a breakdown of the Group's commercial loans and commitments by industry at December 31, 2004 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



The Bank's commercial loans and commitments remained well diversified in 2004, with no new industry concentrations. Cyclical and high-risk industries continued to be regularly monitored. The credit quality of telecommunications companies improved significantly, with the Bank's largest clients in this industry in considerably better financial condition. Moreover, the Bank's exposure was reduced by the overall decrease in these companies' outstanding debt.

Commitments in the aircraft industry, which was badly affected by external events (September 11, 2001 terrorist attacks, the SARS epidemic and spiraling oil prices), continued to consist mainly of asset financing. Moreover, many of the largest transactions recently carried out were covered by credit insurance.

The Bank's review of Asian clients following the tsunami disaster indicated that its exposure to the potentially most vulnerable local companies was very limited.

The difficulties experienced by the energy industry in the last two years, particularly in the United States, showed signs of coming to an end, and refinancing was arranged for many fundamentally sound companies that were faced with cash flow problems.

The automobile industry, which has traditionally been an important sector for the Bank, was closely monitored, and measures were taken to reduce the Bank's exposure to the most vulnerable companies.

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

Geographic diversification

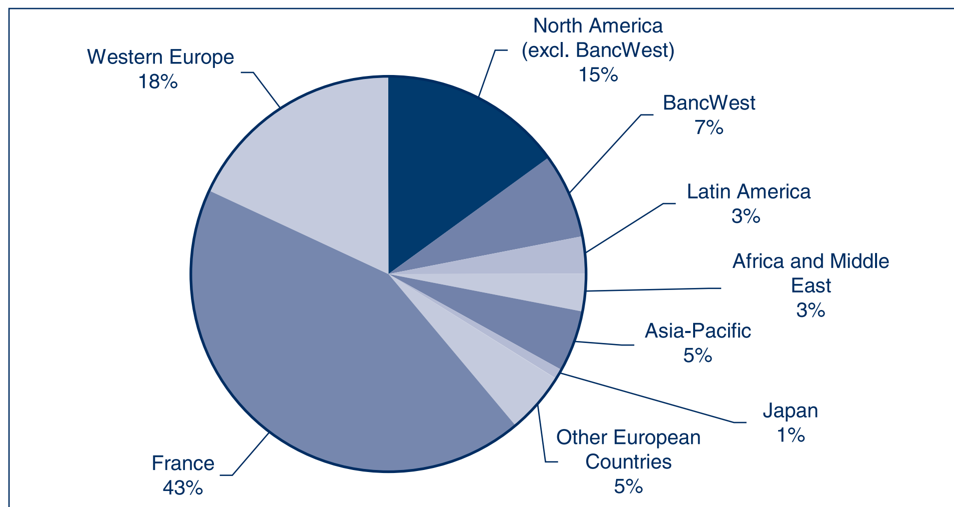
The Bank's commercial loan and commitment portfolio is fairly diversified geographically. The majority of commitments (2/3 of the portfolio as of December 31, 2004) are to borrowers in Europe, with France accounting for 43% of the total as of the same date.

North America is the second largest region, accounting for 22% of total commitments. In recent months, lending operations have increased both in Retail Banking, with the expansion of BancWest on the U.S. West Coast following the recent integration of Community First Bankshares and Union Safe Deposit Bank, and in Corporate and Investment Banking, with the implementation of an ambitious development plan.

Asia accounts for 5% of the total, and commitments in this region are growing at a slower rate than elsewhere. China is a major focus of growth plans in the region, albeit with a highly selective approach to new business.

The Group's exposure to countries under specific lending limits (country risk) represents 9% of its total commercial commitments, and is closely monitored. Commitments in these countries continue to be based on export credit and short-term commercial commitments. Longer-term financing is generally secured and, in most cases, highly structured.

The following chart presents a breakdown of the Group's commercial loans and commitments by geographical region at December 31, 2004 (consisting of unweighted on and off-balance sheet commercial commitments; based on data extracted from the risk management system):



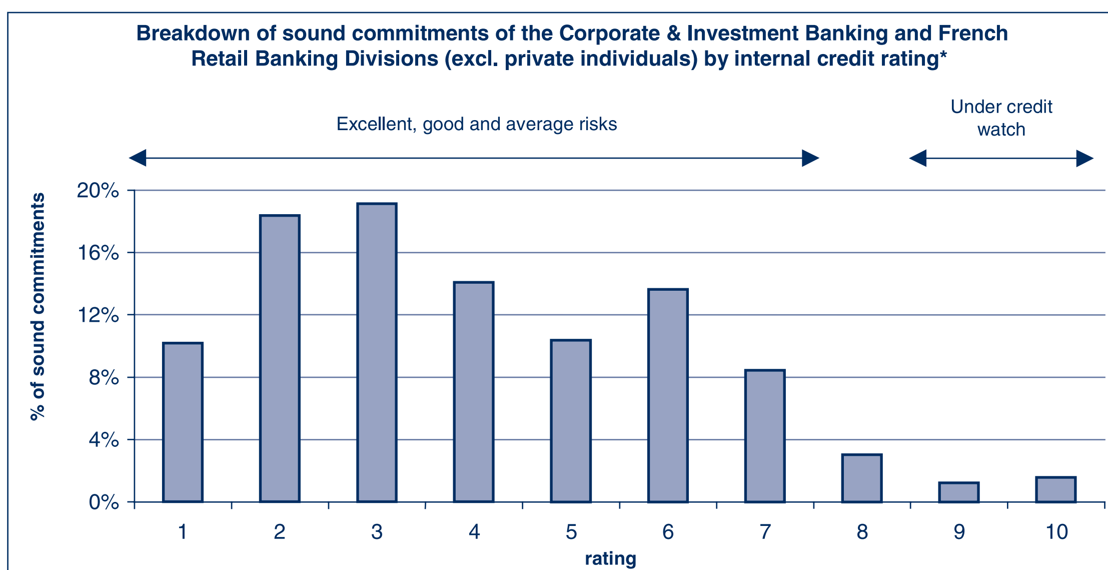
Portfolio quality

The Corporate and Investment Banking and French Retail Banking "Corporate" portfolios include commitments to companies, government agencies, banks and other institutions, which together represent three-quarters of the Group's outstanding commitments (excluding commitments to individuals and very small companies). Based on the internal rating system that has been rolled out across the Corporate and Investment Banking and French Retail Banking businesses, the Group believes that its corporate portfolios are of high quality. The majority of commitments are to highly rated borrowers, reflecting the Bank's strong presence among large multinational groups and financial institutions.

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

In 2004, over two-thirds of the portfolio consisted of commitments to borrowers rated "investment grade" under the Bank's internal rating system. The 5% increase in the "investment grade" share of the portfolio compared to 2003 was attributable to the upgrades experienced by numerous major international groups, whose credit quality improved in a more favorable economic environment.

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



* Corporate & Investment Banking at December 31, 2004 and French Retail Banking at September 30, 2004, excluding doubtful commitments (rated 11 and 12) and securities portfolios.

Country Risks

Country risk provisions amounted to €1.5 billion at December 31, 2004, as compared with €1.8 billion at December 31, 2003. The decrease was partially attributable to foreign exchange effects,

mostly due to the depreciation in the value of the U.S. dollar against the euro, and partially attributable to the generally improved economic environment during 2004.

Reserve for General Banking Risks

The Group has a reserve for general, unforeseeable banking risks not covered by the other provisions for losses and risks. At December 31, 2004, the reserve for general banking risks amounted to €752 million.

Doubtful Commitments

BNP Paribas' non-performing loans and other doubtful commitments presented below include on and off-balance sheet commitments to all categories of counterparties (customer transactions, interbank transactions, securities portfolio and long-term investments).

in billions of euros	**December 31, 2004**	**December 31, 2003**
Doubtful commitments	12.5	14.1
Specific provisions	8.6	9.4
Coverage ratio	69%	67%

Breakdown by geographic area and industry

The following tables present doubtful loans by geographic area and by industry, as a percentage of the Bank's total doubtful loans (excluding securities and long-term investments, as well as off-balance sheet commitments), which amounted to €11.8 billion at December 31, 2004. Provisions deducted from the carrying value of these assets at December 31, 2004 amounted to €7.9 billion.

Breakdown by geographic area

	Breakdown of doubtful loans	**Breakdown of provisions**
France	60.7%	58.7%
European Economic Area	8.8%	9.8%
North America	7.0%	9.7%
Latin America	4.7%	3.4%
Africa and Middle East	7.6%	8.4%
Asia (excluding Japan) – Pacific	4.6%	3.0%
Japan	0.4%	0.0%
Other European countries	5.5%	6.1%
Not analyzed	0.7%	0.9%
Total	**100.0%**	**100.0%**

Breakdown by industry

	Breakdown of doubtful loans	Breakdown of provisions
Food	3.7%	4.7%
Insurance	1.7%	1.5%
Automotive	1.6%	1.8%
Other	4.5%	4.8%
Construction	1.8%	2.4%
Chemicals	0.5%	0.5%
Wholesalers	7.0%	7.7%
Retailers	1.7%	1.8%
Energy	2.9%	2.0%
Household appliances	1.4%	1.4%
Sovereign, local govt. and financial institution	5.8%	5.2%
Real estate	6.4%	5.9%
Manufacturing	2.1%	1.9%
Leisure	1.0%	0.5%
Materials	2.4%	2.3%
Capital goods	0.6%	0.7%
Mining	1.0%	0.6%
Private individuals and self-employed	38.9%	38.3%
Business services	4.6%	5.3%
Utilities	0.8%	0.6%
Technology	1.6%	1.2%
Telecoms	2.0%	1.6%
Transport	4.9%	4.2%
Not analyzed	1.1%	3.0%
Total	**100.0%**	**100.0%**

Breakdown by type of customer

The breakdown of the Group's doubtful loans by main customer categories is set forth in Note 4 to the audited consolidated financial statements of the Group included herein.

Market Risks

Gross Earnings at Risk (GEaR)

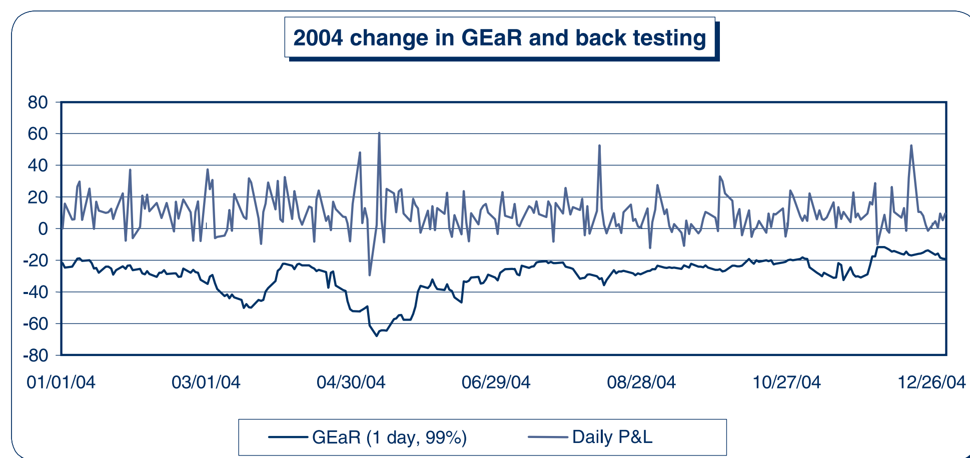
The Bank measures value at risk (VaR) for its capital markets businesses based on gross earnings at risk (GEaR). For the year ended December 31, 2004, the total average value at risk (ten-day holding period) amounted to €93 million, taking into account the €57 million effect of netting different types of risk.[1]

GEaR calculation methods are regularly refined in order to better reflect the specific features of each business line, in particular with respect to unusual products. The model's quality is continuously tested by comparing actual daily losses, if any, with the 1-day GEaR.

The chart below (in millions of euros, for entities required to include market risks in their capital adequacy calculations) presents the changes in GEaR during 2004, compared with the actual daily revenues from capital markets transactions. It reflects:

- The Bank's conservative management approach, as well as the beneficial effects of diversifying positions and instruments, which led to aggregate GEaR that was 1.5 to 2.5 times below the sum of its components by risk factor.

- The model's strengths. A 99% confidence level in theory means that the Bank will not incur daily losses in excess of GEaR more than two or three times during the year, while in practice, the GEaR was never exceeded during 2004.



Stress Tests

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

- emerging markets crisis triggering a flight to quality.

[1] For a breakdown of market risk by type of counterparty and of VaR by type of risk, see Notes 24 and 25 to the Group's consolidated financial statements as of and for the year ended December 31, 2004, included herein.

- Stock market crash following a sharp rise in long-term interest rates.

- Short-term interest rate hike leading to a flattening of the yield curve and a modest fall in equity prices.

- U.S. debacle, corresponding to a loss of confidence in the dollar and the U.S. economy in general, leading to a sharp fall in the dollar, a steep rise in long-term interest rates and a general widening of signature spreads.

- Melt-up, corresponding to the impact of a stock market rebound combined with a fall in long-term interest rates.

- September 11, corresponding to the impact of an abrupt market reversal similar to the one that followed the terrorist attack on the World Trade Center.

Use of Credit Derivatives

Banking book transactions

BNP Paribas uses credit derivatives in connection with the management of the Corporate and Investment Banking banking book, in order to hedge individual risks, reduce the overall concentration of risks or cap potential losses on securitization transactions. The Bank also purchases credit risks as part of its portfolio diversification and capital utilization strategy, based on strict risk/yield ratio guidelines.

These transactions are managed centrally by the Corporate and Investment Banking Portfolio Management Department, which follows specific risk management procedures for credit risks generated by derivative instruments.

Trading book transactions

Credit derivatives may be used, for hedging purposes only, by the trading desks that are exposed to credit risk. In addition, BNP Paribas trades actively in credit derivatives on behalf of clients. The transactions include both trades in ordinary instruments such as credit-default swaps and structured transactions with tailor-made complex risk profiles. They are carried out by a specific research, structuring and trading platform that forms part of the Fixed Income unit. In the same way as for other trading activities, the platform buys and sells protection. Strict limits apply to net positions arising from these transactions. The platform is backed by a solid support infrastructure, comprising middle and back office teams and an IT development team.

Within GRM, market risks generated by these products are tracked by the Market Risk Department, in the same way as for other derivatives risks. The underlying counterparty risk is also covered by normal risk management processes.

Asset and Liability Management

The Asset and Liability Management and Treasury Department (ALM Treasury) reports to two committees, each headed by a Chief Operating Officer. The ALM Treasury/Commercial Banking Committee is responsible for decisions concerning mismatch and match-funding principles applicable

to the balance sheet of the commercial banking business and for managing the related interest rate risks. The ALM Treasury/Investment Banking Committee is responsible for monitoring market risks related to Treasury transactions, defining funding and liquidity management policies, and managing Group equity and structural currency risks.

Liquidity Management

The Group's cash needs are managed centrally by the ALM Treasury Department. The Treasury unit is responsible for interbank refinancing and short-term debt issues, such as certificates of deposit and commercial paper. The Asset/Liability Management unit is in charge of senior and subordinated funding programs including the Group's medium-term notes (MTN) programs, bonds, medium- and long-term deposits, preferred security issuances and asset-backed securities issuances on behalf of the specialized subsidiaries of the Retail Banking Division.

The policy of diversifying financing sources and instruments was stepped up in 2004.

Senior debt issuances by BNP Paribas and Group subsidiaries totaled €23.4 billion for the year ended December 31, 2004, an increase of 59% over 2003. Excluding issuances redeemable in advance by the issuer, long-term senior debt issuances totaled €12.3 billion, an increase of 90% over 2003. Issuances redeemable in advance by the issuer totaled €11.0 billion for the year ended December 31, 2004, an increase of 34% over 2003.

During 2004, €156 million in inflation-indexed subordinated bonds were issued and placed with clients of the French Retail Banking division. No new preferred stock issues were carried out during 2004, given that the Group had ample regulatory capital. At December 31, 2004, preferred stock totaled €3.5 billion, unchanged from the year-earlier figure.

Lastly, €775 million (BNP Paribas share) was raised through two securitization transactions, which were carried out by UCI, the Spanish subsidiary of UCB. As of December 31, 2004, loans totaling €5.5 billion (BNP Paribas share) had been refinanced through securitizations compared with €6.5 billion at December 31, 2003.

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

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

The consolidated liquidity mismatch for positions beyond one year is measured based on contractual maturities (for loans and deposits, including undrawn confirmed customer lines of credit weighted at 30%), and on observed customer behavior (for positions such as demand loans and deposits and passbook savings accounts). The mismatch for liability positions beyond one year amounted to 21.3% at December 31, 2004, compared with 16.5% one year earlier.

Management of interest rate risk on the banking book

Interest rate risk on the commercial transactions of the French and International Retail Banking businesses and the specialized financing subsidiaries is managed on a centralized basis by the ALM Treasury department. Positions are transferred by means of internal lending/borrowing transactions and swaps.

Banking book interest rate gaps are measured each month, with embedded behavioral options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behavior. For retail banking products, behavioral models are based on historical data and econometric studies. The models take into account early repayments, regulated savings accounts, and current accounts in credit and debit. Theoretical maturities of equity capital are determined according to internal assumptions. Internal assumptions and models, which are regularly updated and back-tested, are presented to the ALM/ Commercial Banking Committee for approval.

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

A specific option risk indicator is used to fine-tune hedging strategies.

The banking book interest rate gap, structural interest rate risk and specific option risk indicators are reviewed during monthly meetings of the ALM/Commercial Banking Committee and serve as the basis for hedging decisions taking into account the nature of the risks involved.

Management of interest rate risk on the banking book is based on two limits. Compliance with these limits is verified at monthly intervals and the limits are adjusted each year by the ALM/ Commercial Banking Committee.

The primary limit concerns the sensitivity of French commercial banking revenues – including hedging transactions carried out by the Asset/Liability Management unit – to a gradual change in nominal and actual interest rates and the inflation rate. The changes are defined by reference to historical volatility data and correlations among the various parameters. The limit is based on annual net banking income, in order to set limits on future fluctuations in net banking income caused by changes in interest rates. Throughout 2004, the sensitivity of revenues to interest rate changes was significantly below the limit set by the ALM Committee.

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

The two types of limits are also applied to the retail banking subsidiaries' exposure to interest rate risk.

In 2004, the Market Risks unit continued to oversee risks arising from the use of behavioral and other models for Asset-Liability Management purposes. The Market Risks unit's conclusions are presented on a quarterly basis to an ad hoc committee.

Management of structural currency risk

The ALM unit is responsible for hedging positions related to foreign currency earnings from transactions booked in Paris and the earnings of foreign subsidiaries and branches. Currency risks related to gains and losses on foreign currency transactions carried out by foreign subsidiaries and branches are managed by the local treasury managers.

Positions related to country risk provisions, specific provisions and positions arising from foreign currency investments by the Group are managed on a centralized basis by the ALM unit. The bulk of the Group's structural currency risk results mainly from capital allocations and equity interests denominated in foreign currencies that are financed by purchases of the currencies concerned. Group policy generally consists of borrowing the investment currency in order to protect shareholders' equity against currency risk. However, for most soft currencies, the investment is financed by purchasing the currency.

Asset Management Risk

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

The creation and management of mutual funds is particularly well regulated. In most countries, funds must be approved by the regulatory authorities before they are launched, and their activities are subject to controls by a statutory auditor and, in some cases, a custodian.

Fund managers are required to respect the integrity of the markets and safeguard customers' interests.

Insurance

BNP Paribas' risks are covered by major insurers, with the aim of effectively protecting both the Bank's balance sheet and its profit and loss account. The Group's insurance program involves contracting policies that enable significant risks to be covered, such as fraud, theft, claims for damages, business interruption and liability.

In order to optimize costs and ensure a satisfactory risk level, the Group self-insures against risks whose frequency and financial impact can be reasonably well anticipated. In addition, the Group also maintains insurance policies against certain risks, including the following:

- property damage, due to events such as fire or explosion, taking into account replacement cost (approved by the Group's insurers following risk assessment visits to key sites);
- fraud and misappropriation of assets;
- corporate liability, such as personal injury, property damage or consequential loss caused to a third party;
- business interruption, such as loss of revenues or earnings or additional costs;
- theft of valuables on company premises and from safes;
- liability of corporate officers in the event of errors or omissions, for example; and
- business liability, such as personal injury, property damage or consequential loss caused to a third party.

All of these insurance policies have been contracted for on the basis of the Bank's historical claims experience, market claims experience and global insurance market capacity.

Some business units can also contract excess insurance locally for specific coverage concerning certain operations, or if they cannot find adequate coverage on the French market. After two difficult years, insurance market conditions improved somewhat in 2004, allowing the Group to maintain high quality coverage contracted for under the best possible market conditions.

Finally, the Group focused in particular on limiting its exposure to the quality, rating and solvency of its insurers.

Pledged Assets

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

Patents, Licenses and Contracts

BNP Paribas is not dependent upon any patents or licenses or any industrial, commercial or financial services contracts for the conduct of its business.

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. All registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) is chaired by the Governor of the *Banque de France*. It makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations.

The Banking Commission (*Commission bancaire*), which is chaired by the Governor of the *Banque de France*, is responsible for the supervision of credit institutions and investment firms. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions and investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly, quarterly or semi-annually) accounting reports to the *Commission bancaire* concerning the principal areas of their activity. The *Commission bancaire* may also request additional information that it deems necessary and may carry out on-site inspections. These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. Where regulations have been violated, the *Commission bancaire* may act as an administrative court and impose sanctions, which may include deregistration of a bank, resulting in its

winding-up. The *Commission bancaire* also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. These decisions of the *Commission bancaire* may be appealed to the French Administrative Supreme Court (*Conseil d'état*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the *Commission bancaire.*

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group." In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100%.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. In addition, the aggregate amount of individual exposures exceeding 10% of the credit institution's regulatory capital may not exceed eight times such regulatory capital.

An equity and permanent resources ratio (*coefficient de fonds propres et de ressources permanentes*) requires French credit institutions to maintain, as of each year-end, a minimum ratio of 60% between amounts representing equity and related items and amounts representing certain long-term assets denominated in euros.

French credit institutions are required to maintain on deposit with the European Central Bank a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France.* Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must

comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

The principal means used by the *Commission bancaire* to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements and other documents that these banks are required to submit to the *Commission bancaire*. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The *Commission bancaire* may also inspect banks on an unannounced basis.

Reporting Requirements

In addition to furnishing to the *Commission bancaire* the detailed monthly report mentioned above, credit institutions must also report monthly (and, with respect to lease financings, quarterly) to the *Banque de France* the names and related amounts of certain customers (only for companies and individuals engaged in commercial activities) having loan utilization exceeding approximately €76,000. The *Banque de France* then returns to each credit institution a list stating, as to that credit institution's customers, total loan utilizations from all reporting credit institutions.

Credit institutions must make periodic reports, collectively referred to as *états périodiques,* to the *Commission bancaire.* The *états périodiques* comprise principally (a) a statement of the activity of the concerned institution during the relevant period (*situation*), to which is attached exhibits that provide a more detailed breakdown of the amounts involved in each category, (b) a statement of income, together with exhibits and (c) certain additional data relating to operations (*indicateurs d'activité*) such as the number of employees, client accounts and branches.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €70,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

The Governor of the *Banque de France,* as chairman of the *Commission bancaire*, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the *Commission Bancaire* regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Money Laundering

French credit institutions are required to report all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, as well as unusual transactions in excess of certain amounts, to a special government agency (*TRACFIN)* placed under the authority of the Minister of the Economy.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements, and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

Capital Adequacy under the BIS Standards

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. In 1996, the Basel Committee adopted a significant amendment to the BIS standards to provide a specific capital cushion for market risks in addition to a bank's credit risks. Such amendment defines market risks as: (i) the risks pertaining to interest rate-related instruments and equities in a bank's trading book and (ii) foreign exchange risks and commodities risks held generally on the bank's books. As amended in 1996 and refined in September 1997 by the Basel Committee, the BIS standards continue to require a capital solvency ratio with respect to a bank's credit risks and, in addition, require a bank to quantify its market risks in figures equivalent to credit risks and to maintain an overall capital ratio of 8% with respect to its credit and market risks. As adopted by the Banking Commission, these revised BIS standards have been applicable to French credit institutions since January 1, 1998.

Under the BIS standards, a credit institution's capital is divided into three principal categories, or "tiers." Tier 1 capital consists of "core" capital items such as common and qualifying perpetual preferred equity, Tier 2 capital includes "quasi-capital" items such as certain perpetual and long-term preferred equity and subordinated debt, and Tier 3 capital (counted in regulatory capital only for the market risk component of the BIS standards) consists of qualifying short-term subordinated debt. The composition of each tier of capital is described in more detail under "The CAD Ratio—Determination of the Level of Capital." The aggregate amount of the credit institution's regulatory capital is compared to the value of the credit institution's assets, weighted to take into account the market and/or counterparty risk inherent in those assets. Under the BIS standards, credit institutions are required to maintain a total risk-based ratio (combined Tier 1 and Tier 2 capital to risk-weighted assets) of at least 8%, and the Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) must be at least 4%.

Capital Adequacy Directives

In 1989, the Council of the European Union adopted two directives that set the framework of capital adequacy within the European Union with respect to credit risks and, in 1993, adopted a capital adequacy directive for credit institutions and investment enterprises under which member states are required to adopt regulations to supplement the solvency rules so as to take into account risks

associated with a bank's trading activities in addition to credit risk. In France, these directives have been implemented through a series of regulations adopted by the Banking and Finance Regulatory Committee since 1996 (collectively, the "CAD Regulation").

Effective as of January 1, 1996 pursuant to the CAD Regulation, French credit institutions became subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of banking activities. In addition to credit risk, the CAD Regulation specifies different standards for a credit institution's trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulation also requires credit institutions to maintain additional capital measured by reference to the foreign exchange and commodities risks of all their activities, including banking and trading. Under the CAD Regulation, a credit institution's total capital is divided by the total amount of capital that the bank is required to maintain under the CAD Regulation, which is based on weightings designed to address the various risks intended to be covered. The resulting quotient (expressed as a percentage) is the credit institution's CAD ratio (the "CAD Ratio"), which must be at least 100%.

The CAD Ratio

The CAD Ratio is calculated in a process that includes five principal steps. First, the overall level of the credit institution's capital is determined, with capital subdivided into three tiers, Tier 1, Tier 2 and Tier 3. Second, the credit institution's assets and off-balance sheet commitments are divided into a banking portfolio and a trading portfolio. Third, the components of the banking portfolio (including the relevant off-balance sheet items converted to balance sheet equivalents) are adjusted by multiplying the value of each asset by a percentage designed to reflect the level of associated credit risk, a process known as "risk-weighting." Fourth, the aggregate capital requirement of the credit institution is calculated, in an amount equal to 8% of the risk-weighted value of the assets and off-balance sheet items in the banking portfolio, plus specified percentages of the value of the assets and off-balance sheet items in the trading portfolio, plus capital requirements in respect of foreign exchange risk and commodities risk. Fifth, the level of the credit institution's capital (subject to certain limitations described herein) is divided by the aggregate capital requirement of the credit institution as described above.

Determination of the Level of Capital

Tier 1 capital (referred to as "own funds") includes share capital, reserves (other than revaluation reserves, as described below), share premiums, retained earnings, unallocated profit from the most recent fiscal year (less the amount of any related dividend proposed for approval to the shareholders) or interim period and any reserves for general banking risks (*i.e.*, any reserves established to cover risks that are not accounted for by specific or country risk provisions). Share capital and the related share premium (the equivalent of additional paid-in capital) include common equity and qualifying non-cumulative perpetual preferred stock. Because unallocated profit for the most recent year (less the amount of any proposed dividend for that year) or interim period is included in Tier 1 capital, fluctuations in net income may have a significant impact on the CAD Ratio of a credit institution. For an institution that prepares financial statements on a consolidated basis, such as BNP Paribas, Tier 1 capital is adjusted to reflect the result of the consolidation, most notably by the addition of minority interests in the equity accounts of consolidated companies. Goodwill and certain other non-qualifying intangible and other assets are deducted in calculating Tier 1 capital.

Tier 2 capital (referred to as "supplementary capital") includes certain items that must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be

available to absorb losses in the event of insolvency. It includes, among other items, revaluation and certain other reserves, certain types of perpetual preferred equity not qualifying for Tier 1 capital treatment, certain types of perpetual subordinated debt and certain types of subordinated debt with an original maturity of at least five years. Revaluation reserves are reserves arising from the revaluation of assets in accordance with French GAAP. Perpetual subordinated debt (including subordinated debt that can be redeemed only at the option of the issuer and with the prior approval of the Banking Commission) as to which the issuer has the right to defer interest payments and to use unpaid principal and interest to offset losses, is classified as Tier 2 capital. Subordinated debt that (i) has an original maturity of at least five years, (ii) is not subject to early redemption (other than in a liquidation of the issuer) and (iii) in a liquidation of the issuer is subordinated as regards repayment of principal to all other debts of the issuer, is classified as Tier 2 capital. In the last five years prior to maturity, the amount of any item of subordinated debt that may be taken into account as Tier 2 capital must be reduced in accordance with a schedule approved by the Banking Commission, typically on a pro rata basis.

Tier 3 capital (referred to as "ancillary own funds") consists of subordinated debt that like Tier 2 capital must, if circumstances demand, be capable of becoming part of a bank's permanent capital and thus be available to absorb losses in the event of insolvency. It must therefore, at a minimum: (i) be unsecured, subordinated and fully paid-up; (ii) have an original maturity of at least two years; (iii) not be repayable before the agreed repayment date without the prior approval of the Banking Commission; and (iv) be subject to a "lock-in" clause that stipulates that neither interest nor principal may be paid (even upon maturity) if such payment means that the bank falls below or remains below its minimum global own funds requirements. Tier 3 capital is earmarked exclusively to support market risks. Accordingly, any capital requirement arising in respect of credit and counterparty risk, including counterparty credit risk in respect of derivatives in both trading and banking books, must be met by Tier 1 and Tier 2 capital. Tier 3 capital is limited to 250% of a bank's residual Tier 1 capital (*i.e.*, Tier 1 capital above that required to cover credit risks).

Determination of the Banking Portfolio and the Trading Portfolio

Under the CAD Regulation, a credit institution's banking portfolio includes all of its assets and off-balance sheet items, other than those included in its trading portfolio. The trading portfolio includes any items that the Bank intends to trade with a view to benefiting from favorable price trends or to finance or hedge such items, such as trading securities, securities held for sale (subject to certain exceptions) and derivative instruments (broadly defined), the purpose of which is either to maintain open positions to benefit from price variations or to manage the bank's trading portfolio. Items in the banking portfolio are recorded at historical cost and most items in the trading portfolio are marked to market.

Risk-Weighting

As discussed above, the nature of banking operations involves a variety of risks that depend upon credit quality and market conditions. To determine the risk-weighted value of the assets in the banking portfolio under the CAD Ratio, a specific weighting is assigned to each such asset, based on the credit risk of the relevant obligor, guarantor or other counterparty. The weighting is expressed as a percentage, which is multiplied by the value at which the relevant asset is carried on the credit institution's balance sheet. For risk-weighting purposes, commercial loans are taken as a benchmark with a risk weighting of 100%. Certain other transactions qualify for reduced weightings. The

following table sets forth the risk weightings applicable to various types of assets. If the relevant obligation is fully guaranteed, the risk weighting of the guarantor is applied (except as specified in the table below).

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

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

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

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

Total capital requirements

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

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

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

Calculation of the CAD Ratio

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

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

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

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

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

Compliance by the BNP Paribas Group with the CAD Ratio

The following table sets forth the components used to calculate the CAD Ratio of the BNP Paribas Group at December 31, 2004 and at December 31, 2003.

	At December 31, 2004	At December 31, 2003
	(in billions of €, except percentages)	
Total Capital:		
Tier 1	26.2	25.7
Tier 2	10.4	11.3
Deductions	2.6	1.9
Tier 3	1.2	1.2
	35.2	**36.3**
Calculation of commercial banking portfolio capital requirement		
Risk-weighted value	310.3	260.5
Capital requirement	24.8	20.8
Calculation of trading portfolio capital requirement		
Risk-weighted value	11.9	9.4
Capital requirement	0.9	0.7
Total capital requirement	25.7	21.5
CAD Ratio	**137%**	**168%**

Proposed Changes to the BIS Capital Standards

On June 26, 2004, the Basel Committee issued a Revised Framework for risk-based capital standards for internationally active banks and bank holding companies (commonly referred to as the "Basel II Accord"), intended to replace the existing BIS standards effective at the beginning of 2007. Earlier versions of the proposed Basel II Accord were issued for comment by the Basel Committee in April 2003, January 2001 and June 1999. The Basel Committee has also released numerous discussion papers on various issues under the Basel II Accord and has conducted several quantitative impact studies. The Basel Committee has said it plans to continue calibrating and making refinements to the Basel II Accord prior to its implementation by participating countries.

The Basel II capital framework will consist of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline. Under the first pillar, minimum capital requirements will consist of capital charges for credit risk, market risk and operational risk.

With respect to credit risk capital charges, the existing risk weighting categories of the current BIS accord will be replaced with three alternative approaches, designed to be more risk sensitive: a "standardized" approach, and two "internal ratings based" (IRB) approaches ("foundation" and "advanced"). The standardized approach is an updated and expanded version of the existing risk weight categories, with risk weights based on credit ratings from *external* sources (such as credit rating agencies), with a greater range of risk weights available (some of the new risk weights would exceed

100% for low quality exposures), and with greater recognition of credit risk mitigation techniques such as the use of collateral, guarantees and credit derivatives. Under either of the two internal ratings based approaches, banks would input their own *internal* calculations of certain risk parameters ("probability of default", "loss given default" and "exposure at default") into risk weight formulas developed by the Basel Committee for each of several different types of assets or credit exposures. In order for a bank to be eligible to use the IRB approaches and internal data, its risk management, data collection and modeling systems must be reviewed and approved by its regulator.

Capital requirements for market risk will be calculated under essentially the same general approach as in the 1996 Market Risk Amendment to the existing BIS accord, with a number of technical modifications proposed in April 2005.

The Basel II Accord also will impose a new capital charge for operational risk (defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events). The operational risk charge would be determined by one of three alternative approaches. The two simpler approaches apply multipliers to gross revenues by institution or business line. The more sophisticated third approach, known as the "Advanced Measurement Approach" (AMA), would allow a bank to determine an appropriate capital charge for operational risk using the institution's own internal data and methodologies, subject to prior supervisory review and approval. The operational risk capital charge for any given institution may vary greatly depending on its operating environment, systems and other factors.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions will be expected to maintain capital at some level in excess of the Basel II mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in pillar one (such as interest rate risk, liquidity and credit concentrations). Supervisors will review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasizes public disclosures to enhance market discipline. The new framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies.

The Basel Committee has asked participating countries to adopt implementing measures, with a bifurcated implementation date: January 1, 2007 for banks opting for the standardized or the simplest IRB approaches, and January 1, 2008 for those opting for the advanced approaches. Accordingly, an appropriate European regulation is being reviewed by the European Parliament.

Banking institutions using the advanced methods under the new framework will be required to develop systems, compile data, and obtain supervisor approval before then. In addition, banks using the new approaches will be required to conduct parallel capital calculations under the old BIS accord and the new Basel II framework for a year before the final effective date (i.e., during 2006 or 2007). The Basel Committee is continuing to refine certain aspects of the Basel II Accord and has announced that it will conduct a fifth quantitative impact study (QI5) between October and December 2005 to further review and calibrate the Basel II capital requirements. The Bank cannot predict what additional changes may be adopted in the Basel II framework or in banking supervisors' implementing measures, or what effect the Basel II Accord may have on the Bank's regulatory capital ratios, financial condition or results of operations.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 13 directors, plus three additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the Chairman that may not exceed the period or remaining period, as the case may be, of the Chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2004 was €0.4 million.

The names and positions of the current members of the Board of Directors of the Bank are as follows:

Michel Pébereau, Chairman	Chairman, BNP Paribas
Patrick Auguste	Executive, BNP Paribas (elected by employees)
Claude Bébéar	Chairman of the Supervisory Board, AXA
Jean-Louis Beffa, Vice-Chairman	Chairman and Chief Executive Officer, Saint-Gobain
Gerhard Cromme	Chairman of the Supervisory Board, ThyssenKrup
Jean-Marie Gianno	Employee, BNP Paribas (elected by employees)
François Grappotte	Chairman, Legrand
Alain Joly	Chairman of the Supervisory Board, Air Liquide
Denis Kessler	Chairman and Chief Executive Officer, SCOR
Jean-François Lepetit	Professor
Lindsay Owen-Jones	Chairman and Chief Executive Officer, L'Oréal
Loyola de Palacio del Valle-Lersundi	Lecturer
Hélène Ploix	Chairman, Pechel Industry
Baudouin Prot	Chief Executive Officer, BNP Paribas
Louis Schweitzer	Chairman, Renault
Jean-François Trufelli	Employee, BNP Paribas (elected by employees)

Committees of the Board of Directors

The Board of Directors of the Bank has established three committees in order to facilitate its work: the Financial Statements Committee, the Internal Control and Risk Management Committee and the Compensation and Nominations Committee.

Financial Statements Committee

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by

the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and Hélène Ploix.

Internal Control and Risk Management Committee

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

Compensation and Nominations Committee

Among its duties, this Committee proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. The Committee is also charged with addressing all issues related to the personal status of corporate officers, including compensation, pension benefits, and stock options; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the Committee. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. The Committee's current members are Alain Joly (Chairman), Claude Bébéar, Jean-Louis Beffa and Gerhard Cromme.

Executive Committee

The Executive Committee of BNP Paribas currently consists of the following members:

Baudouin Prot	Chief Executive Officer
Georges Chodron de Courcel	Chief Operating Officer
Jean Clamon	Chief Operating Officer
Philippe Blavier	Head of Corporate and Investment Banking
Jean-Laurent Bonnafé	Head of French Retail Banking
Philippe Bordenave	Head of Group Development and Finance
Hervé Gouëzel	Head of Group Information Systems
Bernard Lemée	Head of Group Human Resources
Vivien Lévy-Garboua	Head of Compliance
Pierre Mariani	Head of International Retail Banking and Financial Services
Alain Papiasse	Head of Asset Management and Services

On January 3, 2005, Vivien Lévy-Garboua was appointed as head of the newly created corporate compliance department. See "Risk Management—Significant Events of the Year in the Area of Internal Control" for a description of this department. In this new capacity, Vivien Lévy-Garboua will continue to serve as a member of the Executive Committee of BNP Paribas. Following this appointment, Alain Papiasse has succeeded Vivien Lévy-Garboua as Head of the Asset Management and Services core business, and currently serves on the Executive Committee of BNP Paribas.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the French Republic of the USD 1,350,000,000 Undated Deeply Subordinated Non-Cumulative Notes (the "**Notes**") of BNP Paribas (the "**Issuer**") was decided on June 17, 2005 by the Chief Executive Officer (*Directeur Général*) of the Issuer, acting pursuant to a resolution of the board of directors (*conseil d'administration*) of the Issuer dated July 30, 2004. The Notes are issued with the benefit of a fiscal agency agreement (the "**Fiscal Agency Agreement**"), expected to be dated on or about June 29, 2005 among the Issuer, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being of the Fiscal Agent), the other paying agents named therein (together, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time) and BNP Paribas Securities Services, Luxembourg Branch, as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being of the Calculation Agent). References below to the "**Agents**" shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1. DEFINITIONS

For the purposes of these Conditions:

"**144A Global Note**" means the one or more fully registered global certificates, without coupons, representing the Notes offered pursuant to Rule 144A under the Securities Act.

"**Absorption Year End**" means the end of the most recent fiscal year in which there was a Loss Absorption.

"**Account Holders**" has the meaning set forth in Condition 2.

"**Agents**" has the meaning set forth in the preamble to these Conditions.

"**Applicable Banking Regulations**" means, at any time, the capital adequacy regulations then in effect of the regulatory authority in the French Republic (or if the Issuer becomes domiciled in a jurisdiction other than the French Republic, such other jurisdiction) that are applicable to the Issuer.

"**Base Call Price**" has the meaning set forth in Condition 6.2.

"**BIS Press Release**" has the meaning set forth in Condition 3.

"**Broken Interest**" is only applicable with respect to an Interest Period whose Interest Payment Date is an Optional Interest Payment Date and means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Capital Deficiency Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent.

"**Calculation Agent**" has the meaning set forth in the preamble to these Conditions.

"**Capital Deficiency Event**" means the first date on which either of the following events occurs:

(a) the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, falls below the minimum percentage required by Applicable Banking Regulations; or

(b) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (a) of this definition would apply in the near term.

A Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has fallen below the relevant level, or on any such other date on which the Issuer determines that such ratio has fallen below such level.

"**Consolidated Net Income**" means the consolidated net income (excluding minority interests) of the Issuer, as calculated and set out in the audited annual consolidated financial statements of the Issuer.

"**CRBF Regulation**" has the meaning set forth in Condition 3.

"**Current Principal Amount**" means the principal amount of the Notes outstanding at any time, calculated on the basis of the Original Principal Amount of the Notes as such amount may be reduced pursuant to the application of the Loss Absorption mechanism and/or reinstated on one or more occasions, pursuant to Conditions 5.1 and 5.2, respectively.

"**DTC**" means The Depository Trust Company, New York, New York.

"**End of Capital Deficiency Event**" means, following a Capital Deficiency Event, the first date on which either of the following events occurs:

(a) if the Capital Deficiency Event occurred pursuant to paragraph (a) of the definition of Capital Deficiency Event, the total risk-based consolidated capital ratio of the Issuer, calculated in accordance with Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations; or

(b) if the Capital Deficiency Event occurred pursuant to paragraph (b) of the definition of Capital Deficiency Event, the notification by the Relevant Banking Regulator to the Issuer that it has determined, in its sole discretion, in view of the financial condition of the Issuer, that the circumstances which resulted in the Capital Deficiency Event have ended.

An End of Capital Deficiency Event shall be deemed to occur pursuant to paragraph (a) above on the date on which the Issuer publishes its annual or half-year results indicating that the total risk-based consolidated capital ratio has been restored to the relevant level, or on any such other date on which the Issuer determines that such ratio has been so restored.

"**Equity Securities**" means (a) the ordinary shares of the Issuer and (b) any other class of the Issuer's share capital or other securities of the Issuer ranking junior to the Parity Securities.

"**Equity Securities Payment**" means any declaration or payment of a dividend on any Equity Securities (other than, for the avoidance of doubt, (x) a dividend or other distribution on the ordinary

shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) any redemption, purchase or acquisition of Equity Securities by any means).

"**Euro-zone**" means the region comprised of member states of the European Union which have adopted the Euro as their national currency in accordance with the Treaty establishing the European Community, as amended.

"**First Call Date**" means June 29, 2015.

"**Fiscal Agency Agreement**" has the meaning set forth in the preamble to these Conditions.

"**Fiscal Agent**" has the meaning set forth in the preamble to these Conditions.

"**Fixed Rate Interest Amount**" has the meaning set forth in Condition 4.

"**Fixed Rate Interest Payment Date**" has the meaning set forth in Condition 4.

"**Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

"**Floating Rate Interest Amount**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Determination Date**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Payment Date**" has the meaning set forth in Condition 4.

"**Floating Rate Interest Period**" means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"**Interest Amount**" means a Fixed Rate Interest Amount and/or a Floating Rate Interest Amount, as the case may be.

"**Interest Non-Payment Notice**" has the meaning set forth in Condition 4.4.

"**Interest Payment Date**" means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be.

"**Interest Period**" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

"**Issue Date**" means June 29, 2005.

"**Issuer**" means BNP Paribas.

"**London Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in London.

"**Loss Absorption**" has the meaning set forth in Condition 5.

"**Luxembourg Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in the Grand Duchy of Luxembourg.

"**Mandatory Interest Payment**" means the amount of interest due on any Mandatory Interest Payment Date, as calculated in accordance with Condition 4.

"**Mandatory Interest Payment Date**" means each Interest Payment Date as to which at any time during the one-year period prior to such Interest Payment Date any of the following events occurs:

(i) a declaration or payment of a dividend, or a payment of any nature by the Issuer on any Equity Securities (other than (x) a dividend or other distribution paid on the ordinary shares of the Issuer consisting solely of newly-issued ordinary shares, or (y) a redemption, repurchase or acquisition of any Equity Securities); or

(ii) a payment of any nature by the Issuer on any Parity Securities (other than (x) a Reinstatement, or (y) any payment on any Parity Securities that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (z) a redemption, repurchase or acquisition of any Parity Securities),

provided, however, that if a Capital Deficiency Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Mandatory Interest Payment Date if such Capital Deficiency Event occurred prior to the relevant event described in sub-paragraph (i) or (ii) above.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the difference between the Original Principal Amount of the Notes and the Current Principal Amount of the Notes, and (ii) the positive Consolidated Net Income of the Issuer as set out in its latest audited annual consolidated financial statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "Mandatory Reinstatement Event", the Mandatory Reinstatement Amount will be computed so that the Notes will be reinstated by a principal amount which is the same in percentage terms as the largest increase in principal amount of such Parity Securities.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the principal amount of any Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

"**New York Business Day**" means any day, not being a Saturday or a Sunday, on which exchange markets and commercial banks are open for business in New York.

"**Noteholders**" means the holders of the Notes.

"**Notional Interest Amount**" has the meaning set forth in Condition 4.4.

"**Optional Interest Payment Date**" means any Interest Payment Date other than a Mandatory Interest Payment Date.

"**Ordinarily Subordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which at all times rank *pari passu* and without any preference among themselves and equally and ratably with any other existing or future Ordinarily Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, the Notes, Parity Securities, *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

"**Original Principal Amount**" means the nominal amount of each Note on the Issue Date (*i.e.* USD 1,000), which amount may be permanently reduced in the event of a partial call as set forth in Condition 6.2.

"**Parity Securities**" means (x) any deeply subordinated obligations (*titres subordonnés de dernier rang*) or other instruments issued by the Issuer which (i) rank, or are expressed to rank, *pari passu* among themselves and with the Notes and behind the *prêts participatifs* granted to the Issuer, the *titres participatifs* issued by the Issuer, the Ordinarily Subordinated Obligations and Unsubordinated Obligations and (ii) meet the requirements to be eligible as Tier 1 Capital (as defined below) of the Issuer, or (y) any claim against the Issuer by any subsidiary of the Issuer under a support agreement, guarantee or other agreement or instrument issued by the Issuer in favor of any subsidiary of the Issuer that has issued or will issue preferred securities or preferred or preference shares, the proceeds of which issuance qualify as Tier 1 Capital of the Issuer (for the avoidance of doubt, "Parity Securities" include, without limitation, any claims under the support agreements relating to (i) BNP U.S. Funding L.L.C.'s 7.738% Noncumulative Preferred Securities, Series A, (ii) BNP Paribas Capital Preferred L.L.C.'s 9.003% Noncumulative Company Preferred Securities, (iii) BNP Paribas Capital Preferred II L.L.C.'s 7.00% Noncumulative Company Preferred Securities, (iv) BNP Paribas Capital Preferred III L.L.C.'s 6.625% Noncumulative Company Preferred Securities, (v) BNP Paribas Capital Preferred IV L.L.C.'s 6.342% Noncumulative Company Preferred Securities, (vi) BNP Paribas Capital Preferred V L.L.C.'s 7.20% Noncumulative Company Preferred Securities and (vii) BNP Paribas Capital Preferred VI L.L.C.'s 5.868% Noncumulative Company Preferred Securities).

"**Parity Securities Payment**" means any payment of any nature on any Parity Securities (other than, for the avoidance of doubt, (x) any payment on any Parity Securities (other than the Notes) that was required to be made as a result of a dividend or other payment having been made on any Equity Securities or Parity Securities, or (y) any redemption, purchase or acquisition of Parity Securities by any means).

"**Paying Agents**" has the meaning set forth in the preamble to these Conditions.

"**Reinstatement**" has the meaning set forth in Condition 5.

"**Regulation S Global Note**" means the one or more fully registered global certificates, without coupons, representing the Notes offered pursuant to Regulation S under the Securities Act.

"**Relevant Banking Regulator**" means the SGCB or its successor or any other relevant regulatory authority by which the Issuer is then supervised.

"**Relevant Date**" has the meaning set forth in Condition 8.

"**Restricted Payment**" means an Equity Securities Payment or a Parity Securities Payment.

"**Return to Profitability**" has the meaning set forth in Condition 5.

"**SGCB**" means the *Secrétariat général de la Commission bancaire*.

"**Tier 1 Capital**" has the meaning set forth in Condition 3.

"**Underlying Security**" has the meaning set forth in Condition 4.4.

"**Underlying Security Payment Percentage**" has the meaning set forth in Condition 4.4.

"**Unsubordinated Obligations**" means any obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and which rank in priority to the Ordinarily Subordinated Obligations.

2. FORM, DENOMINATION AND TITLE

The Notes sold in reliance on Rule 144A will be represented by one or more permanent global certificates in fully registered form (together the "**Rule 144A Global Note**") and the Notes sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more permanent global certificates in fully registered form (together the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be registered in the name of a nominee of, and deposited with a custodian for, DTC. The Global Notes will be subject to certain restrictions on transfer as described in "Notice to Investors".

Except in the limited circumstances described in "Book-Entry Procedures and Settlement", owners of interests in the Notes represented by the Global Notes will not be entitled to receive physical delivery of definitive certificates. For the purposes of these Conditions, "**Account Holder**" shall mean any authorized financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with DTC. The Notes and certificates are not issuable in bearer form. Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3. STATUS OF THE NOTES AND SUBORDINATION

The Notes are deeply subordinated notes of the Issuer issued pursuant to the provisions of Article L. 228-97 of the French *Code de commerce*.

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* of the Issuer ("**Tier 1 Capital**"). *Fonds propres de base* shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated February 23, 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognized as *fonds propres de base* by the SGCB. The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated October 27, 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached as an exhibit to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité*".

The principal and interest on the Notes (which constitute *obligations* under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Parity Securities, but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations and Unsubordinated Obligations of the Issuer.

In the event of liquidation of the Issuer, the Notes shall rank in priority to any payments to holders of Equity Securities.

There is no restriction on the amount of debt that the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes.

4. INTEREST AND INTEREST SUSPENSION

4.1 General

The Notes bear interest on their Current Principal Amount at a fixed rate of 5.186% per annum (the "**Fixed Interest Rate**") from (and including) the Issue Date to (but excluding) the First Call Date, payable semi-annually in arrears on a non-cumulative basis on June 29 and December 29 of each year (each, a "**Fixed Rate Interest Payment Date**"), commencing on December 29, 2005. Thereafter, the Notes will bear interest on their Current Principal Amount at a floating rate equal to 3-month USD Libor plus a margin equal to 1.68% per annum (the "**Floating Interest Rate**"), as determined by the Calculation Agent in accordance with Condition 4.3 below and payable quarterly in arrears on a non-cumulative basis on March 29, June 29, September 29 and December 29 of each year (each, a "**Floating Rate Interest Payment Date**"), commencing on September 29, 2015.

Interest will cease to accrue on the Notes on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default otherwise occurs in respect of payment thereof. In such event, interest will continue to accrue at the relevant rate as specified in the preceding paragraph (before as well as after any judgment) on the Original Principal Amount of the Notes until the day on which all sums due in respect of the Notes up to that day are received by or on behalf of the relevant Noteholder.

4.2 Fixed Interest Rate

4.2.1 The amount of interest (the "**Fixed Rate Interest Amount**") payable on the Notes on each Fixed Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Fixed Interest Rate (calculated on a 30/360 basis and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards)).

4.2.2 If interest is required to be calculated in respect of a Fixed Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Fixed Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Fixed Rate Interest Period, multiplying such product by the 30/360 day count fraction for each relevant portion of the Fixed Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.2.3 The Calculation Agent will cause such Fixed Rate Interest Amount to be notified to the Issuer and the Fiscal Agent and will cause the publication thereof in accordance with Condition 11 as soon as possible after its determination but in no event later than the fourth Luxembourg Business Day thereafter.

For the purposes of this Condition 4:

"**30/360**" means, in respect of any period, the number of days in any portion of a Regular Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months); and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4.3 Floating Rate

4.3.1 Determination of Floating Interest Rate

The Notes bear interest at the Floating Interest Rate from the First Call Date, payable on each Floating Rate Interest Payment Date.

The Floating Interest Rate for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

(a) the Calculation Agent will determine the 3-month rate for deposits in U.S. dollars which appears on the display page designated 3750 on the Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m. (London time), on the second London Business Day before the first day of the relevant Floating Rate Interest Period (the "**Floating Rate Interest Determination Date**"); or

(b) if at the specified time such rate does not appear on that page, the Calculation Agent will:

(A) request the principal London office of each of four major banks in the London interbank market as selected by it (but which shall not include the Calculation Agent) to provide a quotation of the rate at which deposits in U.S. dollars are offered by it at approximately 11:00 a.m. (London time) on the Floating Rate Interest Determination Date to prime banks in the London interbank market for a 3-month period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations, with the highest and lowest (or, in the event of equality, one of the highest and/or lowest) of such quotations being disregarded for purposes of the calculation; or

(c) if fewer than two such quotations are provided as requested by the Calculation Agent in accordance with the above paragraph, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in London, selected by the Calculation Agent, at approximately 11:00 a.m. (London time) on the first day of the relevant Floating Rate Interest Period for loans in U.S. dollars to leading London banks for a 3-month period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Interest Rate for such Floating Rate Interest Period shall be equal to the sum of 1.68% per annum and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Interest Rate applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.68% per annum and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

4.3.2 Calculation of Floating Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each Floating Rate Interest Determination Date in relation to each Floating Rate Interest Period, calculate the amount of interest (the "**Floating Rate Interest Amount**") payable in respect of each Note for such Floating Rate Interest Period. The Floating Rate Interest Amount payable on the Notes on the relevant Floating Rate Interest Payment Date will be the product of the Current Principal Amount of the Notes and the Floating Interest Rate for such Floating Rate Interest Period, multiplied by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated in respect of the Floating Rate Interest Period where the Current Principal Amount of the Notes is less than their Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Floating Interest Rate to the Current Principal Amount of the Notes as determined from time to time within the Floating Rate Interest Period, multiplying such product by the actual number of days divided by 360 for each relevant portion of the Floating Rate Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.3.3 Publication of Floating Interest Rate and Floating Rate Interest Amount

The Calculation Agent will cause the Floating Interest Rate and the Floating Rate Interest Amount for each Floating Rate Interest Period and the relevant Floating Rate Interest Payment Date to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 on or prior to the first day of the relevant Floating Rate Interest Period. The Floating Rate Interest Payment Date so published may subsequently be amended (or appropriate arrangements made by way of adjustment). If the Notes become due and payable under Condition 6.2(b) or 6.3 (in case of a purchase of all the outstanding Notes) or under Condition 9, no publication of the Floating Interest Rate or the Floating Rate Interest Amount so calculated need be made.

4.4 Mandatory Interest and Optional Interest

4.4.1 Mandatory Interest Payment

The Issuer shall, on each Mandatory Interest Payment Date, for so long as the mandatory interest provisions apply (as set out in the definition of "Mandatory Interest Payment Date"), pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date.

In order to calculate the amount of interest required to be paid on the Notes on a Mandatory Interest Payment Date pursuant to this condition (the "**Mandatory Interest Payment**"):

(x) if the Mandatory Interest Payment results from an event described in sub-paragraph (i) of the definition of Mandatory Interest Payment Date, it will be calculated on the basis of the Current Principal Amount of the Notes applying the Fixed Interest Rate or the Floating Interest Rate for such Interest Period, as the case may be, and

(y) if the Mandatory Interest Payment results from an event described in sub-paragraph (ii) of the definition of Mandatory Interest Payment Date, it shall be equal to the Notional Interest Amount.

"**Notional Interest Amount**" means, in respect of any Note, the amount of interest which would have been payable, absent a voluntary or automatic non-payment of interest pursuant to conditions 4.4.2 and 4.5 below, for the one-year period prior to, and including, such Interest Payment Date, calculated by the Issuer on the basis of the Current Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to the relevant Interest Payment Date.

"**Underlying Security**" means the class of Parity Securities in respect of which the payments made represent the highest proportion of the payment which would have been payable during the one-year period prior to, and including, the relevant Interest Payment Date.

"**Underlying Security Payment Percentage**" means the ratio, calculated by the Issuer as a percentage, equal to (i) the payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Interest Payment Date, divided by (ii) the payment which would have been payable during such period on the Underlying Security.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction in accordance with Condition 5.1.

4.4.2 Optional Interest Payment

For so long as the mandatory interest provisions do not apply, the Issuer may elect not to pay interest on any Optional Interest Payment Date, in particular with a view to restoring its regulatory capital in order to ensure the continuity of its activities without weakening its financial structure.

On any Optional Interest Payment Date, the Issuer may, at its option, pay all or part of the interest in respect of the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date, but the Issuer shall have, subject to such election and decision having been made as described above, no obligation to make such payment and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Notice of non-payment of all or any interest under the Notes on any Optional Interest Payment Date (an "**Interest Non-Payment Notice**") shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg Stock Exchange. The Interest Non-Payment Notice shall be given no later than two New York Business Days prior to the relevant Optional Interest Payment Date.

Save as otherwise provided, any interest not paid on an Optional Interest Payment Date will be forfeited and accordingly will no longer be due and payable by the Issuer.

The amount of Broken Interest in respect of the Interest Period ending immediately prior to any Optional Interest Payment Date may be reduced following a Capital Deficiency Event, as provided in Condition 5.1.

Payment of interest will automatically be suspended upon the occurrence of a Capital Deficiency Event (and until the occurrence of an End of Capital Deficiency Event), unless the relevant Interest Payment Date is a Mandatory Interest Payment Date.

4.5 Optional Interest and Capital Deficiency Event

4.5.1 Interest Payable on Optional Interest Payment Dates Following the Occurrence of a Capital Deficiency Event

In the event that during any Interest Period, on or at any time prior to the fifth Business Day prior to an Optional Interest Payment Date, a Capital Deficiency Event has occurred or would occur upon payment of the interest due on the next Optional Interest Payment Date:

(x) the accrual of interest, if any, in respect of the Notes shall automatically be suspended. In addition, the amount of Broken Interest may be reduced to absorb losses in accordance with Condition 5.1; and

(y) no interest on the Notes shall accrue nor be payable by the Issuer with respect to the remaining period in such Interest Period or any other Interest Period during the period starting on the date of the Capital Deficiency Event and ending on the date of the End of Capital Deficiency Event.

4.5.2 Interest Payable on Optional Interest Payment Dates after End of Capital Deficiency Event

At the option of the Issuer, any Broken Interest, to the extent not reduced to absorb losses in accordance with Condition 5.1, may be paid on the first Optional Interest Payment Date falling on or after the date of the End of Capital Deficiency Event. Any Broken Interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

In respect of any Optional Interest Payment Date which occurs on or after the End of Capital Deficiency Event, interest on the Notes will recommence accruing on its Current Principal Amount, on the basis of the number of days elapsed during the period from (and including) the date of End of Capital Deficiency Event to (but excluding) the next succeeding Interest Payment Date as calculated by the Calculation Agent in accordance with Condition 4.2 or, as the case may be, 4.3. At the option of the Issuer, such interest may be paid on the next succeeding Optional Interest Payment Date occurring as from the date of the End of Capital Deficiency Event (inclusive). Any such interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited.

5. LOSS ABSORPTION AND RETURN TO PROFITABILITY

5.1 Loss Absorption

In the event of the occurrence of a Capital Deficiency Event, the board of directors of the Issuer will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of the Capital Deficiency Event in order to propose a share capital increase or

any other measure regarded as necessary or useful to remedy the Capital Deficiency Event. If a share capital increase or any such other proposed measure is not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy the Capital Deficiency Event in full, or if the Capital Deficiency Event remains in effect on the last day of the fiscal half-year during which the Capital Deficiency Event has occurred, the board of directors of the Issuer will implement, within ten days following the last day of such fiscal half-year, a reduction of the amount of Broken Interest, if any, and thereafter the Current Principal Amount of the Notes (a "**Loss Absorption**") necessary in order to remedy the Capital Deficiency Event to the fullest extent possible. A Loss Absorption will firstly be implemented by partially or fully reducing the amount of the Broken Interest, if any. If the total reduction of Broken Interest is not sufficient for the purpose of the Loss Absorption, a further Loss Absorption will be implemented by partially or fully reducing the Current Principal Amount of the Notes. Such reductions will be recorded as a profit in the Issuer's consolidated financial statements (whether audited annual or unaudited semi-annual).

The amounts by which Broken Interest and, as the case may be, the Current Principal Amount of the Notes are reduced to enable the Issuer to absorb losses in order to ensure the continuity of its activities, will be the lower of (i) the amount of consolidated losses of the Issuer which, following a Capital Deficiency Event, have not been allocated to its shareholders' funds (*capitaux propres)* as set out in its consolidated financial statements and (ii) the sum of the amounts of Broken Interest, if any, and the Current Principal Amount of the Notes before such reduction.

Notwithstanding any other provision, the Current Principal Amount of each Note shall never be reduced to an amount lower than one cent (USD 0.01).

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied first against the amount of Broken Interest, if any, and thereafter, if necessary, against the Current Principal Amount of the Notes as herein described.

Broken Interest and the Current Principal Amount of the Notes may be reduced on one or more occasions, as required.

In the event that other Parity Securities, which would be subject to such reductions are outstanding, such reductions will be applied on a pro-rata basis among the Notes and such other Parity Securities.

Interest accrued and payable on any Mandatory Interest Payment Date is not subject to reduction.

Notice of any Capital Deficiency Event and of any End of Capital Deficiency Event shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Capital Deficiency Event and of any End of Capital Deficiency Event. Notice of any reduction of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of the Current Principal Amount.

For the avoidance of doubt, the occurrence of a Capital Deficiency Event and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which a Capital Deficiency Event is continuing or occurs again.

5.2 Return to Profitability

If, following a Loss Absorption, the Issuer has recorded positive Consolidated Net Income for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the Current Principal Amount of the Notes (a "**Reinstatement**") on any date and in any amount that it determines (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent any such Reinstatement complies with Applicable Banking Regulations.

Irrespective of whether a Return to Profitability has occurred, the Issuer shall increase the Current Principal Amount of the Notes in an amount equal to the Mandatory Reinstatement Amount on any date that it determines if (i) a Mandatory Reinstatement Event has occurred since the Absorption Year End, and (ii) the Issuer has not since such Mandatory Reinstatement Event occurred made a Reinstatement up to the Original Principal Amount pursuant to the provisions of the immediately preceding paragraph.

Any Reinstatement shall be recorded by the Issuer in its consolidated financial statements as a loss in an amount corresponding to such Reinstatement. The amount of any Reinstatement will not exceed the amount of the latest positive Consolidated Net Income of the Issuer.

For the avoidance of doubt, any Reinstatement shall be made in a maximum amount that will ensure that such Reinstatement does not trigger the occurrence of a Capital Deficiency Event or, except with respect to any optional redemption by the Issuer of the Notes in accordance with their terms, a worsening of a Capital Deficiency Event.

No payments will be made to holders of Equity Securities, in each case to the extent categorized as Tier 1 Capital, before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

In the event that other Parity Securities are outstanding and may also benefit from a reinstatement or an increase of their current principal amount in accordance with their terms, any Reinstatement will be applied on a pro-rata basis with other reinstatements or increases of the principal amount made on such other Parity Securities.

Such Reinstatement or increase of the Current Principal Amount of the Notes shall be made on one or more occasions in the conditions described above until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount (save in the event of occurrence of another Capital Deficiency Event).

For the avoidance of doubt, any Broken Interest that has been reduced pursuant to Condition 5.1 shall not be reinstated pursuant to this Condition 5.2.

Notice of any Return to Profitability shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules

of that exchange so require, the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Return to Profitability. Notice of any Reinstatement and any increase of the Current Principal Amount of the Notes shall be given to the Noteholders in accordance with Condition 11 and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement and increase of the Current Principal Amount of the Notes.

6. REDEMPTION AND PURCHASE

The Notes may not be redeemed otherwise than in accordance with this Condition 6.

6.1 No Final Redemption

The Notes are undated securities in respect of which there is no fixed redemption or maturity date.

6.2 Issuer's Call Options Subject to the Approval of the Relevant Banking Regulator

(a) General Call Option

On the First Call Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 60, days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to prior approval of the Relevant Banking Regulator, may, at its option, redeem the Notes in whole or in part at a price (the "**Base Call Price**") equal to the Original Principal Amount of the Notes, together with any amounts outstanding thereon, including accrued interest.

In the case of a partial call, this shall be performed by way of an equal reduction of the Current Principal Amount of each of the Notes. For the avoidance of doubt, such reduction of Current Principal Amount is distinct from a Loss Absorption. Unlike in the case of a Loss Absorption, following a partial call the Original Principal Amount of each Note shall be permanently reduced by the amount of principal called and paid for.

(b) Redemption for Regulatory Reasons or Taxation Reasons

(i) If by reason of any change in French law, any change in Applicable Banking Regulations, or any change in the official application or interpretation of such laws or regulations, becoming effective on or after the Issue Date, the proceeds of the Notes cease to be eligible as Tier 1 Capital for the Issuer, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the proceeds of the Notes cease to meet the requirements to be eligible as Tier 1 Capital.

(ii) If by reason of any change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), or any other change in the tax treatment of the Notes, becoming effective on or after the Issue Date, interest payment under the Notes is no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes.

(iii) If by reason of a change in the laws or regulations of the French Republic, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), becoming effective on or after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8.2, the Issuer may, at any time, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

(iv) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8.2, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 11, and subject to the prior approval of the Relevant Banking Regulator, redeem the Notes (in whole but not in part) at the Base Call Price provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

6.3 Purchases

The Issuer may at any time purchase Notes in the open market or otherwise at any price provided that it has obtained the prior approval of the Relevant Banking Regulator.

6.4 Cancellation

All Notes which are purchased or redeemed by the Issuer (other than in the event of a partial call, as set out in paragraph 6.2 of Condition 6) pursuant to paragraphs 6.2 or 6.3 of this Condition 6 will be cancelled and accordingly may not be reissued or sold.

7. PAYMENTS AND CALCULATIONS

7.1 Method of Payment

Payments in respect of principal and interest on the Notes will be made in U.S. dollars by credit or transfer to a U.S. dollar-denominated account (or any other account to which U.S. dollars may be credited or transferred) specified by the payee. Such payments shall be made to the Account Holders (including the depositary banks for Euroclear and Clearstream, Luxembourg) for the benefit of the Noteholders and all payments validly made to such Account Holders in favor of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment. Payments in respect of principal on the Notes which are redeemed by the Issuer (other than in the event of a partial call, as set out in paragraph 6.2 of Condition 6) pursuant to paragraphs 6.2 or 6.3 of this Condition 6 will be made against surrender and presentation of the Notes at the specified office of the Paying Agent.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Noteholders in respect of such payments.

7.2 Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of this Condition, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which DTC, Euroclear and Clearstream, Luxembourg are operating and (ii) which is a New York Business Day.

7.3 Fiscal Agent, Paying Agents and Calculation Agent

The name and specified office of the initial Fiscal Agent, the name and specified office of the initial Paying Agents and the name and specified office of the initial Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT
BNP Paribas Securities Services, Luxembourg Branch
23, avenue de la Porte Neuve
L-2085 Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agents or Calculation Agent and/or to appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents, provided that there will at all times be (i) a Fiscal Agent, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), and (iii) a Calculation Agent. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading bank engaged in the U.S. dollar interbank market to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 not more than 45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Noteholders as specified in Condition 11.

7.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the relevant banks in the London interbank market (or any of them) shall (in the absence of willful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the relevant banks in the London interbank market and the Noteholders. No Noteholder shall (in the absence of the aforesaid willful default or manifest error) be entitled to proceed against the Calculation Agent or any of the foregoing entities in connection with the exercise or non-exercise by them of their powers, duties and discretionary judgments.

8. TAXATION

8.1 Withholding Tax Exemption

Because the Notes constitute *obligations* under French law and are issued outside of France through an international syndicate, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France and who are not concurrently shareholders of the Issuer benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

8.2 Additional Amounts

If French law or regulations should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the French Republic or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary so that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable

thereon in the absence of such deduction or withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a Noteholder (or beneficial owner (*ayant droit*)):

(a) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Note by reason of his having some present or former connection with the French Republic other than the mere holding of such Note; or

(b) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(c) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of money payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 to Noteholders that such money has been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts that may be payable under the provisions of this Condition 8.

9. MANDATORY REDEMPTION

If any judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any other reason, then the Notes shall become immediately due and payable as described below.

The rights of the Noteholders in the event of a liquidation of the Issuer will be calculated on the basis of the Original Principal Amount of the Notes they hold together with interest accrued and due in accordance with the Conditions and any other outstanding payments under the Notes. No payments will be made to the Noteholders before all amounts due, but unpaid, to all other creditors of the Issuer (including holders of Unsubordinated Obligations, holders of Ordinarily Subordinated Obligations, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer, but excluding Parity Securities, which will be paid *pro rata* with the Notes) have been paid by the Issuer, as ascertained by the liquidator.

No payments will be made to holders of Equity Securities before all amounts due, but unpaid, to all Noteholders have been paid by the Issuer, as ascertained by the judicial liquidator.

10. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Issuer may at any time call a meeting of the Noteholders to seek their approval of the modification of or amendment to, or obtain a waiver of, any provision of the Notes. This meeting will be held at the time and place determined by the Issuer and specified in a notice of such meeting furnished to the Noteholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

If at any time the holders of at least 10% in principal amount of the then outstanding Notes request the Fiscal Agent to call a meeting of the Noteholders for any purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Fiscal Agent will call the meeting for such purpose. This meeting will be held at the time and place determined by the Fiscal Agent, after consultation with the Issuer, and specified in a notice of such meeting furnished to the Noteholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

Noteholders who hold a majority in principal amount of the then outstanding Notes will constitute a quorum at a Noteholders' meeting. In the absence of a quorum, a meeting may be adjourned for a period of at least 20 days and not more than 45 days. At the reconvening of a meeting adjourned for lack of quorum, holders of 25% in principal amount of the then outstanding Notes shall constitute a quorum. Notice of the reconvening of any meeting may be given only once, but must be given at least ten days and not more than 15 days prior to the meeting.

At any meeting when there is a quorum present, holders of at least 50% in principal amount of the Notes represented and voting at the meeting may approve the modification or amendment of, or a waiver of compliance for, any provision of the Notes except for specified matters requiring the consent of each Noteholder, as set forth below. Modifications, amendments or waivers made at such a meeting will be binding on all current and future Noteholders.

Notwithstanding the procedures mentioned above, no amendment or modification will apply to the Notes, without the consent of each Noteholder, with respect to the following matters:

- to change the stated interest on the Notes;
- to reduce the principal amount of or interest on the Notes;
- to change the currency of payment of principal or interest on the Notes; and
- to impair the right to institute suit for the enforcement of any payment in respect of the Notes.

In addition, no such amendment or notification may, without the consent of each Noteholder (the items below being, for the purposes of this condition 10, "**Reserved Matters**"):

- reduce the percentage of principal amount of Notes outstanding necessary to make these modifications or amendments to the Notes; or
- reduce the quorum requirements or the percentages of votes required for the adoption of any action at a Noteholder meeting.

Without prejudice to the provisions hereof relating to the Reserved Matters, no consent of the Noteholders is or will be required for any modification or amendment requested by the Issuer or by the Fiscal Agent, with the consent of the Issuer, to:

- surrender any right or power of the Issuer in respect of the Notes or the Fiscal Agency Agreement;
- cure any ambiguity in any provision, or correct any defective provision, of the Notes; or
- change the terms and conditions of the Notes or the Fiscal Agency Agreement in any manner which the Issuer and the Fiscal Agent mutually deem necessary or desirable so long as any such change does not, and will not, adversely affect the rights or interest of the Noteholders as a class.

Notwithstanding anything to the contrary in this Condition 10, no amendment or modification to the status of the Notes may be approved until the prior consent of the Relevant Banking Regulator has been obtained in relation thereto.

11. NOTICES

Any notice to the Noteholders will be given by delivery of the relevant notice to DTC and any other relevant securities clearing system for communication by each of them to entitled participants. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or the *Tageblatt*). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13. FURTHER ISSUES

The Issuer may from time to time, subject to the prior written approval of the Relevant Banking Regulator but without the consent of the Noteholders, issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

14. GOVERNING LAW AND JURISDICTION

The Notes are governed by, and shall be construed in accordance with, the laws of the State of New York, United States of America, provided, however, that Condition 3 of the Notes will be governed by, and construed in accordance with, the laws of the French Republic.

The Issuer has consented to the jurisdiction of the courts of the State of New York and the U.S. courts located in The City of New York with respect to any action that may be brought in connection with the Notes.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

General

The Notes are being offered and sold only:

- to QIBs in reliance on Rule 144A ("**Rule 144A Notes**"), or
- to persons other than "U.S. persons" (as defined in Regulation S) in offshore transactions in reliance on Regulation S ("**Regulation S Notes**").

The Notes will be issued in fully registered global form in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. Notes will be issued on the issue date therefor only against payment in immediately available funds.

The Rule 144A Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the "**Rule 144A Global Note**"). The Rule 144A Global Note will be deposited upon issuance with BNP Paribas, New York Branch, as custodian (the "**Custodian**") for The Depository Trust Company ("**DTC**") in New York, New York and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC (including the Euroclear System ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") as described below under "—Depositary Procedures".

The Regulation S Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the "**Regulation S Global Note**", together with the Rule 144A Global Note, the "**Global Notes**" and each a "**Global Note**"). The Regulation S Global Note will be deposited upon issuance with the Custodian for DTC and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear and Clearstream, Luxembourg, as described below under "—Depositary Procedures". Prior to the 40th day after later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**"), interests in the Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg, as participants in DTC, either directly for investors that have accounts with Euroclear or Clearstream, Luxembourg, or indirectly through organizations that are account holders in Euroclear or Clearstream, Luxembourg.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under "—Exchange of Book-Entry Notes for Certificated Notes."

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

Exchanges Between Regulation S Global Note and Rule 144A Global Note

During the Distribution Compliance Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if such exchange

occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Paying Agent a written certificate to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Paying Agent a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Note for a beneficial interest in the Rule 144A Global Note or vice versa will be effected in DTC by means of an instruction originated by the Paying Agent.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as it remains such an interest.

Depositary Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urges investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "**Participants**") and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Managers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "**Indirect Participants**"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Managers with portions of the principal amount of the Global Notes, and

- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including, in case of the Regulation S Global Note, Euroclear and Clearstream, Luxembourg) that are Participants or Indirect Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream, Luxembourg. The depositaries, in turn, will hold interests in the Global Notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of these systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in the Global Notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see "—Exchange of Book-Entry Notes for Certificated Notes".

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or holders thereof for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be payable by the Paying Agent to DTC in its capacity as the registered holder under the Fiscal Agency Agreement. The Issuer and the Paying Agent will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Issuer, the Paying Agent or any agent of the Issuer or the Paying Agent has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to, or payments made on account of beneficial ownership interests in, the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes, or

- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant

Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Paying Agent or the Issuer. Neither the Issuer nor the Paying Agent will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Issuer and the Paying Agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under "Notice to Investors", transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to the transfer restrictions described under "Notice to Investors", cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Issuer nor the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for individual certificated Notes in definitive, fully registered form without interest coupons ("**Certificated Notes**") only in the following limited circumstances:

- DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when DTC is required to be so registered in order to act as depositary, and in each case the Issuer fails to appoint a successor depositary within 90 days of such notice,

- the Issuer notifies the Paying Agent in writing that such Global Note shall be so exchangeable,

- if there shall have occurred and be continuing an Event of Default with respect to the Notes,

- the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor clearing system is available, or

- the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by a Global Note in definitive form.

In all cases, Certificated Notes delivered in exchange for a Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors", unless the Issuer determines otherwise in accordance with the terms and conditions of the Notes and in compliance with applicable law.

TAXATION

United States Federal Income Taxation

The following discussion is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of the Notes that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income tax on a net basis in respect of income from the Notes (a "U.S. holder"). This summary deals only with U.S. holders that purchase Notes at their issue price as part of the initial offering and hold such Notes as capital assets. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor. We have assumed that U.S. holders are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. In particular, this summary does not address considerations that may be relevant to investors that may be subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to market treatment, person that will hold the Notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization, or person whose "functional currency" is not the U.S. dollar.

This summary is based on laws, treaties, regulations, rulings and decisions now in effect, all of which are subject to change, possibly on a retroactive basis. Investors should consult their own tax advisers regarding the tax consequences of the acquisition, ownership, and disposition of the Notes, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, and other national tax laws.

U.S. Tax Status

The Notes will be treated for U.S. federal income tax purposes as equity of the Issuer. In this regard, the Notes have no stated maturity, there will be no events of default in respect of the Notes (although the Issuer will be obligated to redeem the Notes in the event it liquidates) and the Issuer generally may decide, and in certain circumstances will be required, not to make scheduled interest payments on the Notes. In addition, the principal amount of the Notes may be reduced in certain circumstances described in "Terms and Conditions of the Notes—Loss Absorption and Return to Profitability."

Payments of Interest

In accordance with their treatment as dividends for U.S. federal income tax purposes, payments of interest on the Notes generally will be includible in a U.S. holder's income on the date of receipt without regard to the U.S. holder's method of tax accounting. Interest payments on the Notes generally will constitute foreign source income for purposes of computing the foreign tax credit.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual before January 1, 2009 will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Interest received with respect to the Notes will be qualified dividends if (i) the Issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for purposes of the qualified dividend rules and (ii) the Issuer was not, in the year prior to the year in which the interest payment was made, and is not, in the year in which the interest payment is made, a passive foreign investment company ("PFIC"). The

Issuer expects to be eligible for the benefits of the France–U.S. income tax treaty, which satisfies the treaty requirement described above. Based on the Issuer's audited financial statements and relevant market data, it believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2004 taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market data, the Issuer does not anticipate becoming a PFIC with respect to its 2005 taxable year.

Sale, Exchange, or Retirement

Upon the sale, exchange, or retirement of Notes, U.S. holders generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement and their tax basis in such Notes. Gain on the sale, exchange, or retirement of Notes held for more than one year will be treated as long-term capital gain. The net amount of long-term capital gain realized by a non-corporate holder before January 1, 2009 generally is subject to taxation at a maximum rate of 15%. Any gain or loss recognized generally will be treated as United States source gain or loss. A U.S. holder's ability to offset capital losses against ordinary income is subject to limitations.

In accordance with the treatment of the Notes as equity for U.S. federal income tax purposes, U.S. holders generally will not be required to account separately for accrued interest realized upon a sale, exchange, or retirement of the Notes, and instead will treat amounts received in respect of accrued interest as part of the amount realized for purposes of determining gain or loss realized upon the sale, exchange, or retirement.

Information Reporting and Backup Withholding Rules

Payments in respect of the Notes that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the U.S. holder:

- is a corporation or other exempt recipient or
- provides a taxpayer identification number and certifies that it has not lost its exemption from backup withholding. Noteholders that are not U.S. holders generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification to establish its non-U.S. status in connection with payments received within the United States or from certain U.S.-related payors.

French Taxation

The following is a summary of certain tax considerations that may be relevant to holders of Notes who (i) are non-French tax residents, (ii) do not hold their Notes in connection with a business or profession conducted in France and (iii) do not concurrently hold shares of the Issuer. This summary is based on laws, regulations and administrative circulars now in effect, all of which are subject to change, possibly with retroactive effect, or different interpretations. Investors should consult their own tax advisors in determining the tax consequences to them of purchasing, holding and disposing of Notes, including the application to their particular situation of the French tax considerations discussed below.

Payments on the Notes issued by the Bank

Because the Notes constitute *obligations* under French law and are issued outside of France through an international syndicate, payments of interest and other revenues made by the Issuer in respect of the Notes benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated September 30, 1998) from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

Taxation on sale, disposal or redemption of Notes

Non-French resident holders of Notes who do not hold the Notes in connection with a business or profession conducted in France will not be subject to any French income tax or capital gains tax on the sale, disposal or redemption of Notes. Transfers of Notes made outside France will not be subject to any stamp duty or other transfer taxes imposed in France.

ERISA MATTERS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain restrictions on employee benefit plans ("**ERISA Plans**") that are subject to ERISA and on persons who are fiduciaries with respect to these ERISA Plans. In accordance with ERISA's general fiduciary requirements, a fiduciary with respect to an ERISA Plan who is considering the purchase of the Notes on behalf of the ERISA Plan should determine whether the purchase is permitted under the governing ERISA Plan documents and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with any entities whose underlying assets include the assets of any such plans and with ERISA Plans, "**Plans**")) and persons who have certain specified relationships to the Plan ("parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code). Thus, a Plan fiduciary considering the purchase of the Notes should consider whether such a purchase might constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code.

The Issuer, directly or through its affiliates, may be considered a "party in interest" or a "disqualified person" with respect to many Plans. The purchase of the Notes by a Plan with respect to which an Issuer is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless the Notes are acquired pursuant to and in accordance with an applicable exemption, such as Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 95-60 (an exemption for certain transactions involving insurance company general accounts), or PTCE 96-23 (an exemption for certain transactions determined by an in-house asset manager). Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. ANY PENSION OR OTHER EMPLOYEE BENEFIT PLAN, INCLUDING ANY SUCH GOVERNMENTAL OR CHURCH PLAN, PROPOSING TO ACQUIRE ANY NOTES SHOULD CONSULT WITH ITS COUNSEL.

By its purchase of any offered Note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered Note through and including the date on which the purchaser or transferee disposes of its interest in such offered Note, either that (a) it is not a Plan, an entity whose underlying assets include the assets of any Plan, or a governmental or church plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of such offered Note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of a governmental or church plan, any substantially similar federal, state or local law) unless an exemption is available with respect to such transactions and all the conditions of such exemption have been satisfied.

PLAN OF DISTRIBUTION

BNP Paribas Securities Corp. (the "**Lead Manager and Sole Bookrunner**") and Citigroup Global Markets Inc., Greenwich Capital Markets, Inc., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated (the "**Co-Lead Managers**", and together with the Lead Manager, the "**Managers**") have, pursuant to a purchase agreement dated June 17, 2005 (the "**Purchase Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at a price equal to 100% of their Original Principal Amount. The Issuer and the Managers have, in the Purchase Agreement, reached an agreement in relation to commissions and expenses. The Purchase Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

France

The Managers and the Issuer have represented and agreed that (i) they have not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the French Republic, and (ii) offers and sales of Notes in the French Republic will be made only to qualified investors (*investisseurs qualifiés*) as defined in and in accordance with Article L.411-2 of the French *Code monétaire et financier* and *décret* no. 98-880 dated October 1, 1998, acting for their own account. In addition, the Managers and the Issuer have represented and agreed that they have not distributed or caused to be distributed and will not distribute or cause to be distributed in the French Republic, this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the French Republic may be made as described as above.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except that the Notes may be offered or sold to (a) QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) non-U.S.-persons in offshore transactions in reliance upon Regulation S. For further information on certain restrictions on resale and transfer, see "Notice to Investors". Offers and sales of Notes in reliance on Rule 144A will be made only by broker-dealers who are registered as such under the Exchange Act.

In connection with sales outside the United States, each of the Managers has agreed that, except for sales described in (a) of the preceding paragraph, it has not offered, sold or delivered, and will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons (a) as part of such Manager's distribution at any time or (b) otherwise until 40 days after

the later of the commencement of the offering and the issue date of the Notes, and it will send to each distributor or dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another valid exemption from the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Rule 144A and Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

(i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

The offer and issue of the Notes is not being made in the Republic of Italy and has not been submitted to the clearance procedure of Commissione Nazionale per le Società e la Borsa (CONSOB) or the Bank of Italy pursuant to Italian laws and regulations. Accordingly, Italian residents or persons located in the Republic of Italy may not subscribe or purchase, directly or indirectly, the Notes, nor may the Notes be offered, sold or delivered, directly or indirectly, in the Republic of Italy. Neither the Offering Circular nor any other offering material relating to the offer and issue of the Notes may be distributed or made available in the Republic of Italy.

NOTICE TO INVESTORS

Because of the following restrictions on the Notes, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been, and will not be, registered under the Securities Act or the state securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or the benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to QIBs in compliance with Rule 144A and outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S.

Each purchaser and subsequent transferee of the Notes offered hereby will be deemed to have acknowledged, represented and agreed as set out below. Terms used in this section have the meanings defined in Rule 144A or in Regulation S.

(1) (a) It is qualified institutional buyer (a "**QIB**") within the meaning of Rule 144A and it is acquiring such Notes for its own account or for the account of another QIB, and it is aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A or (b) it is acquiring the Notes in an offshore transaction within the meaning of Regulation S and it is not a U.S. person (and is not acquiring the Notes for the account or benefit of a U.S. person) within the meaning of Regulation S.

(2) It understands that the Notes have not been, and will not be, registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except (i) to a purchaser that the holder reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of another QIB, in a transaction meeting the requirements of Rule 144A; (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; or (ii) pursuant to an exemption under the Securities Act provided by Rule 144A thereunder (if available) and, in each case, in accordance with the applicable securities laws of any State of the United States. **No representation can be made as to the availability of the exemption provided by Rule 144 for resales of Notes.**

(3) It understands that the Notes will bear the legends as described below, unless the Issuer determines otherwise in compliance with applicable law.

The Rule 144A Global Certificate will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law.

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION OF NOTES OFFERED HEREBY OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(A) REPRESENTS THAT (I) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") OR (II) IT

IS NOT A U.S. PERSON AND HAS ACQUIRED THE NOTES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND

(B) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) UNDER THE SECURITIES ACT, RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (IV) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITES STATES OR AN APPLICABLE JURISDICTION.

AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

THE ACQUISITION OF THE NOTES BY, OR ON BEHALF OF, OR WITH THE ASSETS OF ANY “EMPLOYEE BENEFIT PLAN” SUBJECT TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR ANY “PLAN” SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ANY ENTITY PART OR ALL OF THE ASSETS OF WHICH CONSTITUTE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF DEPARTMENT OF LABOR REGULATION SECTION 2510.3-101 OR OTHERWISE, OR ANY GOVERNMENTAL OR CHURCH PLAN SUBJECT TO FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE IS PROHIBITED UNLESS SUCH PURCHASE, AND THE HOLDING AND SUBSEQUENT DISPOSITION, OF THE NOTES WOULD NOT RESULT IN ANY PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR UNDER SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW).”

The Notes sold outside the United States pursuant to Regulation S will bear a legend to the following effect:

“THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). PRIOR TO THE EXPIRATION OF A DISTRIBUTION COMPLIANCE PERIOD (DEFINED AS 40 DAYS AFTER THE EARLIER OF THE COMMENCEMENT OF THE OFFERING AND THE DATE OF ISSUE OF THE NOTES), SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT

SENTENCE. BY ITS ACQUISITION OF THE NOTES OFFERED HEREBY OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(A) REPRESENTS THAT IT IS NOT A U.S. PERSON AND HAS ACQUIRED THE NOTES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND

(B) AGREES THAT IT WILL NOT, WITHIN THE DISTRIBUTION COMPLIANCE PERIOD, RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (IV) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT."

(4) On each day from the date on which it acquires a Note through and including the date on which it disposes of its interests in such Note, either that (a) it is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), subject to Title I of ERISA, a plan subject to section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), an entity whose underlying assets include the assets of any Plan, or a governmental or church plan which is subject to any federal, state or local law that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code or (b) its purchase, holding and disposition of such Note will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental or church plan, any substantially similar federal, state or local law) unless an exemption is available with respect to such transactions and all the conditions of such exemption have been satisfied.

(5) It agrees that it will deliver to each person to whom it transfers any of the Notes notice of any restrictions on transfers of such Notes.

(6) If it is a foreign purchaser outside the United States, it

(a) understands that the Notes will be represented by the Regulation S Global Note and that transfers thereof are restricted as described under "Book-Entry Procedures and Settlement" and

(b) represents and agrees that it will not, as part of the initial distribution of the Notes, sell short or otherwise sell, transfer or dispose of the economic risk of the Notes into the United States or to a U.S. person.

(7) If it is a QIB, it understands that the Notes offered in reliance on Rule 144A will be represented by a restricted Rule 144A Global Note.

(8) It acknowledges that the Issuer, the Managers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Cleary Gottlieb Steen & Hamilton LLP, New York, New York, and Paris, France, is acting as U.S. and French legal counsel to the Issuer and to the Managers.

INDEPENDENT ACCOUNTANTS

The Group's financial statements as of and for the year ended December 31, 2004 included in this Offering Circular have been audited by Barbier Frinault & Autres, PricewaterhouseCoopers Audit and Mazars & Guérard as joint independent accountants (*Commissaires aux comptes*) as stated in their report appearing herein.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through DTC and its participants, including Euroclear and Clearstream, Luxembourg. For the Rule 144A Notes, the Common Code number is 022312090, the CUSIP number is 05565A AA 1 and the International Securities Identification Number ("**ISIN**") is US05565AAA16. For the Regulation S Notes, the Common Code number is 022324713, the CUSIP number is F1058Y HV 3 and the ISIN number is USF1058YHV32.

2. In connection with the application for the listing of the Notes on the Luxembourg Stock Exchange, the legal notice relating to the issue of the Notes and copies of the constitutive documents of the Issuer have been filed with the Trade Register in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*) prior to the listing thereof, where such documents are available for inspection and where copies thereof can be obtained.

3. The issuance of the Notes was authorized pursuant to a decision of the Chief Executive Officer *(Directeur Général*) of the Issuer dated June 17, 2005 and acting pursuant to a resolution of the board of directors (*conseil d'administration*) of the Issuer dated July 30, 2004.

4. Except as disclosed in the Offering Circular, there has been no material adverse change in the financial position of the Issuer or the Group since December 31, 2004.

5. Neither the Issuer nor any other member of the Group is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

6. The Issuer publishes (i) audited annual consolidated and non-consolidated financial statements and (ii) unaudited semi-annual consolidated and non-consolidated financial statements. Copies of the latest and future published financial reports of the Issuer, including its audited consolidated and non-consolidated financial statements, and the latest and future published unaudited semi-annual consolidated and non-consolidated financial statements of the Issuer, and copies of the constitutive documents of the Issuer, may be obtained from, and copies of the Fiscal Agency Agreement will be available for inspection at, the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

7. On June 3, 2003, the European Council adopted a new directive regarding the taxation of savings income (the "**Directive**"). Member States will be required as from July 1, 2005, the anticipated date of implementation of the Directive, to provide to the tax authorities of another Member State with, *inter alia*, details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent within its jurisdiction to or for the benefit of an individual resident in that other Member State (the "**Disclosure of Information Method**").

   For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria) will withhold an amount on interest payments instead of using the Disclosure of Information Method used by other Member States. The rate of such withholding tax will equal 15% as from July 1, 2005, 20% as from July 1, 2008, and 35% as from July 1, 2011.

According to the agreement reached by ECOFIN Council, such transitional period would end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

The Directive was implemented into French law, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner. These reporting obligations will enter into force with respect to interest payments made on or after the effective application date of the Directive, but paying agents are required to identify the beneficial owners of such payments as from January 1, 2004, as set forth in Decree no. 2005-132 of February 15, 2005.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN FRENCH GAAP AND U.S. GAAP

The financial information set forth in the BNP Paribas Group's consolidated financial statements included herein is prepared and presented in accordance with French generally accepted accounting principles (French GAAP, applicable in France for banks' consolidated financial statements). Certain differences exist between French GAAP and United States generally accepted accounting principles (U.S. GAAP) that might be material to the BNP Paribas Group's consolidated financial statements included herein. The matters described below summarize certain differences between French GAAP and U.S. GAAP that may be material. The BNP Paribas Group has not prepared a complete reconciliation of its consolidated financial statements and related footnote disclosures between French GAAP and U.S. GAAP and has made no attempt to quantify the impact of such differences. In making an investment decision, investors must reply upon their own examination of the Group, the terms of the offering and the financial information herein. Potential investors should consult their own professional advisors for an understanding of the differences between French GAAP applicable in France for banks' consolidated financial statements and U.S. GAAP, and how those differences might affect the financial information herein.

A description of certain of these significant differences between French GAAP and U.S. GAAP with respect to the BNP Paribas Group's consolidated financial statements is given below. A more detailed description of the French accounting principles as applied by the BNP Paribas Group is provided in Note 1, "Accounting policies," of the BNP Paribas Group's consolidated financial statements dated December 31, 2004.

Business Combinations

First time consolidation of Paribas and its subsidiaries

The BNP Paribas Group has applied Accounting Standards Committee (CRC) standard 99-07 "Consolidation rules applicable to institutions regulated by the Comité de la Réglementation Bancaire et Financière," with effect from January 1, 1999, in accordance with the early adoption provisions of section 5 of Rule 99-07.

Based on the National Accounting Council (CNC) Emerging Issues Task Force's interpretation of the rules governing the application of section 215 of the Appendix to CRC standard 99-07, the acquisition of Paribas by BNP meets the criteria for application of the "pooling of interests" method. This method consists of replacing the purchase cost of the Paribas shares with the net book value of the assets and liabilities acquired, as restated in accordance with BNP Group accounting policies. The difference between the cost of the shares and the book value of the net assets acquired has been charged against the premium on the shares issued in exchange for Paribas shares.

Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" requires that all business combinations initiated after June 30, 2001 must be accounted for by the purchase method. SFAS 141 requires that intangible assets acquired in a business combination be recognized separately from goodwill only if they meet one of two criteria, the contractual-legal criterion and the separability criterion.

Restructuring charges related to the merger of BNP and Paribas

As a result of the merger between BNP and Paribas, a restructuring charge was recorded in the 1999 financial statements. The restructuring costs primarily relate to information systems and logistics, human resources and other costs.

Under U.S. GAAP, EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" establishes the criteria that must be met to recognize liabilities to exit certain activities or terminate certain employees at the acquired entity in a purchase business combination. The costs of a plan to (1) exit an activity of an acquired company, (2) involuntarily terminate employees of an acquired company, or (3) relocate employees of an acquired company, should be recognized as liabilities assumed in a purchase business combination and included in the allocation of the acquisition cost in accordance with FAS 141, if certain conditions are met. These costs are only recognized as a liability if they are incremental costs and bring no future economic benefit to the combined company, subject to certain other considerations. Provisions for those costs that do not meet the criteria of EITF 95-3 may be recorded only if they meet the recognition criteria of EITF 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" or FAS 146 "Accounting for Costs Associated with Exit or Disposal Activities." Finally, provisions may only be recorded under EITF 95-3 for qualifying costs that are expected to be incurred within one year of the consummation date of the business combination. Certain costs provided for in the BNP Paribas Group restructuring plan, primarily data processing and other integration costs to be incurred by outside consultants, would have been expensed as incurred under U.S. GAAP rather than being part of a restructuring provision recorded in purchase accounting at the time of acquisition.

Goodwill and other identifiable intangible assets

In relation to purchase accounting, significant differences between French GAAP and U.S. GAAP may relate primarily to:

- the different methods of determining the purchase price attributable to the issuance of ordinary shares of the BNP Paribas Group and settling/exchanging outstanding employee share options,

- the differences in the underlying accounting principles used for determining the value of net assets acquired between French GAAP and U.S. GAAP, and

- the identification and valuation of identifiable intangible assets.

In accordance with French GAAP, intangible assets, other than goodwill, can only be recorded separately in the consolidated balance sheet if their valuation can be made according to objective and relevant criteria, essentially based on future economic benefits that will result or on their market value where an active market exists.

In accordance with the BNP Paribas Group accounting principles, goodwill is amortized by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortization period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Under U.S. GAAP, SFAS 72 "Accounting for Certain Transactions of Banking and Thrift Institutions" requires that, when assessing the fair value of the assets of an acquired financial institution, certain identifiable intangible assets must be recognized. These include the asset representing the value of retail depositor relationships, termed the core deposit intangible, which is capitalized separately and amortized through the profit and loss account over the estimated average life of the retail depositor relationships.

In addition, under U.S. GAAP (SFAS 142 "Goodwill and Other Intangible Assets"), goodwill and indefinite lived intangible assets are no longer amortized and are subject to an (at least) annual impairment test. All other intangible assets are amortized over their estimated useful lives (no longer limited to 40 years).

Further, SFAS 147 "Accounting of certain financial institutions, an amendment to SFAS 72 and 144 and FIN 9" requires that for acquisitions of financial institutions that occur after October 1, 2002 and which meet the definitions of a business combination, the excess of assumed liabilities over acquired assets should be treated as goodwill rather than as an unidentifiable intangible asset. In addition, the standard requires that long term customer relationship intangible assets of financial institutions should be subject to the same impairment tests as required by FAS 144 "Impairment of Disposal of Long-Lived Assets."

Consolidation

Subsidiaries

Under the BNP Paribas Group accounting policies and as described in note 1 "Accounting policies" of the BNP Paribas Group's consolidated financial statements as of and for the year ended December 31, 2004, subsidiaries over which the BNP Paribas Group exercises exclusive control are fully consolidated. Exclusive control is considered as being exercised in cases where the BNP Paribas Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business. Exclusive control can be the result of a number of situations as described in Note 1 including holding over 40% of the voting rights when no one holds a larger percentage.

Under U.S. GAAP, consolidated financial statements generally include enterprises in which the parent has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority voting interest and as a general rule, ownership either directly or indirectly of over 50% of the outstanding voting shares. There are exceptions to this general rule in such cases where control is likely to be temporary or if it does not rest with the majority owner such as bankruptcy, foreign exchange restrictions, etc.

Joint ventures

In accordance with French GAAP, the BNP Paribas Group accounts for joint ventures using the proportional consolidation method.

Under U.S. GAAP APB No. 18 "The Equity Method of Accounting for Investments in Common Stock," joint ventures would be accounted for using the equity method.

Special Purpose Entities ("SPE")

The BNP Paribas Group carries out securitization transactions both on behalf of customers, in some cases with a guarantee or a liquidity line, and on its own behalf. Securitization transactions carried out on the Group's own behalf concern the management of counter-party risks on certain portfolios and asset-liability management operations for certain subsidiaries. In these cases, the Group may retain part of the risk by paying a guarantee deposit or subscribing to a subordinated tranche of the asset-backed securities issue.

Under French GAAP (section 10052 of CRC 99-07), an SPE is consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that enterprise. This standard provides specific criteria to be used to determine whether an SPE is, in substance, controlled or not.

Under U.S. GAAP, SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, de-recognizes financial assets when control has been surrendered, and de-recognizes liabilities when extinguished.

Transfers of financial assets (all or a portion), in which the transferor surrenders control over those assets, shall be accounted for as a sale to the extent that consideration other than beneficial interest in the transferred assets is received in exchange. Specific conditions have to be met for a transferor to surrender control of the financial assets, including when a transfer is made to a qualifying special purpose entity (QSPE).

A QSPE is a trust or other legal vehicle that is demonstrably distinct from the transferor, its permitted activities (1) are significantly limited, (2) were entirely specified in the legal documents, and (3) may be significantly changed only with the approval of the holders of at least a majority of the beneficial interest held by entities other than any transferor or agents. SFAS 140 outlines the specific assets that can be held by a QSPE and the conditions for sale of non-cash financial assets.

If the transfer does not meet criteria for a sale, it must be accounted for as a secured borrowing with pledge of collateral.

Under U.S. GAAP, a debtor may de-recognize a liability if and only if either (a) the debtor pays the creditor and is relieved of its obligations for the liability, or (b) the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities an interpretation of ARB No. 51" ("FIN 46"). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (hereafter referred to as FIN 46R) clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. FIN 46R requires the application of either FIN 46 or FIN 46R to all SPEs created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after December 15, 2003 (i.e., as of December 31, 2003 for an entity with a calendar year-end). All SPEs created after January 31, 2003 are required to be analyzed under FIN 46, and they must continue to do so, unless FIN 46R is adopted early. FIN 46R is applicable to all non-SPEs created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004.

Treasury Shares

BNP Paribas shares held within the BNP Paribas Group are valued and accounted for as follows:

- Shares acquired in order to stabilize the share price or in connection with index 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 for any of the above purposes 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.

Under U.S. GAAP, when a company's own shares are repurchased, the shares are recorded at cost and shown as a deduction from shareholders' equity. Any profit or loss on the subsequent sale of the shares is shown as a change in equity.

Securities

Under French GAAP, in applying 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.

Trading account securities are securities held for up to six months and are valued individually at market value. Changes in market values are recorded in income.

Securities available for sale are securities not intended to be held to maturity or for trading purposes. Such securities are valued at the lower of cost or their probable market value, which is generally determined on the basis of market prices if available, or, for unlisted equity securities, the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available.

Equity securities available for sale in the medium term include investments made for portfolio management purposes, with the aim of realizing a profit in the medium term without investing on a long-term basis in the development of the issuer's business. They are recorded individually at the lower of cost or fair value under French GAAP.

Debt securities held to maturity include mainly fixed-income securities. 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 amortized to their redemption value over their remaining life.

Equity securities held for long-term investment are shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis. They are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multicriteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less the EUR 10 million may be valued based on the average market price over the last three months.

Investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment were stated at the lower of cost and fair value, corresponding mainly to the average market price for the last 24 months or the market value determined as close as possible to the year-end, in the case of investments that have suffered a permanent impairment in value until September 30, 2002. Since that date, fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities.

In accordance with U.S. GAAP, SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," marketable equity and all debt securities must be classified according to management's intent in one of the following categories: held to maturity, trading or available for sale. Held to maturity securities are recorded at amortized cost. Trading securities are recorded at fair value, with resulting unrealized gains and losses recognized in the income statement. All securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are recorded at fair value with the resulting unrealized gains and losses recorded as a separate component of shareholders' equity (other than temporary impairment) until realized, at which time the gain or loss is recorded within income.

When fair value declines below amortized cost, for individual securities classified as either available for sale or held to maturity, an enterprise should determine whether the decline is "other than temporary." If the decline in fair value is "other than temporary," the following applies:

- the cost basis of the individual security is written down to fair value as a new cost basis,
- the amount of the write-down is included in current earnings (i.e., accounted for as a realized loss), and
- the new cost basis is not changed for subsequent recoveries in fair value.

Subsequent increases in fair value of available for sale securities are included as a separate component of equity.

Derivatives

Under French GAAP, derivative financial instruments used for hedging purposes are accounted for as off-balance sheet transactions. The related gains and losses are accounted for on a basis in conformity with the underlying hedged position. Trading derivatives are marked-to-market with the unrealized gain or loss taken to the income statement.

Under U.S. GAAP, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" establishes accounting and reporting standards for derivative financial instruments. SFAS No. 133 requires all derivatives to be recognized on the balance sheet at fair value. Derivative financial instruments must be designated as hedges of a specific asset or liability or group of similar assets or liabilities in order to be accounted for as a hedge. Derivative financial instruments, which are not so designated, are accounted for as trading derivatives and recorded at fair value with changes in fair value reflected through the income statement.

For fair value hedges that qualify under SFAS No. 133, the changes in the fair values of the derivatives will be recognized in earnings together with the change in fair value of the hedged item attributable to the risk being hedged. For cash flow hedges that qualify under SFAS No. 133, the changes in the fair value of the derivatives will be recognized in other comprehensive income until the hedged item affects earnings. For all hedging activities, the ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Derivatives used to hedge or modify the interest rate characteristics of debt securities, which have been classified as available for sale under U.S. GAAP are carried at fair value with unrealized gains or losses deferred as a component of shareholders' equity.

SFAS 149 "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities" amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FIN 45 and (4) amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 that relate to SFAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to contracts entered into after June 30, 2003. SFAS 149 should be applied prospectively.

Under EITF Issue 02-03 "Issues involved in accounting for derivative contracts held for trading purposes and contracts involved in Energy Trading and Risk Management activities," recognition of a trading profit at inception of a derivative transaction is prohibited unless the fair value of that derivative is obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data.

Loan Fees and Costs

Under French GAAP, BNP Paribas records fees associated to the origination of loans either up front or on an accrual basis depending on the nature of the fee and records the costs associated with the origination of the loans in the income statement as incurred.

Under U.S. GAAP, SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," to the extent that loan origination fees are not offset by related direct costs, they are deferred and amortized through the profit and loss account as an adjustment to net interest income on an effective yield basis over the life of the loan.

Allowance for Loan Losses and discount on restructured loans

Under French GAAP, BNP Paribas records an allowance for probable losses on specific doubtful loans on the basis of an estimate of the amount of outstanding principal and accrued interest that will not be recovered.

Under French standard CRC 2002-03 applicable since January 1, 2003, specific treatment is applied to restructured loans that have been reclassified from doubtful to performing loans. Any

difference between the current restructured interest rate and the lower of the original interest rate and the market rate prevailing at the time of the restructuring, gives rise, for its discounted present value, to a discount against the loan at the time of the restructuring. This discount is written back to the interest margin over the new period of the loan.

BNP Paribas also records general provisions for country risk and unforeseeable industry risks (refer to section "Provisions and allowances" below). Provisions for credit and country risks on assets are deducted from the carrying value of the assets. Provisions for unforeseeable industry risks and other risks are recorded as liabilities within "Provisions for contingencies and charges."

Under U.S. GAAP, SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," allowances for loan losses are determined based on the present value of expected future cash flows discounted at the loan's effective rate, or as a practical expedient, on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Regardless of the measurement method, a creditor measures impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable.

Large groups of smaller balance homogenous loans that are collectively evaluated for impairment, such as residential mortgage loans and consumer installment loans, are outside the scope of SFAS No. 114. Such loans are accounted for under the guidance of SFAS No. 5 "Accounting for Contingencies." General and specific provisions for loss are made against such loans when losses have been incurred but not identified as of the reporting date. Generally, such reserves are calculated using historical default frequencies and other statistical measures as they relate to the composition of the loan portfolio.

Statement of Position 03-3 "Accounting for certain Loans or Debt Securities Acquired in a Transfer" effective for loans acquired in a transfer on or after December 15, 2004 requires all loans to be recorded at fair value and prohibits carrying over valuation reserves in the initial accounting for all loans acquired in a transfer that have evidence of deterioration in credit quality since origination, when it is probable the investor will not be able to collect all contractual cash flows. Any valuation allowance relating to loan losses is adjusted for changes resulting from subsequent measurement. However, the net carrying amount of a loan should at no time exceed the recorded investment in the loan.

Provisions and Allowances

Under the French standard CRC 2000-06, a provision for non-banking operations should be recorded only in the cases where an obligation towards a third party exists at the period end, and no compensating economic benefit is expected from the third party. This standard does not apply to provisions for contingencies and charges arising from banking operations and banking-related operations as defined in French banking law.

Under U.S. GAAP, SFAS No. 5, liabilities are probable future sacrifices of economic benefits arising from present obligation of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

A contingent loss must be recognized as a provision if it is probable that future events will confirm its occurrence. The term "probable" means that the chance of occurrence is more than 50%. If the existence of a contingent loss is not probable but "reasonably possible," the contingent loss should not be recognized as a provision but should be disclosed in the financial statements. No disclosure is required if the possibility of a loss is "remote."

A provision requires that the enterprise have little or no discretion to avoid the obligation, regardless if it is a legal obligation or an obligation that is only economically binding. The reason for a provision must exist at the balance sheet date and should be clearly identifiable.

Country Risk and Unforeseeable Industry Risks

Under French GAAP, BNP Paribas records general provisions for country risk and unforeseeable industry risks.

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 the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries.

Provisions for unforeseeable industry risks and other risks are also recorded in order to cover losses and expenses that are not certain to be 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.

Under U.S. GAAP, provisions for unforeseeable industry risks and country risks recorded in order to cover losses and expenses that are not certain to be incurred are not allowed.

Reserve for General Banking Risks (FRBG)

In accordance with EU banking regulations, BNP Paribas Group has set up a reserve for general banking risks. Specific additions to, and deductions from, this reserve are reflected in the consolidated income statement under "Movements in the reserve for general banking risks and miscellaneous risks."

Such reserves are not allowed under U.S. GAAP.

Insurance Companies

Insurance company investments

The investments of insurance companies include admissible assets related to unit-linked business, property investments and various other investments, including shares in related companies. 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 realizable value of the underlying assets at the year-end. Fixed or variable income marketable securities are stated at cost. Fixed income securities are accounted for using the same method as debt securities held to maturity. However, a provision for permanent impairment in value is recorded when the market value of listed variable-income securities permanently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months. This provision is calculated based on the realizable value of the securities concerned, determined using a forward-looking multi-criteria approach. In addition, if the aggregate book value of property and variable–income instruments is higher than their aggregate market value, a technical reserve is set up for the difference.

Technical reserves of insurance companies

Technical reserves correspond to the insurance company's commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the

value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer's commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following year or years) and outstanding claims reserves, which include reserves for claims handling costs.

The capitalization reserve recorded in the statutory accounts of Group affiliates is considered in the consolidated accounts as representing a technical reserve and is recorded under "Policyholders' surplus."

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.

Under U.S. GAAP, the net present value of the profits inherent in the long-term assurance business is not recognized. For contracts accounted for in accordance with SFAS No. 60, "Accounting and Reporting by Insurance Enterprises," which covers conventional products such as endowment and term assurance policies, premiums are recognized as revenue when due from policyholders. Costs of claims are recognized when insured events occur. A liability for future policy benefits to be paid to or on behalf of policyholders is established based upon the present value of future benefits less the present value of future net premiums.

Acquisition costs are charged to the income and expenditure account in proportion to the premium revenue recognized.

For contracts accounted for under SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" which covers unit-linked products and investment contracts, premiums, and front-end load type charges receivable from customers and acquisition costs relating to the acquisition of new contracts are capitalized and amortized in proportion to the present value of estimated gross profits.

Estimated gross profits are projected on best estimate assumptions with no provisions for adverse deviation. The liability for policy benefits is set equal to the nominal policyholders' account balance. Costs of claims are recognized when insured events occur.

Pension and Retirement Costs

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans managed by independent organizations.

The working capital contributions made in France to the two nation-wide pension organizations in 1994 are treated as prepaid expenses and amortized 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.

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses to its employees in France and in most of the countries in which the Group does business.

Each year, the Group estimates the net present value of these commitments and adjusts the related provision, as described in Note 1 of disclosures to the Consolidated Financial Statements.

Under U.S. GAAP, SFAS No. 87 "Employers' Accounting for Pensions," SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," accounting for pension costs and similar benefits is prescriptive as to the use of actuarial assumptions, frequency of actuarial valuation and method, recognition of gains and losses in the actuarial gains and losses. SFAS 87 requires assets to be assessed at fair value and the assessment of liabilities to be based on current settlement rates.

"Exceptional" Items

Non-recurring items 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. These items include such costs as additions to provisions for employee benefits, additions to provisions for restructuring and discontinued operations, contributions ordered by the Competition Authorities, and others.

Under U.S. GAAP, the definition of extraordinary items is more restrictive and typically would include items that are both unusual and infrequent in occurrence. As a result, some of the provisions recorded in the non-recurring items line for French GAAP may not qualify under U.S. GAAP and would be reflected in normal operating income.

Guarantees given and commitments

Under French GAAP, guarantees given are commitments by which the BNP Paribas Group (the guarantor) for its own account or in favor of a third party (the order giver) is performing an obligation to a beneficiary.

When it becomes probable that the beneficiary will call on the guarantor, the latter should constitute a provision reflecting the extent of its commitment.

Under FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee.

Stock-based compensation

The exercise of stock options may result in the issuance of new shares or the use of treasury shares held by the BNP Paribas Group.

With respect to the issuance of new shares resulting from an employee stock option plan, as long as the option is not exercised no accounting entries are made; when the option is exercised, the issuance of shares is accounted for as a normal share capital issue, with share premium equal to the difference between the cash paid by employees (exercise price) and the nominal value of the shares issued.

Under U.S. GAAP, stock-based compensation requires either a fair value based accounting methodology under SFAS 123 “Accounting for Stock-Based Compensation” as amended by SFAS 148 “Accounting for Stock-Based Compensation — Transition and Disclosure an amendment of FASB Statement No. 123” or an intrinsic value based method under APB Opinion No. 25 “Accounting for Stock Issued to Employees.” A fair valued methodology is the preferred approach. If the intrinsic value method is used, certain disclosures of the pro forma effect of using the fair value method are required.

Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option.

Under the intrinsic value based method, compensation is the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock. Most fixed stock option plans have no intrinsic value at measurement date, which is usually the grant date, and no compensation expense is recognized for them. For variable stock option plans, the measurement date does not occur at the grant date and accrued compensation expense is adjusted at each balance sheet date until the measurement date is known.

In December 2004, the FASB issued SFAS 123 (Revised 2004), “Share based Payment” (SFAS 123-R), which replaces the existing SFAS 123 and supersedes APB 25, SFAS-R requires companies to measure and record compensation expense for stock option and other share-based payment based on the instruments’ fair value. SFAS 123-R is effective for interim and annual reporting periods beginning after June 15, 2005 for public companies and December 31, 2005 for non-public companies.

In relation to the issuance of SFAS 123-R, the FASB updated its guidance regarding FAS 133. DIG C3 was revised to clarify that non-employee stock options will not be subject to FAS 123-R after the non-employee’s performance is complete (e.g., when the goods are delivered). After that point, the issuer must account for non-employee stock options in accordance with FAS 133. DIG G1 was also revised to reflect FAS 123-R’s fair-value model. It clarifies that a purchased call option indexed to an entity’s own stock that is recorded as an asset may be designated as a hedging instrument in a cash flow hedge of the liability for non-vested stock appreciation rights (SARs) to the extent that vesting of the SARs is probable.

Hybrid financing instruments

Hybrid financing instruments used by BNP Paribas are accounted for under French GAAP as follows:

- Subordinated debts are classified as borrowings. Accrued interest on these 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 amortized using the effective yield method. Bond issuance costs are amortized using the straight-line method over the life of the bonds.

- Preferred shares are classified under minority interests. The proceeds from the issuance of these instruments are included under minority interests and the corresponding remuneration is treated as a distribution to minority shareholders.

SFAS 150 “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” provides guidance on how financial instruments with characteristics of both liabilities and equity are to be measured and classified in the balance sheets. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when the financial instrument embodies an obligation of the issuer. SFAS 150 affects an issuer’s accounting for three types of freestanding financial instruments, namely:

- Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets;

- Financial instruments, other than outstanding shares, that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts;

- Unconditional obligations that can be settled with equity shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer’s equity shares.

SFAS 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety.

In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS 150 also requires disclosures about alternative ways of settling such instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation requires reporting of cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted.

Additional Disclosures

Compared to French GAAP, the financial statement disclosures required under US GAAP are generally more comprehensive in many areas, including segments, pensions and other post-retirement benefits, stock compensation, derivatives and other financial instruments and guarantees.

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CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

As the Statutory Auditors appointed by the General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas, presented in euros, for the year ended 31 December 2004.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the consolidated financial statements, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of BNP Paribas and its subsidiaries at 31 December 2004 and the consolidated results of operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

For all companies carrying out banking activities, significant accounting estimates are required for provisioning credit risk, and for determining the fair value of financial instruments, investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment:

- BNP Paribas records provisions to cover the credit risks inherent to its business (notes 1, 4, 8 and 19 to the consolidated financial statements). As part of our assessment of these estimates, we examined the control procedures applicable for monitoring credit risks, assessing irrecoverability risks and determining the related specific and general provisions;

- BNP Paribas uses internal models to value its positions on financial instruments which are not listed on organized exchanges (note 1 to the consolidated financial statements). As part of our assessment of these estimates, we examined the control procedures applicable to the verification of these models and the determination of the parameters used;

- investments in non-consolidated undertakings, other participating interests and equity securities held for long-term investment are recorded at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria approach (note 1 to the consolidated financial statements). As part of our assessment of these estimates, we examined the data used to determine fair value for the main items within these portfolios.

We assessed whether these estimates were reasonable.

Our assessments on these matters were made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to expressing our opinion set out in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report with regard to its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine, Paris and La Défense, 25 February 2005

The Statutory Auditors

Barbier Frinault & Autres	**PricewaterhouseCoopers Audit**	**Mazars & Guérard** Mazars
Radwan Hoteit	Étienne Boris	Hervé Hélias

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CONSOLIDATED BALANCE SHEET

ASSETS

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

COMMITMENTS GIVEN

	2004	2003	2002
Financing commitments given (note 23)	172,641	156,287	140,398
Guarantees and endorsements given (note 23)	66,148	56,865	60,226
Commitments related to securities to be delivered (note 23)	8,241	7,389	7,960
Insurance company commitments	466	1,297	914
Commitments incurred on forward and options contracts (note 24)	20,556,393	18,356,809	13,959,842

LIABILITIES AND SHAREHOLDERS' EQUITY

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTE 1 – ACCOUNTING POLICIES

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

YEAR-ON-YEAR COMPARISONS

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

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

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

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

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

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

PRINCIPLES AND BASIS OF CONSOLIDATION

Scope of consolidation

The consolidated financial statements include the financial statements of BNP Paribas and of all subsidiaries whose financial statements are material in relation to the consolidated financial statements of the Group as a whole. Subsidiaries are considered as being material if they contribute over EUR 8 million to consolidated net banking income, EUR 4 million to gross operating income or income before tax and amortisation of goodwill or EUR 40 million to total consolidated assets. Companies that hold shares in consolidated companies are also consolidated.

Entities over which a Group company exercises de facto control, by virtue of contractual provisions or the entity's articles of association, are consolidated even in cases where the Group does not hold an interest in their capital. However, entities in which powers are not exercised in the sole interests of a Group company but in a fiduciary capacity on behalf of third parties and in the interests of all of the parties involved, none of which exercises exclusive control over the entity, are not consolidated.

De facto control is considered as being exercised when more than one of the following three criteria are met:

- The Group has decision-making powers, with or without management powers, over the routine operations or the assets of the entity, as evidenced in particular by the power to wind up the business, amend its articles of association or formally oppose any such amendments;
- The Group is entitled to all or the majority of the entity's economic benefits, whether distributed or appropriated to reserves, and has the right to sell one or several assets and to benefit from any assets remaining after the entity has been liquidated;
- The Group is exposed to the majority of the risks relating to the entity. This is the case if a Group company gives a guarantee to external investors, in order to substantially reduce those investors' risk.

In cases where the Group does not hold an interest in the capital, an entity is consolidated when two of the above three criteria are met. In accordance with standard CRC 2004-04, the first of these three criteria is critical to assessing whether de facto control is exercised over entities set up in connection with the sale of proprietary loan portfolios, including fonds communs de créances (securitization funds) governed by French law and foreign entities offering equivalent guarantees to those existing in France. Retaining the majority of risks and rewards related to sold loans is equivalent to presuming that a substantial portion of decision-making powers has been retained.

Entities whose shares have been acquired exclusively with a view to their subsequent disposal are not consolidated. This is the case of shares which are intended to be sold in connection with the active management of the portfolio held by BNP Paribas Capital. Additionally, if the Group's ability to control the operating policies and assets of a subsidiary or affiliate is severely and permanently restricted, the subsidiary or affiliate is not consolidated. Shares in these companies are recorded in the consolidated balance sheet under "Investments in non-consolidated undertakings and other participating interests".

Consolidation methods

- **Fully-consolidated Companies**

Subsidiaries over which the Group exercises exclusive control are fully consolidated, including subsidiaries whose financial statements are presented in a different format and which are engaged in a business that represents an extension of the Group's banking and financial services businesses or a related business, including insurance, real estate investment, real estate development and data processing services.

Exclusive control is considered as being exercised in cases where the Group is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business, as a result of:

– direct or indirect ownership of the majority of voting rights of the subsidiary; or

– the designation in two successive years of the majority of the members of the Board of Directors, Supervisory Board or equivalent. This is considered to be the case if a Group company holds over 40% of the voting rights during the two-year period and no other shareholder holds a larger percentage, directly or indirectly; or

– the right to exercise dominant influence over the subsidiary by virtue of contractual provisions or the articles of association, provided that the Group company exercising the dominant influence is a shareholder or partner of the subsidiary. Dominant influence is considered as being exercised in cases where the Group company is in a position to use or decide on the utilisation of the subsidiary's assets, liabilities or off balance sheet items as if they were its own. In the absence of contractual provisions or provisions of the articles of association, a Group company is considered as exercising dominant influence over a credit institution in cases where it holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a larger percentage.

- **Proportionally-consolidated Companies**

Jointly-controlled companies are consolidated by the proportional method. Joint control is considered as being exercised in cases where the concerned company is managed jointly by a limited number of shareholders or partners which together determine the company's financial and operating policies.

- **Companies Accounted for by the Equity Method**

Companies in which the Group exercises significant influence over financial and operating policies without having control are accounted for by the equity method. Significant influence may be

exercised through representation on the Board of Directors, Supervisory Board or equivalent, or participation in strategic decisions, or as a result of significant business dealings with the company, or exchanges of management personnel or technical dependence. Significant influence over financial and operating policies is considered as being exercised in cases where the Group holds at least 20% of the voting rights, directly or indirectly.

Companies that are less than 20% owned are not consolidated except in cases where they constitute a strategic investment and the Group effectively exercises significant influence. This is the case of companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions affecting the company as a member of the Board of Directors, Supervisory Board or equivalent, exercises influence over the company's operational management by supplying management systems or decision-making aids, and provides technical assistance to support the company's development.

CONSOLIDATION PRINCIPLES

Cost of Shares in Consolidated Companies, Goodwill, Valuation Adjustments

- **Cost of Shares in Consolidated Companies**

The cost of shares in consolidated companies is equal to the purchase price paid to the vendor by the buyer plus material transaction costs, net of the corresponding tax savings.

- **Goodwill**

Goodwill, corresponding to the difference between the cost of shares in consolidated companies and the Group's equity in the assets, liabilities and off balance sheet items of the company at the date of acquisition, after valuation adjustments, is amortised by the straight-line method over the estimated period of benefit, not to exceed 20 years. The amortisation period is determined on a case-by-case basis depending on the specific conditions relating to each acquisition.

Where there is an indication that the recoverable value of goodwill could be lower than its net carrying value, an impairment test is carried out in order to assess whether an impairment loss should be recorded. The impairment test may be based on several different methods, depending on the business concerned, including discounted future cash flows estimated using the company's medium-term business plan.

- **Valuation Adjustments**

Valuation adjustments, corresponding to the difference between the amount of assets, liabilities and off balance sheet items of the acquired company as restated according to Group accounting policies and their book value in the accounts of the acquired company, are recorded in the consolidated balance sheet in accordance with generally accepted accounting principles applicable to the items concerned.

Valuation adjustments of assets and liabilities of companies accounted for under the equity method are included in "Investments in companies carried under the equity method".

Change in Percent Interests in Consolidated Companies

In the case of an increase in the Group's percent interest in a consolidated company, additional goodwill is recorded and amortised by the method described above. If the Group's percent interest is

reduced without resulting in the subsidiary being deconsolidated, a corresponding percentage of the unamortised goodwill is written off. This is the case, in particular, following a capital transaction that has the effect of diluting the interest of the company holding the shares.

Intercompany Balances and Transactions

Income and expenses on material intercompany transactions involving fully or proportionally consolidated companies or companies accounted for by the equity method are eliminated in consolidation. Intercompany receivables, payables, commitments, income and expenses between fully or proportionally consolidated companies are also eliminated.

Lease Financing

Finance leases where the Group is lessor are recorded in the consolidated balance sheet under "Leasing receivables" in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts determined in accordance with legal and tax rules. Lease payments are analysed between amortisation of the net investment and interest income.

Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortisation of the net investment in the lease. This difference is recorded under "Shareholders' equity" net of deferred taxes.

Foreign Currency Translation

All monetary and non-monetary assets and liabilities of foreign subsidiaries and branches that are denominated in foreign currencies are translated at the year-end exchange rate. Differences arising from the translation of profit and loss account items of foreign subsidiaries at the average rate for the period and the period-end rate are recorded in shareholders' equity, under "Cumulative translation adjustment", net of minority interests. The same accounting treatment is applied to differences arising from the translation of capital made available to foreign branches. Differences arising from the translation of the results of foreign branches are treated as operating positions that can be repatriated and are therefore recognised in the consolidated profit and loss account.

BNP Paribas Shares Held Within the Group

BNP Paribas shares held within the Group are valued and accounted for as follows:

- Shares acquired in order to stabilise the share price or in connection with index trading and arbitrage transactions are recorded under "Trading account securities" at their market price.

- Shares held for allocation to employees are recorded at the lower of cost and market price under "Securities available for sale". Where appropriate, a provision is booked for the difference between the cost of the shares and the exercise price of the related employee stock purchase options.

- Shares not acquired specifically for any of the above purposes or that are intended to be cancelled are deducted from consolidated shareholders' equity at cost. If the shares are subsequently sold instead of being cancelled, the gain or loss on disposal and the corresponding tax are posted to retained earnings.

Consolidation of Insurance Companies

The specific accounting principles and valuation rules applicable to insurance companies are also used for BNP Paribas consolidation purposes. The balance sheet, profit and loss account and off balance sheet items of fully consolidated insurance subsidiaries are included under similar captions in the consolidated financial statements, with the exception of the following items:

- **Insurance Company Investments**

The investments of insurance companies include admissible assets related to unit-linked business, as well as property investments and various other investments, including shares in related companies, concerning life and other business. Property investments are stated at cost, excluding transaction costs. Buildings are depreciated over their estimated useful lives. Admissible assets related to unit-linked business are stated at the realisable value of the underlying assets at the year-end.

Fixed or variable income marketable securities are stated at cost. Fixed income securities are valued and accounted for using the same method as debt securities held to maturity. However, when the market value of listed variable income securities consistently remains more than 20% below their net book value (30% for securities traded on volatile markets) for a period of over six months, an analysis is carried out to ascertain whether or not it is necessary to record a provision for permanent impairment in value. If such a provision is considered necessary, it is calculated based on the realisable value of the securities concerned. Realisable value is determined using a multi-criteria approach including the discounted future cash flows and net asset value methods, as well as analysis of ratios commonly used to assess future yields and exit opportunities. The valuation is performed separately for each line of securities, taking into account the planned holding period. Securities held for sale are written down to their probable realisable value, based on stock market prices, where appropriate.

The realisable value of buildings is calculated when the valuation performed by professional qualified valuers is more than 20% below the net book value, and is based on the discounted future cash flows expected to be generated by each building over the planned holding period. A provision is recorded when necessary, on a building-by-building basis, to cover the difference between the net book value and the realisable value. In the case of buildings held for sale, provisions are calculated based on the valuation performed by the professional qualified valuers.

- **Technical Reserves of Insurance Companies**

Technical reserves correspond to the insurance company's commitments towards policyholders and the insured. Technical reserves for unit-linked business are determined based on the value of the underlying assets at the year-end. Life premium reserves consist primarily of mathematical reserves corresponding to the difference between the present value of the insurer's commitments and those of the policyholder, taking into account the probability of their settlement. Non-life technical reserves include unearned premium reserves (corresponding to the fraction of written premiums relating to the following period or periods) and outstanding claims reserves, which include reserves for claims handling costs.

In the individual statutory accounts of Group insurance companies, a capitalisation reserve is set up at the time of sale of amortisable securities, in order to defer part of the net realised gain and thus maintain the yield-to-maturity of the portfolio of admissible assets. In the consolidated financial statements, the bulk of this reserve is reclassified under "Policyholders' surplus".

Policyholders' surplus also includes the funds set aside to top up the return offered to holders of life insurance policies in future years, as necessary.

- **Underwriting Result and Net Investment Income of Insurance Companies**

This caption mainly includes earned premiums, paid claims and changes in outstanding claims reserves, and net investment income, excluding profits on intercompany transactions with Group banking entities.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interbank and Money Market items, Customer Items

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer accounts in debit and other loans.

Outstanding loans and confirmed credit facilities are classified into sound loans – including sound restructured loans – and doubtful loans. The same classification is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks on outstanding loans and confirmed credit facilities are monitored using an internal rating system, based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are 12 counterparty ratings, ten covering sound loans and two corresponding to doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the bank considers that there is a risk of borrowers being unable to honour all or part of their commitments. This is considered to be the case of all loans on which one or more instalments are more than three months overdue (six months in the case of real estate loans and twelve months for loans to local governments), as well as loans for which legal collection procedures have been launched. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

A provision is booked on these loans, for an amount corresponding to the portion of the outstanding principal that is not expected to be recovered plus unpaid interest. In all cases, the provision at least covers the total amount of accrued interest, unless the value of the guarantees held by the bank covers the principal and all or part of the interest due. Guarantees include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses.

In the case of doubtful loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Doubtful loans that

have been restructured are also reclassified as sound, provided that the restructuring terms are met. If a restructured loan reclassified as sound is not at market terms, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the new interest rate and the lower rate between the original rate of interest and the market rate prevailing at the time of the restructuring. If any instalments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Small loans to private individuals in France which have been the subject of a "Neiertz Act" restructuring (loans to consumers who have accumulated unmanageable levels of debt) are reclassified as sound only when the account manager is satisfied that the client will be able to fulfil his or her repayment commitments until the entire loan has been repaid. No discount is applied to loans that are reclassified as sound, mainly by the specialised credit companies. However, a statistical provision is recorded, based on the estimated risk of losses. This provision is at least equal to the sum of the discounts that would have been deducted from the loans' carrying value.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in doubtful loans, no reclassification as sound loans is foreseeable, loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering substantially all of the amount due.

Irrecoverable loans are written off when all legal and other avenues open to the Bank to secure payment of the amounts due have been exhausted.

Interbank and customer items are stated at their nominal value plus accrued interest. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortised over the remaining life of the loan by the yield-to-maturity method.

Provisions for credit risks on assets are deducted from the carrying value of the assets. Provisions recorded under liabilities include provisions related to off balance sheet commitments, provisions for losses on interests in real estate development programmes, provisions for claims and litigation, provisions for unidentified contingencies and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions, bad debts written off, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under "Net additions to provisions for credit risks and country risks", with the exception of additions to provisions for accrued interest on non-performing loans which are included in net banking income together with the interest accrual. Amortisation of discounts on restructured loans, calculated by the yield-to-maturity method, is included in net banking income along with the interest on the loans.

Accrued interest is recorded periodically on sound loans – including restructured loans – and on doubtful loans that are not classified as irrecoverable. Interest on doubtful loans classified as irrecoverable is recorded in the profit and loss account on a cash basis.

Securities

The term "securities" covers interbank market securities (mainly promissory notes and mortgage notes); Treasury bills and negotiable certificates of deposit; bonds and other fixed income instruments (whether fixed- or floating-rate); and equities and other variable income instruments.

In application of standard CRC 2000-02, securities are classified as "Trading account securities", "Securities available for sale", "Equity securities available for sale in the medium-term", "Debt securities held to maturity", "Equity securities held for long-term investment", "Other participating interests", and "Investments in non-consolidated undertakings". Investments in companies carried under the equity method are recorded on a separate line of the consolidated balance sheet.

Where a credit risk has occurred, fixed income securities held in the "available for sale" or "held to maturity" portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.

Variable income securities may also be classified as doubtful if an issuer default risk has occurred. This is the case, in particular, where the issuer has filed for bankruptcy.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in "Provisions for credit risks and country risks".

- **Trading Account Securities**

Securities held for up to six months are recorded under "Trading account securities" and valued individually at market. Changes in market values are posted to income.

- **Securities Available for Sale**

This category includes securities held for at least six months, but which are not intended to be held on a long-term basis.

Bonds and other fixed income instruments are valued at the lower of cost (excluding accrued interest) and probable market value, which is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed income instruments".

The difference between cost and the redemption price of fixed income securities purchased on the secondary market is prorated over the life of the securities and posted to the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost and probable market value, which is generally determined on the basis of stock market prices, for listed equities, or the BNP Paribas Group's share in net assets calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

The cost of sold securities available for sale is determined on a first in, first out (FIFO) basis. Disposal gains or losses and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Net gains on sales of securities available for sale".

- **Equity Securities Available for Sale in the Medium-Term**

This category corresponds to investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. "Equity securities available for sale in the medium-term" include venture capital investments.

"Equity securities available for sale in the medium-term" are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general development outlook and the planned holding period. The fair value of listed stocks corresponds primarily to the average stock market price determined over an appropriately long period.

- **Debt Securities Held to Maturity**

Fixed income securities (mainly bonds, interbank market securities, Treasury bills and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect the BNP Paribas Group's intention of holding them on a long-term basis, in principle to maturity. Bonds classified under this heading are financed by matching funds or hedged against interest rate exposure to maturity.

The difference between cost and the redemption price of these securities is prorated over the life of the securities in the profit and loss account. In the balance sheet, their carrying value is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is posted to income under "Interest income on bonds and other fixed income instruments".

A provision is made when a decline in the credit standing of an issuer jeopardises redemption at maturity.

- **Equity Securities Held for Long-Term Investment**

This category includes shares and related instruments that the BNP Paribas Group intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

"Equity securities held for long-term investment" are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Gains and losses on sales of equity securities held for investment and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends received are posted to income under "Income on equities and other variable income instruments" on a cash basis.

- **Non-Consolidated Undertakings and Other Participating interests**

This category includes affiliates in which the Group exercises significant influence over management and investments considered strategic to the Group's business development. This influence is deemed to exist when the Group holds an ownership interest of at least 10%.

Investments in non-consolidated undertakings and other participating interests are recorded individually at the lower of cost and fair value. Fair value is determined based on available information using a multi-criteria valuation approach, including the discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. For simplicity, listed securities acquired for less than EUR 10 million may be valued based on the average stock market price over the last three months.

Disposal gains and losses and provision movements are reported in the profit and loss account under "Gains (losses) on disposals of long-term assets".

Dividends are posted to "Income on equities and other variable income instruments" when they have been declared by the issuers' shareholders or on a cash basis when the shareholders' decision is not known.

- **Investments in Companies Carried under the Equity Method**

Changes in net assets of companies carried under the equity method are posted to assets under "Investments in companies carried under the equity method" and to consolidated reserves under "Retained earnings".

Valuation adjustments to these companies' assets and liabilities, recorded at the time of acquisition, are included in "Investments in companies carried under the equity method".

Goodwill arising on the acquisition of companies carried under the equity method is recorded in "Goodwill".

Fixed Assets

In 1991 and 1992, as allowed by French regulations, Banque Nationale de Paris transferred its main operating real estate holdings to its subsidiary Compagnie Immobilière de France. This transaction covered wholly-owned buildings and buildings leased to BNP SA (the parent company) by one of its specialised subsidiaries. These buildings are intended to be held on a long-term basis. The revaluation arising from this transaction has been posted to consolidated shareholders' equity net of the related deferred tax effect and a provision for deferred taxes has been recorded. Effective from 1994, the resulting unrealised capital gain is being written back to the consolidated profit and loss account in proportion to the additional depreciation charge taken by Compagnie Immobilière de France.

In order to reflect what appeared to be a lasting decline in the real estate market, the BNP Group wrote down the book value of the above real estate in 1997. The impact of this adjustment, net of the related deferred tax effect, was posted to consolidated shareholders' equity, consistent with the initial adjustment. This adjustment therefore has no impact on consolidated net income.

Other buildings and equipment are stated at cost or valued in accordance with France's appropriation laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these legal revaluations, are included in share capital.

Assets leased by the Bank from specialised subsidiaries are recorded as buildings, equipment and other under “Tangible and intangible assets”.

The restructured real estate portfolio is depreciated over a fifty-year period starting from the date of transfer using the straight-line method. Depreciation of other fixed assets is computed using the straight-line method over their estimated useful lives.

BNP Paribas and its French subsidiaries depreciate tangible assets by the accelerated method in their individual company accounts. In the consolidated financial statements, depreciation is adjusted (in most cases using the straight-line method) to write off the cost of the depreciable assets over their estimated useful lives. Deferred taxes are calculated on the adjustment.

Depreciation of assets leased from Group leasing subsidiaries is reflected in the profit and loss account under “Depreciation, amortisation and provisions on tangible and intangible assets”.

The capitalised cost of software purchased or developed for internal use is recorded under “Intangible assets” and amortised by the straight-line method over the probable period of use of the software, not to exceed five years.

Trade marks identified by the Group which have been acquired in a business combination are tested for impairment when there is an indication that they may be impaired.

Interbank and Money-Market Items and Customer Deposits

Amounts due to credit institutions are classified into demand accounts and time deposits and borrowings. Customer deposits are classified into regulated savings accounts and other customer deposits. These captions include securities and other assets sold under repurchase agreements. Accrued interest is recorded on a separate line.

Debt Securities

Debt securities are classified into retail certificates of deposit, interbank market securities, negotiable certificates of deposit, bonds and other debt instruments. This caption does not include subordinated notes which are recorded under “Subordinated debt”.

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised by the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised by the straight-line method over the life of the bonds.

Country Risk Provisions

Provisions for country risk are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration of the overall situation and economies of these countries. Country risk provisions and writebacks are reflected in the profit and loss account under “Net additions to provisions for credit risks and country risks”.

Provisions for Unforeseeable Industry Risks

The Group records provisions for unforeseeable industry and other risks in order to cover losses and expenses that are not certain of being incurred and the amount of which cannot be reliably estimated. These provisions are reversed and replaced by specific provisions in cases where the loss or expense becomes certain and can be reliably estimated.

Reserve for General Banking Risks

The BNP Paribas Group has set up a reserve for general banking risks in accordance with the principle of prudence.

Specific additions to, and deductions from, this reserve are reflected in the profit and loss account under "Movements in the reserve for general banking risks".

Provisions not set up in Connection with Banking or Banking-related Transactions

The Group records provisions for clearly identified risks and charges, of uncertain timing or amount. In accordance with current regulations, these provisions which are not connected with banking or banking-related transactions may only be recorded if the Group has an obligation to a third party at the year-end and no equivalent economic benefits are expected from that third party.

Forward Financial Instruments

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

- **Market Value of Financial Instruments**

Financial instruments are measured based on their market value when they are listed, or based on internal models where no organised market exists. The value determined by applying these models is adjusted to take into account inherent model and liquidity risks.

The market value of financial instruments for which a quoted price is not directly available is determined on the basis of the price of transactions carried out close to the year-end or prices obtained from brokers or counterparties, backed up by qualitative analyses.

- **Forward Interest Rate Instruments**

Interest rate futures and options contracts forming part of the trading portfolio and traded on organised exchanges are marked to market at the balance sheet date. Realised and unrealised gains and losses are taken to income under "Net gains (losses) on sales of trading account securities".

Gains and losses on certain OTC contracts representing isolated open positions are taken to income either when the contracts are unwound or on an accruals basis, depending on the nature of the instruments. Provisions for contingencies are booked to cover unrealised losses on a contract by contract basis, taking into account potential gains and losses on related specific hedges.

Income and expenses on interest rate contracts designated at the outset as hedging operations are recognised on a symmetrical basis with the income or expense on the underlying instrument.

- **Forward Currency Instruments**

Options contracts are marked to market and the resulting unrealised gains and losses are posted to income. A similar treatment is used for forward exchange contracts bought and sold for trading purposes. Hedging contracts are valued at the spot rate prevailing at the end of the year. Differences between the spot and forward rates (contango and backwardation) for hedged forward currency transactions are recognised on an accruals basis and posted to the profit and loss account over the life of the hedged transaction.

- **Equity And Equity Index Derivatives**

The BNP Paribas Group buys and sells equity and equity index options for trading and hedging purposes. In the case of trading transactions, unrealised gains and losses on contracts that have not been unwound by the balance sheet date are posted directly to income. Gains and losses on equity and equity index contracts designated as hedges are recognised on a symmetrical basis with the gain or loss on the underlying hedged instrument.

- **Composite Instruments**

Composite instruments (synthetic combinations of instruments recorded as a single instrument) are valued by aggregating the individual values of each basic instrument included in the composite. However, they are recorded for accounting purposes as a single instrument, with a single notional value off balance sheet and a single net movement in the consolidated profit and loss account.

- **Credit Risk Management Instruments**

Instruments intended to protect loan portfolios against counterparty risks are treated as guarantees received. Credit derivatives purchased and sold in connection with trading transactions and structured product sales are valued using internal models, based on market data where available. The revenue determined by applying these models is adjusted to take into account inherent model and liquidity risks.

Corporate Income Tax

BNP Paribas Group companies are subject to corporate income tax based on rules and rates prevailing in the countries in which they operate. In France, the standard corporate income tax rate is 33⅓%. Long-term capital gains are currently taxed at a rate of 19%. Under the French Finance Act passed at the end of 2004, long-term capital gains will be taxed at 15% as from 2005 and gains on disposals of certain investments in non-consolidated undertakings will be taxed at 8% in 2006 and at 0% thereafter. Dividends received from companies in which the BNP Paribas Group has an ownership interest of more than 5% and which are covered by the parent-subsidiary tax regime are non-taxable.

The French government imposed a 3% surtax on corporate income for financial years 2002 to 2004 in addition to the 3.3% surtax levied on corporate income since 1 January 2000. The 2005 French Finance Act has reduced this surtax to 1.5% in 2005 and will eliminate it as of 2006. The BNP Paribas Group has taken these surtaxes into account to determine current taxes for each period concerned.

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. BNP Paribas Group

companies recognise deferred taxes based on all temporary differences between the book value of assets and liabilities and their tax basis according to the liability method, as well as future applicable tax rates once these have been approved. Recognition of deferred tax assets depends on the probability of recovery.

Profit-sharing

As required by French law, BNP Paribas and its French subsidiaries provide for profit sharing in the year in which the profit arises, and report the provision under salaries in "Operating expense" in the consolidated profit and loss account.

Pensions and Other Post-retirement Benefit Obligations

Provision is made for long-service awards, supplementary pension benefits and other awards payable to active and retired employees, except where employer contributions are in full discharge of any future liabilities, in which case the contributions are charged to the profit and loss account in the period of payment.

Pension Obligations Towards Retired Employees

Upon retirement, BNP Paribas Group employees receive pensions according to the laws and practices prevailing in the countries where BNP Paribas Group companies operate.

In France, retired employees of the BNP Paribas Group's banking subsidiaries and affiliates are entitled to the following pension benefits starting 1 January 1994, pursuant to an industry-wide agreement on pensions signed in September 1993 between the *Association Française des Banques* and employee representatives:

– retirees receive pension benefits from the social security system and two nation-wide organisations, which are financed by contributions received from employers and employees. The systems operate on a pay-as-you-go basis.

– retirees receive additional benefits relative to services rendered prior to 1 January 1994, from the pension fund of the BNP Paribas Group and the banking industry pension funds with which certain French subsidiaries are affiliated. Funding for these additional benefits is provided by transfers from the pension funds' existing reserves and, if necessary, by employer contributions, which are limited to a percentage of payroll costs. The amount of such additional benefits is adjusted to reflect the funding level of the pension funds and may consequently be reduced in due proportion.

The contributions paid by BNP Paribas to these schemes are recorded in expenses for the period.

The working capital contributions made to the two nation-wide pension organisations in 1994 are treated as prepaid expenses and amortised over the average number of years left to retirement of BNP SA participating employees, which is currently twenty years. For Paribas employees, the contribution has been deducted from the reserves of the Paribas pension fund.

Outside France, BNP Paribas Group companies and their employees contribute to mandatory pension plans which are generally managed by independent organisations.

For defined benefit plans, the Group records provisions for benefit obligations where the present value of the obligation exceeds the market value of the plan assets. Benefit obligations are determined on an actuarial basis at each year end. The year-on-year increase or decrease in the net funded obligation, corresponding to actuarial differences arising from changes in demographic and financial assumptions or in estimated yields on plan assets, is recognised over the expected average remaining service lives of employees covered by the plans, net of an amount equal to a certain percentage of the discounted benefit obligation, set by convention at 10%. In the interest of prudence, the deferred portion of the actuarial difference is limited in all cases to an amount equivalent to that of the net change in the benefit obligation over the year.

For defined contribution plans, the Group records the contributions as an expense in the period they are paid.

Other Employee Benefits

Under various agreements, the BNP Paribas Group is committed to pay early retirement, retirement and seniority bonuses, healthcare costs and other benefits to its employees in France and in most of the countries in which the Group does business.

Each year, BNP Paribas estimates the net present value of these commitments and adjusts the related provision, applying the same method as for pension benefits.

Recognition of Revenue and Expenses

Interest and fees and commissions qualified as interest are recognised on an accruals basis. Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed.

Net Additions to Provisions for Credit Risks and Country Risks

Net additions to provisions for credit risks and country risks include expenses arising from the identification of counterparty risks, including country risks, litigation and fraud inherent to banking operations conducted with third parties. Net movements in provisions for contingencies and charges that do not fall under the category of such risks are classified in the profit and loss account according to their type.

Foreign Currency Transactions

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

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

NOTE 2 – SCOPE OF CONSOLIDATION

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

In 2003

Newly-consolidated companies

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

Companies excluded from the scope of consolidation

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

Changes in consolidation method

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

In 2004

Newly-consolidated companies

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

Companies excluded from the scope of consolidation

	Fully-consolidated companies	*Proportionally-consolidated companies*	*Companies accounted for by the equity method*
Disposals		Antarius	Axa Refinance, BNP Paribas Private Banking Japan.
Mergers	BNP Paribas Gestion Epargne Salariale (merged with BNP Paribas Asset Management SAS), Catesienne de Participation (merged with S.F.A), Compagnie d'Entreprises Industrielles et Commerciales, Sagal and NHG Guyomarc'h (merged with Société Centrale d'Investissement), Consors International Holding GmbH (Germany) (merged with Cortal Consors German branch), Credial (merged with Crédit Moderne Antilles), Evergo Finanzaria (Italy) (merged with BNP Paribas Lease Groupe SPA), Services et Prêts Immobiliers (France) (merged with UCB), Socappa (merged with BNP Paribas Lease Group). Klépierre subsidiaries: Cinneo and Vignate (Italy) (merged with Novate Sarl), SAS Louis David (merged with SAS Suffren Paris 15), Segecar (merged with Ségécé), SCI 8 rue du Sentier, SAS Oise Cergy and SCI Chaptal Alun (merged with Klépierre).		Cortal Consors Espana SV (merged with Cortal Consors Spanish branch)
Companies no longer meeting the criteria for consolidation and discontinued operations	BNP Paribas Equities Group Australia Ltd, BNP Paribas Equities Hong Kong, BNP Paribas Equities Italia SIM SPA, BNP Paribas Guernesey Ltd, BNP Paribas Peregrine Investment Ltd (Hong Kong), BNP Paribas Peregrine Ltd (Malaysia), BNP Paribas Securities Australia Ltd, Cardif Seguros de Vida (Chile), Compania de Seguros de Vida (Argentina), European Reinsurance (United Kingdom), Filip Partnership (United Kingdom), Great Central Railway Land (United Kingdom), SA Leval 3, UCB Group Ltd (United Kingdom). Klépierre subsidiaries: Belarcol (Belgium), Zobel Investment BV (Netherlands). Cobepa subsidiaries: Amparzo (Netherlands), Cobepa International (Netherlands), Compagnie de Participations Internationales SA (Luxembourg), Holnor (Netherlands), IIM (Netherlands), Ilmaco (Belgium), Libelux (Luxembourg).	Cobepa subsidiary: Bogerco (Belgium).	BNP Paribas Peregrine Futures Ltd (Hong Kong), Cetelem Capital Company Ltd (Korea), Cortal Belgique. State Bank of India Life Insurance Company Ltd.

Changes in consolidation method

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

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

FULLY-CONSOLIDATED COMPANIES

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

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

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

Financial institutions		Group voting interest (%)	Group ownership interest (%)
Other financial institutions (cont'd)			
Europe (cont'd)			
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%
Americas			
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%
Asia-Pacific			
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%
54 Lombard Street Investments Limited	United Kingdom	100.00%	100.00%
Bergues Finance Holding	Bahamas	100.00%	99.99%

Financial institutions		Group voting interest (%)	Group ownership interest (%)
Other financial sector companies			
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%
SAS Flandre		100.00%	53.30%
SAS Issy Desmoulins		100.00%	53.30%
SAS Kléber Levallois		100.00%	53.30%

Other companies	Group voting interest (%)	Group ownership interest (%)
IN FRANCE		
Real estate (cont'd)		
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%
SNC Maille Nord	100.00%	53.30%
SNC Soccendre	100.00%	40.11%

Other companies		Group voting interest (%)	Group ownership interest (%)
IN FRANCE			
Real estate (cont'd)			
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%
OUTSIDE FRANCE			
Real estate			
Arcol	Slovakia	100.00%	53.30%
Capucines BV	Netherlands	100.00%	53.30%

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

PROPORTIONALLY-CONSOLIDATED COMPANIES		Group voting interest (%)	Group ownership interest (%)
Financial institutions			
OUTSIDE FRANCE			
Credit institutions			
Europe			
BNP AK Dresdner Bank AS	Turkey	30.00%	30.00%
Findomestic	Italy	50.00%	50.00%
Other financial institutions			
Europe			
BNP AK Dresdner Financial Kiralama	Turkey	29.99%	29.99%
Other companies			
IN FRANCE			
Insurance			
Natio Assurance		50.00%	50.00%
Real estate			
SAS Bègles Arcins		50.00%	26.65%
SAS Cecobil		50.00%	26.65%
SAS Soaval		50.00%	19.99%
SAS Espace Cordeliers		50.00%	26.65%
SAS Le Havre Lafayette		50.00%	26.65%
SAS Le Havre Vauban		50.00%	26.65%
SCI Antin Vendôme		50.00%	26.65%
SCI du Bassin Nord		50.00%	26.65%
OUTSIDE FRANCE			
Insurance			
Centro Vita Assicurazioni SPA	Italy	49.00%	49.00%
Real estate			
Effe Kappa SRL	Italy	50.00%	26.65%
Galiera Parque Nascente SA	Portugal	50.00%	26.65%
Gondobrico	Portugal	50.00%	26.65%
I G C	Italy	50.00%	26.65%
Plaza Centers Management	Hungary	50.00%	26.65%
P S G	Italy	50.00%	19.99%
COMPANIES CARRIED UNDER THE EQUITY METHOD			
Financial institutions			
IN FRANCE			
Credit institutions			
Axa Banque Financement (formerly Axa Crédit)		35.00%	35.00%
Caisse d'Epargne Financement - CEFI		33.00%	33.00%
Cofidis International Group		15.00%	15.00%
Cofinoga (Group)		44.00%	44.00%
Société Paiement PASS		40.01%	40.01%
Other financial sector company			
Verner Investissements (Group)		38.90%	38.90%

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

NOTE 3 – INTERBANK AND MONEY MARKET ITEMS

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

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

NOTE 4 – CUSTOMER ITEMS

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

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

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

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

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

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

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

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

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

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

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

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

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 shares at 31 December 2004, under trading account securities (note 22).

NOTE 6 – INSURANCE COMPANY INVESTMENTS

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

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

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

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

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

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

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

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

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

NOTE 8 – PROVISIONS FOR CREDIT RISKS AND COUNTRY RISKS

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

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

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

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

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

NOTE 9 – INVESTMENTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD

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

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

OPERATIONS INVOLVING SHARE CAPITAL IN 2002, 2003 AND 2004

Operations affecting capital in 2002

Share-split

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

Capital increases

In accordance with Section L225-129-V of the new French Companies Act (formerly Section 180-V of the 24 July 1966 Act) and pursuant to authorisations received from the Shareholders'

Meeting of 15 May 2001, the Board of Directors decided on 28 February 2002 to issue BNP Paribas shares reserved for participants in the company savings plan via the BNP Paribas Accueil mutual fund. On 27 June 2002, the mutual fund subscribed 7,623,799 ordinary shares with a par value of EUR 2 for this purpose. In addition, BNP Paribas employees subscribed 927,046 shares with rights from 1 January 2001 under the stock option plan.

At 31 December 2002, the capital of BNP Paribas 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 consisted of 903,171,615 fully-paid ordinary shares with a par value of EUR 2.

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

Operations affecting capital in 2004

Capital reduction

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

Capital increases

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

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

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

ANALYSIS OF ADDITIONAL PAID-IN CAPITAL IN EXCESS OF PAR

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

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

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

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

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

PREFERRED SHARES

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

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

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

In January and June 2002, an additional two non-cumulative preferred share issues, totalling EUR 660 million and USD 650 million, were carried out by two wholly-owned subsidiaries of the Group, BNP Paribas Capital Trust IV and V. Shares in the first issue pay a dividend of 6.342% over

10 years. The annual dividend on shares in the second issue is 7.2%, paid quarterly. The shares are redeemable after five years and at each quarterly coupon date thereafter. Shares that have not been redeemed will continue to pay a dividend of 7.2%.

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

BNP PARIBAS SHARES HELD BY THE GROUP

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

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

In millions of euros	**Other participating interests**		**Trading account securities (note 5)**		**Total**	
	Number of securities	Book value	Number of securities	Book value	Number of securities	Book value
Shares held at 31 December 2002	**27,894,453**	**1,103**	**366,000**	**14**	**28,260,453**	**1,117**
Shares acquired pursuant to shareholder 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 10 – LONG-TERM INVESTMENTS

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

NOTE 11 – TANGIBLE AND INTANGIBLE ASSETS

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

Intangible assets

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

Operating assets

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

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

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

Non-operating assets

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

Depreciation, amortisation and provisions

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

NOTE 12 – GOODWILL

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

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

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

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

NOTE 13 – ACCRUED INCOME AND OTHER ASSETS

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

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

(b) Includes prepaid interest on customer and interbank accounts and prepaid expenses.

NOTE 14 – INTERBANK ITEMS AND MONEY MARKET SECURITIES

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

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

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

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

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

NOTE 16 – BOND ISSUES

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

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

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

NOTE 17 – TECHNICAL RESERVES OF INSURANCE COMPANIES

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

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

NOTE 18 – ACCRUALS AND OTHER LIABILITIES

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

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

NOTE 19 – PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros, at 31 December	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**

Subordinated medium- and long-term debt

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

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

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

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

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

Undated subordinated debt

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

In October 1985, BNP SA issued EUR 305 million of undated floating-rate subordinated notes (*titres subordonnés à durée indéterminée*, or TSDI). The notes are redeemable only in the event of liquidation of the Bank. They are subordinated to all other debts of the Bank but senior to the undated participating subordinated notes issued by BNP SA. The Board of Directors is entitled to postpone interest payments if the shareholders' meeting approving the financial statements declares that there is no income available for distribution. In September 1986, BNP SA raised a further USD 500 million by issuing new undated floating-rate subordinated notes with characteristics similar to those of the French franc notes issued in 1985. In July 1986 and December 1996, Paribas 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 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 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 shares held pursuant to the 6th resolution of the Annual Shareholders' Meetings of 14 May 2003 and 28 May 2004			
. Translation adjustment			
. Interim dividends paid to minority shareholders of Group subsidiaries			
. Other			(5)
. 2004 consolidated net income			
Balance at 31 December 2004 before appropriation of income	**1,769**	**10,340**	**369**

NOTE 23 – OFF BALANCE SHEET COMMITMENTS

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

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

NOTE 24 – FORWARD AND OPTIONS CONTRACTS

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

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

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

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

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

ASSESSMENT OF COUNTERPARTY RISKS

The BNP Paribas Group's exposure to counterparty risk arising on forward and options contracts is assessed according to European Union and international capital adequacy ratios applicable at 31 December 2004. Accordingly, it takes into account signed netting agreements, which are used to attenuate counterparty risk on derivatives.

The Bank primarily uses the portfolio approach, which enables it to close all positions in the case of default by the counterparty and mark them to market. All payments receivable from the counterparty are netted off against payments due to the counterparty, to arrive at the net close-out amount payable or receivable. The net close-out amount may be collateralised by requiring the counterparty to pledge cash, securities or deposits.

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

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

Credit risks on OTC forward and options contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In millions of euros	1 January – 31 December 2004	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.

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

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

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

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

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

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

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

Seniority, Postemployment and Other Postretirement Benefits

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

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

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

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

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

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

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

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

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

- the maximum mismatch on weighted balance sheet and off balance sheet commitments maturing in more than one year (attributing standard maturities to commitments with no contractual maturity) is set at 25% of loans maturing in more than one year;
- the maximum mismatch on commitments with a contractual maturity, that are scheduled to mature in more than one year, is set at 150% of stable funds with no contractual maturity (customer demand deposits and savings deposits net of overdrafts, shareholders' equity net of fixed assets).

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

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

NOTE 29 – NET INTEREST INCOME

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

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

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

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

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

NOTE 32 – NET INCOME FROM SECURITIES PORTFOLIO

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

NOTE 33 - NET COMMISSIONS

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

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

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

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

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

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

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

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

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

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

In millions of euros	**2004**					
	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).

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

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

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

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

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

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

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

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

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

NOTE 38 – NON-RECURRING ITEMS

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

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

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

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

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

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

In 2004, the BNP Paribas Group recorded charges of EUR 83 million (EUR 45 million in 2003) to reflect the costs of adapting information systems due to the application of International Financial Reporting Standards as from 1 January 2005, and the changes in capital adequacy rules introduced by the international regulatory authorities. In 2002, BNP Paribas recorded a provision of

EUR 49 million to cover the final costs of adapting its production and information systems to deal with the introduction of the single European currency, bringing the total estimated cost of the project – incurred over the period 1996 to 2002 – to EUR 500 million.

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

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

NOTE 39 – SEGMENT INFORMATION

Income by Business Segment, Based on Allocated Capital

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

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

Group Activity by Geographic Area

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

NOTE 40 – CORPORATE INCOME TAX

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

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

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

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

Analysis for the effective rate of tax:

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

Deferred taxes break down as follows:

In millions of euros, at 31 December	2004			2003	2002
	Companies included in the BNP Paribas 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	44,534	44,060	44,908
Subsidiaries	50,358	45,011	42,777

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