Deloitte.

First-time adoption of IFRS by European credit institutions

ADICECEI/FBF/DELOITTE conference

September 20, 2005

Contents

Sample

- Our sample comprises 15 European first-time adopters

France	Belgium	UK	Spain	Italy	The Netherlands
BNPP	Dexia	Barclays	BBVA	Banca Intesa	ABN AMRO
Société Générale		HSBC	BSCH	San Paolo IMI	ING
Crédit Agricole SA		RBS		BNL	
Groupe Banque Populaire					

- Information on certain European banks (UBS, Commerzbank, HVB, Dresdner) that already publish IFRS financial statements has been added where appropriate
- Our analysis was based on documents published until the end of August 2005 on the 2004 financial statements and the 2005 interim financial statements published at this date
- It was prepared for the half-year financial statements on a sample of 9 banks having published their half-year financial statements prior to the end of August 2005 (BNPP, Société Générale, Barclays, HSBC, RBS, BBVA, BSCH, ABN Amro, ING)
- To simplify matters, a single exchange rate (rate as of 12/31/2004) was used: USD 1 = €0.733 /£1 = €1.418

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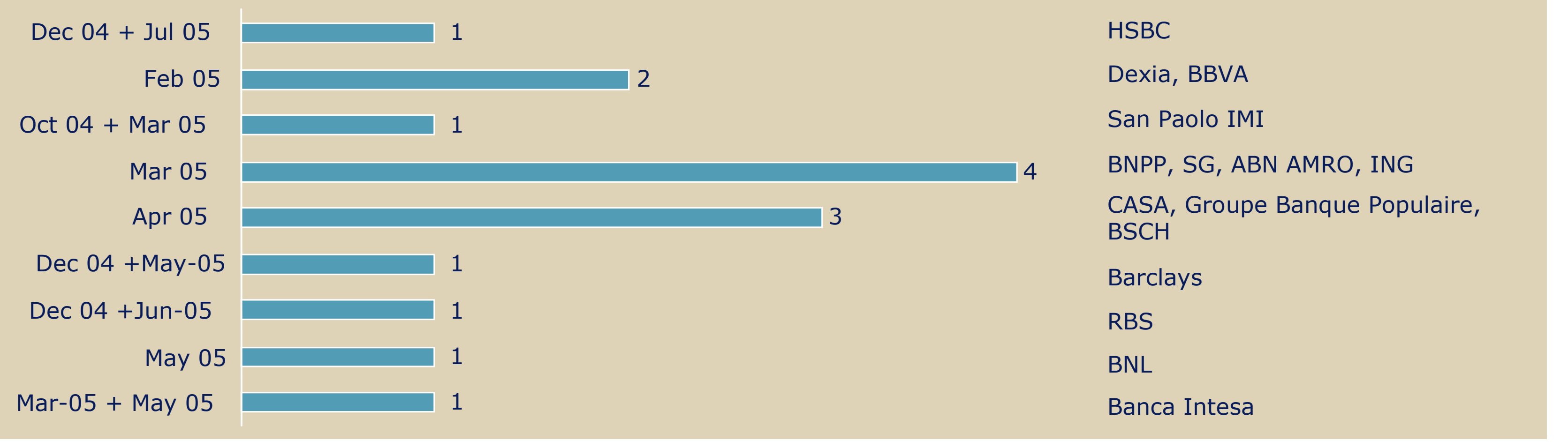
Financial reporting schedule

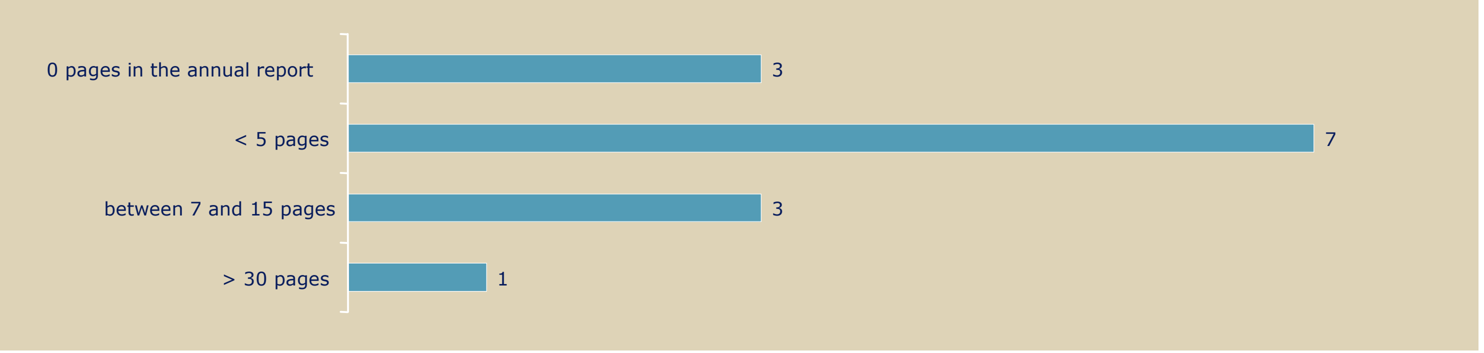
- Reporting on the impacts of the transition to IFRS on the 2004 financial statements took place between October 2004 and july 2005.



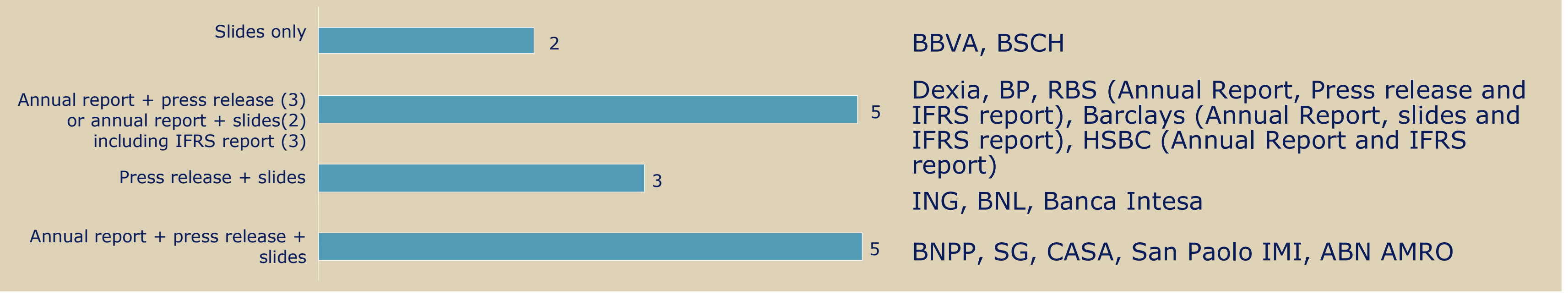
- All the French and Dutch banks published their financial information in March and April (8 banks), generally in detail, and in some cases, with audited figures.
- In five cases, reporting was completed in two stages: an initial narrative description (Banca Intesa, San Paolo IMI, HSBC) or with estimated impacts (Barclays, RBS), then a final quantified reporting package on the 2004 impacts:
  - Barclays thus presented the IFRS impacts by theme as of December 2004 with quantified information on the impact on 2003 net income and equity as of 06/30/2004, followed, at the end of May, by a full Transition Report with a reconciliation of simulated and definitive impacts. RBS presented the main estimated impacts on 2004 net income in December 2004, then published a full Transition Report in the same way as Barclays in June.
- BBVA presented the IFRS impacts as of February and released additional information on April 29, 2004 on the 2004 IFRS restated financial statements by segment and for each quarter published.
- HSBC drew up a narrative presentation of UK GAAP/IFRS differences in December, presented an IFRS transition report showing the IFRS impacts on the 2004 financial statements excluding IAS 32/39 in July, then finally published its IAS 32/39 impacts on the balance sheet as of 01/01/2005 at the same time as its half-year financial statements in August.
- On April 28, 2005, BSCH presented the 2004 IFRS restated financial statements. Nevertheless, this presentation does not include items that can be used to reconcile the local GAAP and IFRS financial statements, except for equity.
- Dexia and SG completed their financial reporting upon presentation of their quarterly financial statement by providing the impact of IAS 32/39 and IFRS 4 on the opening balance sheet as of 01/01/2005.
- In August 2005, BNPP published, after its March 2005 presentation on the impacts of transition, benchmark financial statements for a detailed analysis of the IFRS impacts (reclassifications, restatements, etc.) on the 2004 financial statements and the balance sheet as of 01/01/2005.

Reporting designed to meet strict market requirements

- Besides the additional IFRS financial information provided in the annual report, the volume of which may vary…



- … the banks have used other reporting means to explain the impacts of the transition to IFRS



Reporting designed to meet strict market requirements

- Major efforts have been made by certain banks to ensure clarity and completeness

- The slide presentations are
  - Very detailed (6 banks present between 40 and 70 slides, presentation of 94 slides for BSCH)
  - Often educational (summary and detailed explanation of each major type of restatement)
  - Completed in certain cases by an audio or video presentation available on the internet (Barclays, RBS, BSCH, BNPP, etc.)

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CESR recommendation of December 2003: “for a timely and transparent transition to IFRS”

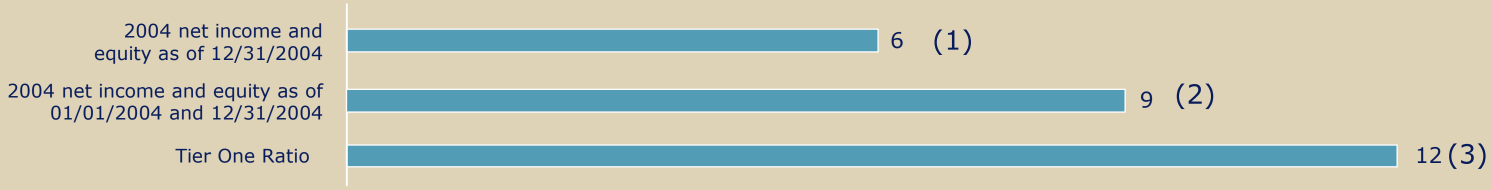
- The CESR recommendation encouraged entities to publish quantitative information on the transition to IAS/IFRS as soon as it is sufficiently reliable

  “as soon as a company can quantify the impact of the change to IAS/IFRS on its 2004 financial statements in a sufficiently reliable manner, it is encouraged to disclose the relevant quantified information”

- The following format has been proposed by IFRS 1 in order to present the restatements between local GAAP and IFRS
  - Reconciliation of equity at the date of transition (1/1/2004)
  - Reconciliation of equity at the balance sheet date (12/31/2004)
  - Reconciliation of 2004 net income
  - Explicative notes by nature of restatement on the differences in accounting policy under IFRS and local GAAP
  - An explanation of the main adjustments relating to the cash flow statement

The CESR recommendation has been applied in different ways

- Only 9 banks have provided all the impacts on the 2004 opening and closing balance sheets and 2004 net income



(1) SAN PAOLO IMI, ING, BP, BBVA, BANCA INTESA, BNL

(2) BNPP, SG, CASA, ABN AMRO, BARCLAYS, BSCH, RBS, HSBC, DEXIA

(3) BNPP, SG, CASA, BP, Barclays, BNL, RBS, BBVA, ABN AMRO, ING, BANCA INTESA, DEXIA

- 7 banks (BNPP, CASA, SG, BP, Dexia, Barclays, RBS) reported audited IFRS information, and 6 banks (San Paolo IMI, ABN AMRO, BBVA, ING, Banca Intesa, BNL) reported non-audited IFRS information
- 9 banks also presented an IFRS balance sheet
  - Banques Populaires: balance sheet as of 12/31/2004, excluding IAS 32/39 and IFRS 4
  - Banca Intesa: balance sheet as of 12/31/2004, including IAS 32/39 and IFRS 4 with regard to quarterly net income for the period ended 03/31/2005
  - CASA: estimated balance sheet as of 1/01/2005, including IAS 32/39 and IFRS 4
  - SG: balance sheet as of 12/31/2004, excluding IAS 32/39 and IFRS 4
  - Barclays: balance sheets as of 1/01/2004, 06/30/2004, 12/31/2004 and estimated balance sheet as of 01/01/2005, including IAS 32/39 and IFRS 4
  - RBS: balance sheets as of 1/01/2004, 06/30/2004, 12/31/2004 and 1/01/2005, including IAS 32/39 and IFRS 4
  - BSCH: estimated balance sheet as of 12/31/2004, including IAS 32/39 and IFRS 4
  - BNPP: balance sheet as of 12/31/2004, excluding IAS 32/39 and IFRS 4
  - HSBC: balance sheets as of 01/01/2004, 06/30/2004, 12/31/2004 (transition report) and 01/01/2005 including IAS 32/39 (half-yearly report)
  - DEXIA published a balance sheet as of 12/31/2004 on 01/01/2004 and in May, and a balance sheet as of 01/01/2005 including IAS 32/39 and IFRS 4

Additional reporting not required by the CESR

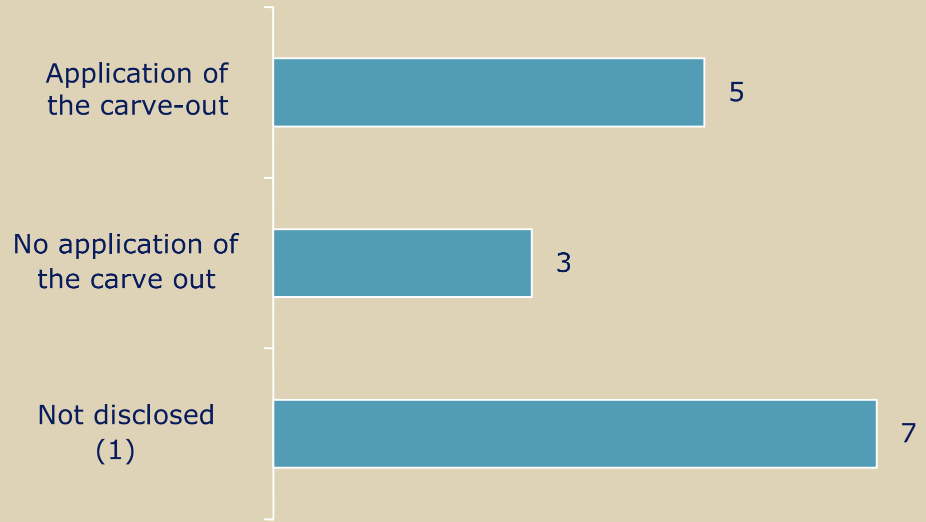
- Most of the banks reported on the impact of IFRS on the Tier One ratio, which is specifically relevant to the banking sector
- Furthermore, 9 banks (3 French, 2 Dutch, 2 English and 2 Spanish) published IFRS data by activity/business, not required by the CESR
- With respect to the 2004 income statement, interim income statements restated under IFRS (quarterly or half-yearly) were published in certain cases upon transition to IFRS: BSCH, BBVA, Barclays, RBS, SG. It is worth mentioning the reporting of the two Spanish banks, which presented 2004 results restated under IFRS by quarter and segment, including IAS 32/39 and IFRS 4
- The practice of the three sample English banks (Barclays, RBS, HSBC) of publishing a full IFRS Transition Report should also be noted. This report includes, in particular for Barclays, with the report from RBS being relatively similar:
  - A summary of IFRS impacts
  - 2004 half-yearly Group balance sheets and income statements
  - Balance sheet as of 01/01/2005 including IAS 32/39 impacts
  - 2004 half-yearly income statements by sector
  - Notes to the income statement and balance sheet
  - Notes to IFRS provisional accounting policies
  - Detailed UK GAAP/IFRS reconciliations
  - Audit report
- The HBSC report is less comprehensive and, in particular, the impact of IAS 32/39 was only disclosed as part of the publication of the half-yearly financial statements in August 2005
- The explanatory notes for each type of restatement relating to IFRS are generally very detailed in the presentations

Detailed information on IAS 32/39 and IFRS 4

- Although most of the banks (11) will apply IAS 32/39 and IFRS 4 as from 1/1/2005, detailed information (narrative data or quantified estimates) has been published on the impact of IAS 32/39
  - 3 banks applied IAS 32/39 and IFRS 4 as of 1/01/2004: ABN Amro, BBVA, BSCH. Nevertheless, BNPP, CASA and Banca Intesa provided detailed quantified information on the impact of IAS 32/39 and IFRS 4 on the 2004 income statement. RBS initially reported its main indicative impacts on 2004 net income, including IAS 32/39
  - Some banks that applied IAS 32/39 and IFRS 4 as of 1/01/2005 disclosed quantified IAS 32/39 impacts as of 12/31/2004 or 1/01/2005, at the transition date prior to the publication of their first 2005 interim financial statements
    - As impacts on tier one: Société Générale (March)
    - As a reconciliation of equity: BNPP, CA, Barclays, San Paolo IMI, ING, BNL, RBS
  - HSBC and Groupe Banque Populaire disclosed their quantified IAS 32/39 and IFRS 4 impacts as part of their half-yearly financial statements (as Tier One for the Group Banque Populaire)
  - In its Q1 2005 reporting, Dexia presented a reconciliation of the balance sheet and equity as of 1/01/2005, including IAS 32/39
  - In its Q1 2005 reporting, SG disclosed its final impacts as of 1/01/2005 on IAS 32/39
  - In one case, the adjustments as of 1/1/2005 relating to IAS 32/39 and IFRS 4 were audited (Barclays: May 11, 2005)

"Macro fair value hedge" carve-out: application differences

- The 5 banks applying the carve-out have provided detailed information in order to explain their choices (Société Générale, BNPP, Crédit Agricole SA, DEXIA, ING)
  - BNPP: 7 full slides in the presentation
- Many banks did not disclose information in either the initial IFRS reporting package or the 2004 annual report (German banks)



Application of the carve-out: CASA, BNPP, SG, ING, Dexia

No application of the carve-out: ABN AMRO, Barclays, BBVA

Not disclosed: BP, HSBC, RBS, Banca Intesa, San Paolo IMI, BNL, BSCH

(1) does not include the 3 German banks and UBS that have already published IFRS financial statements and have not disclosed this information

First quarter of 2005: comparative figures include IAS 32/39 and IFRS 4 in certain cases

- For banks adopting IAS 32/39 and IFRS 4 from 1/1/2005, the comparative figures relating to 03/31/2004 include IAS 32/39 and IFRS 4 in certain cases (1)
  - When Q1 2004 is restated taking into account IAS 32/39 and IFRS 4 (in addition to Q1 2004 excluding IAS 32/39 and IFRS 4), it is not audited (BNPP)

- For banks adopting all IFRS from 1/1/2004, the 2004 comparative figures released with the Q1 2005 are not audited: "until full IFRS financial statements will be published in March 2006" (ABN AMRO)

(1) Figures as of 03/31/04 including IAS 32/39: BNPP, ABN AMRO, Banca Intesa
Figures as of 03/31/04 not including IAS 32/39: ING, SG, Dexia
No material disclosures: San Paolo IMI

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- Sample
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- Content of information published and key messages
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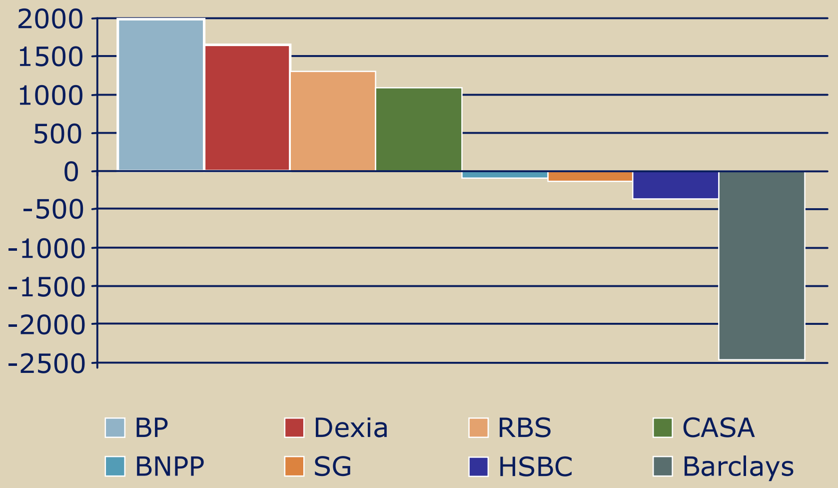
- The main impacts by standard
  - Business combinations and Goodwill
  - Share-based payment
  - Employee benefits
  - Scope of consolidation
  - Fixed assets and leases
  - Available-for-sale assets
  - Debt/equity
  - Day one profit
  - Hedging
  - Loan provisioning
  - Insurance
  - Effective interest rate/Treatment of commissions
- Financial reporting for the period ended June 30, 2005

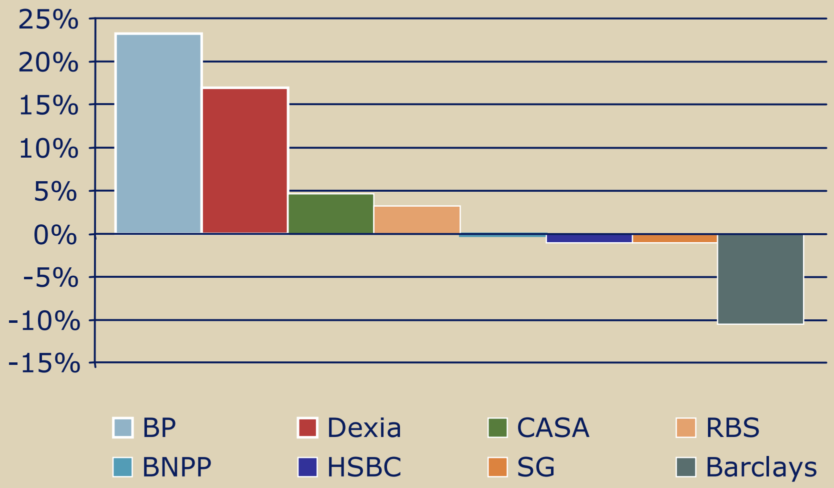
Impact of IFRS on equity as of 01/01/04, excluding IAS 32/39 and IFRS 4

- The reconciliation of equity (including minority interests) as of 01/01/2004, and 12/31/2004 (for BP) between local GAAP and IFRS for 6 banks that have published this reconciliation, excluding IAS 32/39, shows a relatively high dispersal

Impact of IFRS on equity as of 01/01/04 (in M€) (excluding IAS 32/39 and IFRS 4)



Impact of IFRS on equity as of 01/01/04 (as %) (excluding IAS 32/39 and IFRS 4)



Impact of IFRS on equity as of 01/01/04, excluding IAS 32/39 and IFRS 4

- The transition to IFRS, excluding IAS 32/39, has a
  - Very limited impact for BNPP, SG and HSBC (less than 1%)
  - Positive impact for RBS (+3.2%) CASA (+4.6%).
  - Very significant and positive impact for Dexia and BP (more than 15%)
  - Negative impact for Barclays (-10%)
- The main impact is represented by the transfer of General Banking Reserves ("GBR") to equity, in particular for Groupe Banques Populaires and Dexia
    - BNPP: + M€ 838
    - SG: + M€ 312
    - CASA: + M€ 847
    - BP: + M€ 2,077
    - Dexia: + M€ 1,793
- Conversely, the negative impact for Barclays is due to the inclusion of the loss on pensions (- €2.4 billion). The other impacts are offset, in particular, by:
  - The inclusion of dividends payable to shareholders in the year of the AGM's decision (+ €1.2 billion)
  - The recognition of leasing revenue (- €0.3 billion) and the valuation of financial insurance contracts (-€0.85 billion)
- Finally, it should be noted that the impact on equity for RBS is limited (+3.2%) and positive mainly due to dividends (+ £1 billion). The two other most significant impacts involve the capitalization of software relating to the consolidation of Natwest (+ £0.6 billion) and the proportionate consolidation of the TPF joint venture that was previously fully consolidated (reduction in minority interests of £0.3 billion). Contrary to Barclays, the impact relating to employee benefits is very limited as RBS anticipated the impact of IFRS 17 in its UK GAAP accounts
- The net impact on the HSBC financial statements is limited with respect to the group's size (- M€ 367). The main impact involves employee benefits (- USD 3.6 billion) partially offset by dividends (+ USD 2.6 billion). The adjustment with respect to fixed assets includes the capitalization of software (+ USD 0.5 billion), lease restatements (- USD 0.4 billion) and the reversal of the cancellation of revaluation on land with a very long-term lease (- USD 0.8 billion)

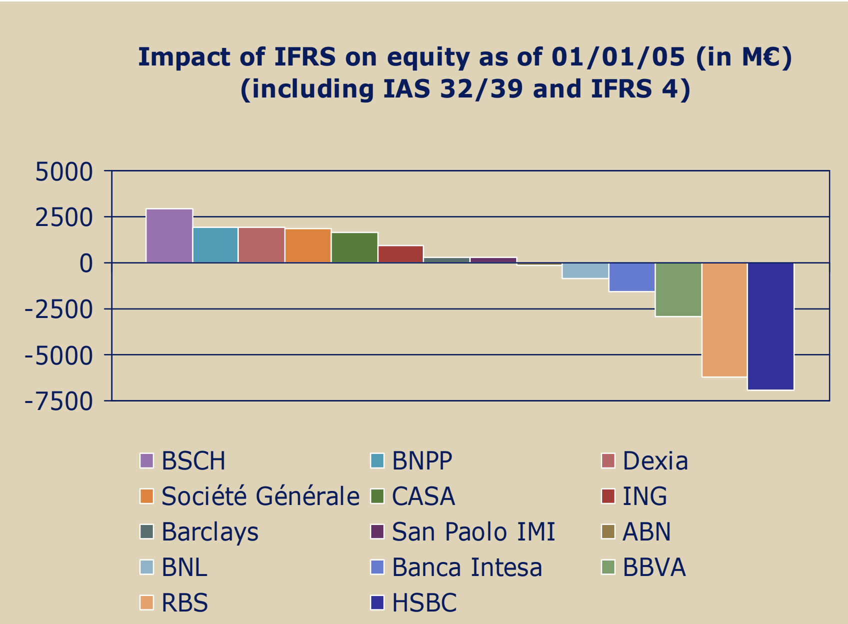
Main impacts on equity as of 01/01/2004, excluding IAS 32/39 and IFRS 4

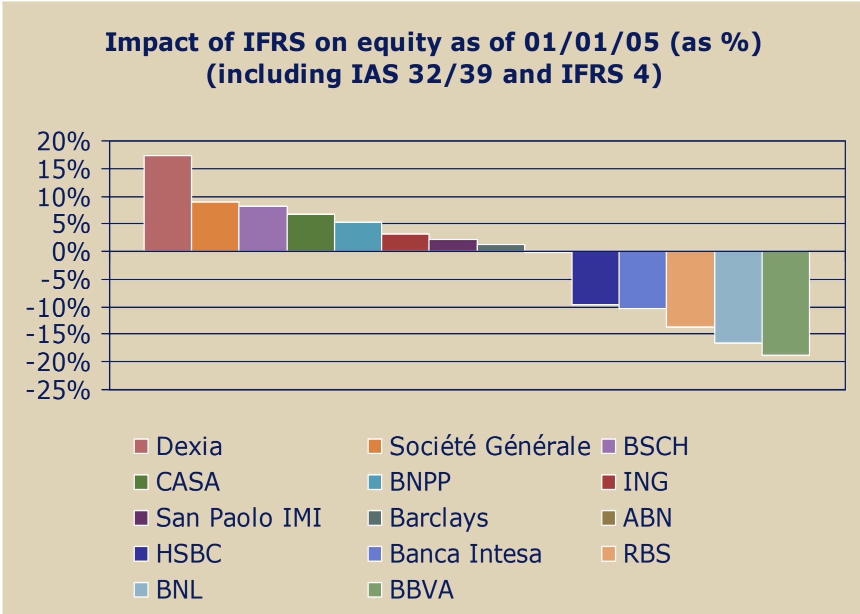
	In M€	Goodwill	Employee benefits/ share-based payment	Fixed assets/ leases	GBR	Dividends
BNPP	-76		-392	-542	+838	
Société Générale	-134	0	-265	-103	+312	
Crédit Agricole SA	+1,095	+11	-254		+847	
Groupe Banque Populaire (2)	+1,986	+140	-221	-15	+2,077	
DEXIA	+1,646		-379 (1)	-21(1)	+1,793	
Barclays	-2,460	0	-2,410	+50		+1,254
RBS	+1,307		-30	+531		+1,502
HSBC	-367	(16)	-2,430	-540		+1,925

(1) Before tax
(2) 12/31/2004

IFRS impact on equity as of 01/01/2005 including IAS 32/39 and IFRS 4

- The reconciliation of equity as of 01/01/2005 (with minority interests) including IAS 32/39 and IFRS 4 also shows contrasting impacts: the impacts are positive (between 0 and 9%) for BNPP, CASA, San Paolo, ING, Barclays, SG, BSCH, very slightly negative (ABN Amro), highly negative (exceeding 15%) for HSBC, RBS, Banca Intesa, BBVA, BNL and finally very positive for Dexia





Main impacts on equity as of 1/1/2005, including IAS 32/39 and IFRS 4

- The impact on equity as of 1/01/2005 includes the ever positive effect of the remeasurement of available-for-sale securities and, to a lesser extent, cash flow hedge derivatives
- After being restated for these transferable reserves, the impacts on equity are most often negative
- The reclassification of preferred shares also has an often significant impact on equity including minority interests
- In particular, the following impacts should be noted for the main banks:
  - The net impact of €0.9 billion for ING is the result of very significant and different effects (effects excluding tax)
    - A remeasurement of AFS of €5.3 billion
    - A €1.3 billion reversal of the interest equalization reserve (cancellation of the amortization of capital gains or losses on fixed-income securities)
    - The actuarial loss on pension commitments of - €2.9 billion
    - A - €2.6 billion impact from derivatives that cannot be deemed eligible for trading
    - A reclassification of preferred shares in liabilities for – €1.7 billion
  - The limited €0.3 billion impact on Barclays mainly includes the negative effect of pension and life insurance commitments (see impact as of 1/01/2004). This effect is largely offset by the reclassification of preferred shares, previously classified in liabilities, in minority interests for €3.4 billion (£2.4 billion). The net impact on equity of the reclassification of preferred shares is €2.8 billion (£2 billion), given the use of exchange rates at the date of the insurances and not the rates as of 12/31/2004. It should be noted that, excluding preferred shares, the reduction in the Group share of equity is set at £2.2 billion (transition report). The estimate at the end of December indicated a negative impact of £1.3 billion
  - The €1.8 billion positive impact on Société Générale includes the reclassification of preferred shares in minority interests in the amount of €2 billion and equity reserves (AFS and cash flow hedge) in the amount of €1.3 billion. The negative impacts are multiple: day one profit (- €0.6 billion), employee benefits, (- €0.3 billion), impairment of AFS (- €0.2 billion), treasury shares (- €0.2 billion), etc.

Main impacts on equity as of 1/1/2005, including IAS 32/39 and IFRS 4

- The impact on San Paolo IMI (+ €0.3 billion) mainly results from the correction in the land value of real estate assets.
- The impact on the two other Italian banks, respectively Banca Intesa (- €1.6 billion,) and BNL (- €0.9 billion), is mainly due to the very substantial increase in loan provisions in the amounts of (- €1.65 billion) and (- €0.8 billion) respectively.
- The - €2.9 billion impact on BBVA arises from an IFRS goodwill reduction. Other impacts (remeasurement of AFS (€1.6 billion), pension commitments (- €0.9 billion), additional loan provisions (- €0.3 billion)) offset each other.
- The net impact on ABN Amro is limited: - €0.2 billion. The GBR restatement (€1.1 billion), the remeasurement of AFS (€1 billion) and the reversal of the interest equalization reserve (€1.5 billion) are offset by the actuarial losses on pensions (- €1 billion), additional loan provisions (- €0.4 billion), derivatives reclassified as trading derivatives (- €0.6 billion), the negative remeasurement of cash flow hedge derivatives (- €0.5 billion) and the reclassification of preferred shares in liabilities (- €0.8 billion). The various adjustments are presented after tax.
- The impact on BNPP is €1.9 billion, but includes equity reserves on AFS and derivatives in the amount of €3.7 billion. The main positive impact is the GBR restatement for €0.8 billion. The negative impacts are multiple: derivatives not eligible for hedging (- €0.4 billion), elimination of actuarial gains and losses and other commitments under IAS 19/IFRS 2 (- €0.4 billion), corrections of fixed assets and leases (component approach, reversal of prior revaluations, restatement of software, reclassification of operating leases, etc.) for - €0.5 billion, restatement of day one profit (- €0.5 billion) and loan provision adjustments (- €0.55 billion). The impact figures shown are those from the final 2004 IFRS consolidated financial statements which are slightly different from those presented for information purposes in the March 2005 transition presentation.
- The impact on CASA is €1.65 billion and includes transferable reserves in the amount of €1.2 billion. Equity benefited from the capitalization of GBR in reserves (€0.8 billion) and the remeasurement of the share in entities accounted for under the equity method (€0.8 billion). Conversely, equity was subject to the negative impact of the deferred recognition of certain gains (day one profit, commissions) in the amount of €0.5 billion and the deduction of treasury shares hedging stock options plans (- €0.5 billion).
- The impact on BSCH is €2.9 billion and includes unrealized capital gains on securities for €2.9 billion. BSCH also reversed credit risk provisions in the amount of €0.3 billion (exceeding the ceiling defined by the Bank of Spain). The negative impacts mainly involve pensions (- €1.2 billion) and the amortization of commissions (- €0.3 billion). The various adjustments are presented before tax.
- The impact on Dexia is €1.9 billion. It also includes the adjustments mentioned above concerning GBR, pension liabilities, the adjustments in respect of IAS 32/39 (M€ 209), i.e. available-for-sale securities for €2.3 billion before tax, derivatives for - €1.1 billion before tax and Dexia treasury shares for - €0.6 billion.
- The impact on RBS is - £4.4 billion (- €6.2 billion). It includes the positive impacts on the proposed dividend (€1.3 billion), the non-amortization of goodwill (€0.9 billion), the capitalization of software costs and the restatement of leases. The negative impacts involve the recognition of revenue (- £0.6 billion) and, in particular, the reclassification of preferred shares in liabilities for £5.8 billion, thus reducing the Group share of equity by £3.3 billion and minority interests by £2.5 billion
- The impact on HSBC is the most significant: - USD 9.4 billion. However, excluding minority interests, Group share of equity is stable (USD 152), as HSBC reclassified USD 10 billion in minority interests to liabilities, the remeasurement of available-for-sale securities (USD 2 billion) offsetting the other adjustments, in particular the fair value option (- USD 0.8 billion) and other net negative adjustments excluding IAS 32/39 (- USD 1.1 billion)

Main impacts on equity as of 1/1/2005, including IAS 32/39 and IFRS 4

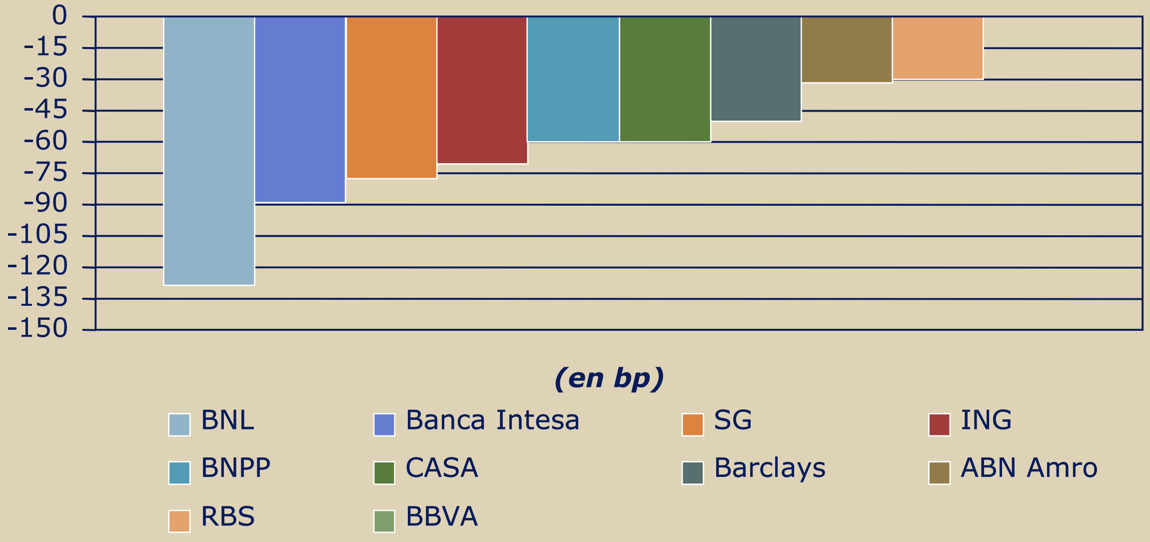
	In M€	Goodwill	IAS 19 IFRS 2	IAS 16 IAS 17 IAS 40 IAS 38	GBR	AFS	Derivatives	Cash Flow Hedge	Debt/ Equity	Day one profit	Loan provisioning
BNPP	+ 1903	+391	- 438	- 524	+ 750	+ 3299	-438	+ 429		-501	- 623
Crédit Agricole SA	+1663	+561	-545		+837	+1128	-448	+36		-182	-185
Société Générale	+1855	+188	-278	-87	+284	+1249		+37	+1808	-574	-134
BNL	-884		-80 (1)	-5			-49				-805
Banca Intesa	-1595			+195		+136	-645	-219			-1650
San Paolo IMI	+260	+100	+60	+250			-150				
BBVA	-2905	-2990	-885			+1642	+56				-301
BSCH	+2871		-1154 (1)	-456 (1)		+2888 (1)	-41 (1)				+ 268 (1)
ABN AMRO	-157	+46 (1)	-1475 (1)	-108 (1)	+1150 (1)	+1001 (*) (1)	-560 (1)	-466 (1)	-767 (1)		-405 (1)
ING	+900	+100 (1)	-2900 (1)	-100 (1)		+5300 (*) (1)	-2600 (1)	+1700 (1)	-1700 (1)		+600 (1)
Dexia	+1903		-416 (1)	+28(1)	+1793(1)	+2345 (1)	-1098 (1)	+32 (1)			-195 (1)
RBS	(6217)	+1227	(50)	+148		+232			-8170		-82
Barclays	+315	+427	-2556	+18		+426		+426	+3400		-34
HSBC	-6922	+1370	-3130	-1540		+1538	-360	+317	-7490	-53	+100

(1) Before tax

* Excluding interest equalization reserve: €1.3 billion (ING) and €1.6 billion (ABN)

Impact of IFRS on the Tier One ratio including IAS 32/39 and IFRS 4

IFRS impact on Tier one ratio as of 12/31/04 (including IAS 32/39 & IFRS 4)



No impact:
BBVA (0)

Impact betw 0 et 30 bp:
RBS (30), ABN AMRO (32)

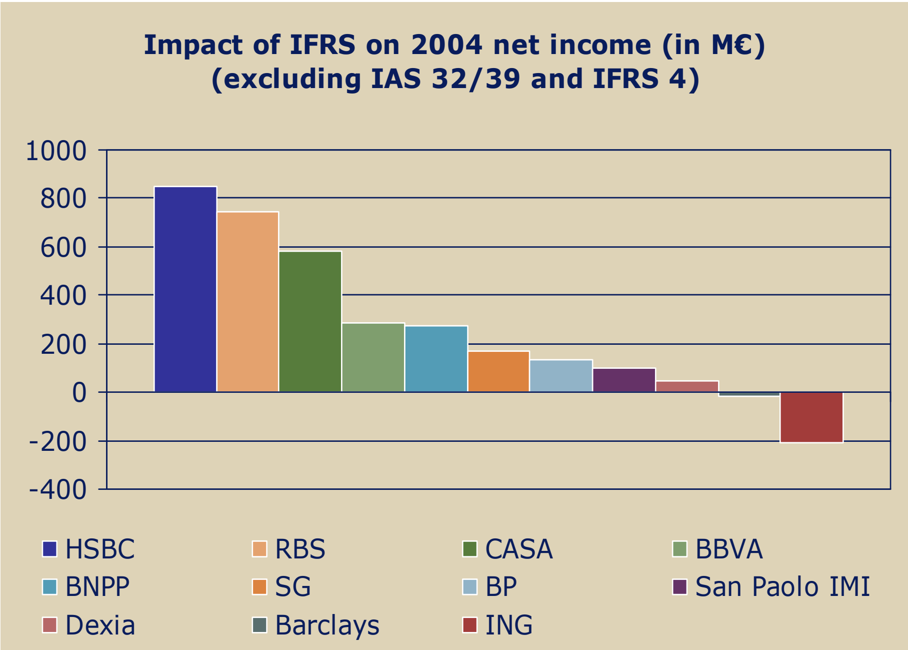
Impact betw 50 et 70 bp:
BNPP (60), ING (71),
Barclays (50), CASA (60)

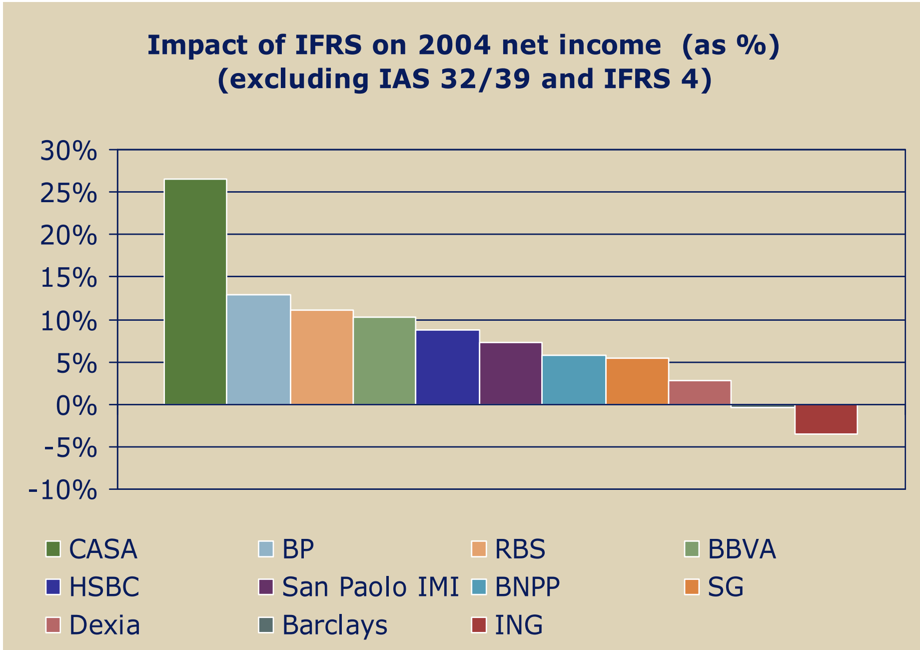
Impact higher than à 75 bp:
SG (78) Intesa (89),
BNL (129)

Impact of IFRS on the Tier One ratio including IAS 32/39 and IFRS 4

- Certain sample banks have not (yet) reported their impact on the Tier One ratio (San Paolo, HSBC).
- The impacts on the Tier One ratio are negative, ranging from 0 to -130 bp, given the prudential restatements, in particular, the cancellation of unrealized gains or losses on available-for-sale securities and cash flow hedge derivatives and the cancellation of debt/equity reclassifications on certain issues due to IAS 32
- The changes relating to GBR did not have any impact on the Tier One ratio, since they were already included in equity
  - Certain adjustments to GBR impacted the Tier One ratio once they were reclassified in depreciation, amortization or provisions
- Employee-related commitments have a substantial negative impact on the Tier One ratio: between 10 and 40 basis points
- The British banks benefited from a prudential restatement aimed at amortizing the impact from the recognition of losses on pension commitments and their prudential ratio takes into account the accounting change relating to IFRS in the recognition of the dividend payable. The impact on equity as of 01/01/2004 of not recognizing the dividend payable is as follows:
  - RBS: £1.1 billion (€1.5 billion) on prudential equity (around +30 bp)
  - Barclays: £0.9 billion (€1.3 billion) on prudential equity
  - HSBC: USD 2.6 billion (€1.9 billion) on prudential equity (around +35 bp)
- An estimate of the impact on the Tier One ratio (including IAS 32/39) as of 1/1/2005 was provided by the Société Générale in March 2005 (decrease of between 60 and 70 bp). The final impact published in May amounted to -78 bp

Impact of IFRS on 2004 net income excluding IAS 32/39 and IFRS 4





Main impacts on 2004 net income excluding IAS 32/39 and IFRS 4

- Certain banks highlighted recurring impacts, timing impacts and one-off restatements (BNPP)
- The main IFRS impacts on 2004 net income, including minority interests, and excluding IAS 32/39, are the discontinuation of goodwill amortization (however note that there is no impact for the Dutch banks, as goodwill was charged to equity), the cost of share-based payments and the reassessed pension cost. In certain cases, the cancellation of the changes in general provisions (GBR, etc.), the fair value measurement of investment property or the application of the component approach, especially with regard to land (Italian banks), may have a material impact
- The analysis of the impacts on 2004 net income, excluding IAS 32/39, by bank is as follows:
  - BNPP's IFRS net income increases by M€ 271 or 5.8% (M€ 280 including minority interests). The most significant impact involves the discontinuation of goodwill amortization (M€ 391)
    - The IAS 19 impact includes the restatement of the cost of the additional healthcare settled in 2004 (M€ 97) and the IAS 19 reassessed pension cost, taking into account the new method of recognizing actuarial gains or losses (- M€ 53). The IFRS 2 impact is – M€ 97, mainly resulting from the discontinuation in 2004 of bonus payments in shares
    - The other material impacts involve the cancellation of movements in GBR during the year (- M€ 85) and the restatement of the scope of consolidation, in particular, regarding equity investments and the measurement of Private Equity funds (M€ 65)

Main impacts on 2004 net income excluding IAS 32/39 and IFRS 4

- The IFRS net income of CASA increased by M€ 584, mainly due to the discontinuation of goodwill amortization (M€ 550).
- The M€ 100 increase in the IFRS net income of San Paolo IMI corresponds to the discontinuation of goodwill amortization. The other impacts, in particular, the discounting of provisions for contingencies and losses and the discontinued amortization of the land component offset each other.
- The IFRS net income of Groupe Banque Populaires increased by M€ 136 or 12.8%. The main impacts result from the cancellation of GBR movements (M€ 115) and equalization provisions (M€ 33).
- ING's net income fell by M€ 210. The main impact results from the IFRS remeasurement of investment property (- M€ 410 before taxes) and the cancellation of capital gains or losses on these investment properties realized under Dutch GAAP, adjusted for the change in unrealized capital gains over the period.
- The IFRS net income of Société Générale increased by M€ 168. It includes, in particular, the discontinuation of goodwill amortization (M€ 188) and the IFRS 2 impact (- M€ 46).
- The net income of BBVA excluding IAS 32/39 increased by M€ 287 due to the discontinuation of goodwill amortization, partly offset by the impact from pensions (- M€ 19) and the amortization of commissions (- M€ 45).
- The overall net income of RBS increased by M€ 527. The two main impacts result from the non-amortization of goodwill (M£ 875) and the cost of internally generated software relating to the consolidation of Natwest, which was capitalized and amortized under IFRS, whereas it is expensed under UK GAAP (- M£ 262 before tax).
- The net income before tax of Barclays excluding IAS 32/39 decreased under IFRS by M£ 23 according to the final Transition Report and by M£ 13 after tax. The initial estimated impact in December was an increase before tax of M£ 75. The main impacts involve goodwill (M£ 300), IFRS 2 (- M£ 49) and the cost of pension commitments (- M£ 174, - M£ 122 after tax).
- The overall net income of HSBC increased by MUSD 1,157 (M€ 850). The main impact concerns the non-amortization of goodwill for MUSD 1,818. The other material adjustments involve pensions (- MUSD 134) and share benefits (- MUSD 164).
- The net income of Dexia increased by M€ 50 (2.8%). The main impact also relates to the non-amortization of goodwill and the capitalization of goodwill directly deducted from equity in 2004.

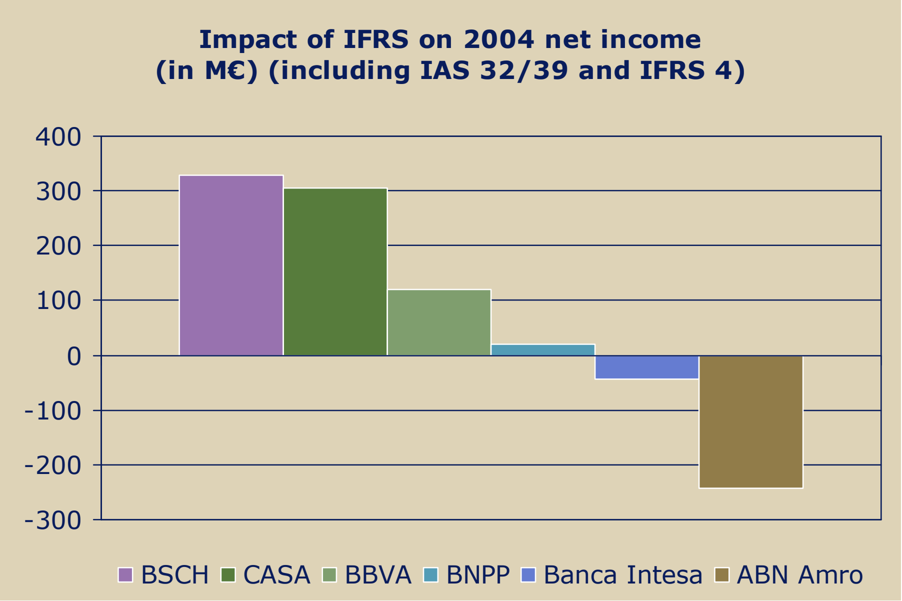
Main impacts on 2004 net income excluding IAS 32/39 and IFRS 4

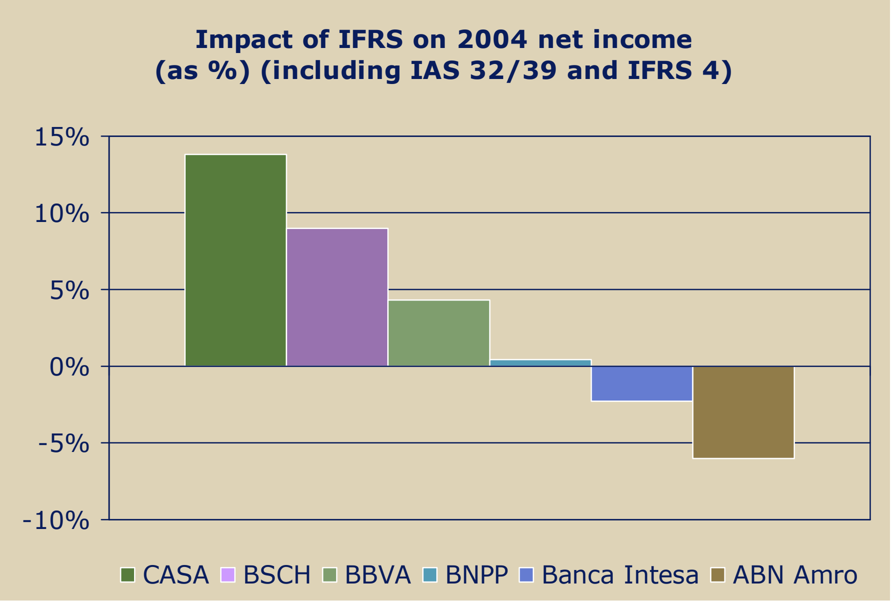
	Total impact in millions of €	Goodwill	Employee benefits /Share-based payments	GBR	Fixed assets
BNPP	+280	+ 391(2)	-53	-85	
Société Générale	+170	+190	-54	-28	-4
Crédit Agricole SA	+584	+550		-10	
Groupe Banque Populaire	+136	-11	+8	+115	+2
Dexia	+50	+117	-62 (1)		+18 (1)
Barclays	-18	+425	-242		-42
RBS	+747	+1241 (1)	-54 (1)		-377 (1) (2)
BBVA	+287	+355	-19		
San Paolo IMI	+100	+100	0		+20
ING	-210		+100(1)		-410(1)
HSBC	+850	+1332	-218		+1

(1) Before taxes

(2) Including intangible assets (software) of – M€ 372

Impact of IFRS on 2004 net income including IAS 32/39 and IFRS 4





Main impacts of IAS 32/39 and IFRS 4 on 2004 net income

- A minority of banks reported the IAS 32/39 and IFRS 4 impacts on 2004 net income (ABN Amro, BBVA, BSCH, Banca Intesa, BNPP, CASA, RBS), it being understood that:
  - Banca Intesa mentioned the IFRS impact on 2004 net income with no breakdown.
  - RBS only reported its material impacts for information purposes only, in particular the impact relating to the reclassification of interest expense on preferred shares.
  - BNPP provided comparative information where appropriate and it did not cover all potential IAS 32/39 impacts, especially on derivatives and hedging.
  - The figures obtained for BSCH cannot be used to analyze the differences between net income under local GAAP and IFRS.
- The impacts on net income, including minority interests, vary significantly:
  - The impact on securities (fair value remeasurement of securities, particularly for Private Equity, application of new impairment rules and impossibility of reamortizing disposal gains or losses on fixed income securities for the Dutch banks) is more than often very significant.
  - Certain banks reported the impacts on material day one profit (BNPP, ABN Amro and to a lesser extent CASA), whereas others did not mention it.
  - ABN Amro reported the material impacts relating to hedging derivatives.
  - The reclassification of the expense on preferred shares between interest expense and, more often than not, minority interests had an impact on the overall net income but not the Group share.
- The bank-by-bank analysis is as follows:
  - BNPP: the estimated impact of IAS 32/39 is – M€ 250, including available-for-sale securities for – M€ 120, day one profit for – M€ 90 and home ownership savings plan provisions for – M€ 20
  - ABN Amro: the IFRS net income of ABN Amro is M€ 244 lower than the Dutch GAAP net income. The main impacts before tax relate to IAS 32/39, in particular:
    - No reversal of the equalization reserve to net income (- M€ 454) and the recognition of disposals in non-deferred net income (- M€ 266)
    - Restatement of the Leaseplan / Bank of Asia capital gain (M€ 224)
    - The remeasurement of derivatives not eligible for hedging, their ineffectiveness on Money Market internal(- M€ 52) and Mortgage activities (- M€ 161), the bifurcation of structured products (- M€ 76) and the lack of correct external offset of US internal hedging contracts (M€ 255) had particularly marked impacts
    - Day one P/L correction (- M€ 100)
    - Application of fair value to private equity (M€ 129)
  - CASA: The IAS 32/39 impact is – M€ 280 involving securities (- M€ 232), derivatives (M€ 82) and day one profit (M€ 34)
  - RBS states that the 2004 net income, including all IFRS before goodwill and consolidation costs, would have been 5% lower than the published figure. RBS has analyzed on a qualitative basis the impacts of IAS 32/39 and IFRS 4 but has only quantified the impact from the single reclassification of interest on preferred shares, which would have increased interest expense by M£ 402, offset by dividends and minority interests.

Main impacts of IAS 32/39 and IFRS 4 on 2004 net income

	Total impact in millions of € including IAS 32/39 and IFRS 4	Securities	Debt/ Equity	Derivatives/ Hedging	Loan provisioning	Day one P/L
BNPP	+21	-120				-90
Crédit Agricole SA	+304	-232		+82		-34
BBVA	+120	-109		-87	+28	
BSCH	+329 (2)					
ABN AMRO	-244	- 591 (1)(3)	-42 (3)	-34 (3)	+29 (3)	-100 (3)
Banca Intesa	-43					

(1) Including the reversal of the interest equalization reserve for –M€ 454

(2) M€ 471 for the Group share of net income

(3) Before tax

Impact on the balance sheet and income statement

- Firstly, the changes in scope of consolidation had in certain cases a significant impact on the structure of the financial statements
  - Consolidation of insurance line by line and real estate activities
  - Consolidation of Private Equity investments
  - Consolidation of special purpose entities
- IFRS led to a major increase in the balance sheet total. The main impact results from the rules for offsetting financial instruments, mainly derivatives and repos / reverse repos, which are stricter under IFRS: offsetting requires legal right and intention to settle on a net basis.

  Impact on balance sheet total:
  - CASA: €120 billion +15% (all IFRS impacts)
  - SG: €80 billion +13%
  - Barclays: £193 billion, of which £120 billion for derivatives and repos +27%
  - RBS: £113 billion, of which £104 billion for derivatives and repos +19%
  - HSBC: USD 90 billion +6.3%
  - BNPP: €85 billion +9.2% (impact of IAS 32/39)
  - ABN Amro: €93.2 billion +15.3%

Impact on the balance sheet and income statement

- There were multiple reclassifications to the income statement
  - Reclassification of interest expense / minority interests on "Preferred shares" (see Preferred shares)
  - Possibility of reclassifying interest on trading securities in Trading income
    - The UK banks classified interest on trading securities in the interest margin; HSBC reclassified it in trading income. Conversely, BNPP reclassified this interest in the net interest margin (2004 impact: M€ 1,356)
  - Discounting impact on bad debt provisions recognized in Net Interest Income and reducing the risk charge. BNPP indicated an impact of M€ 150 for 2004. RBS quantified the impact at M£ 70 on the 06/30/2005 financial statements.
  - Financial portion (discounting impact, return on assets, etc.) of the pension obligation charge recognized in the net interest margin (option)
  - Elimination of exceptional income
    - BNPP exceptional income (M€ 389 in 2004) was therefore reclassified, including M€ 327 in general operating expenses (employee-related commitments and IFRS/Basel 2 project).
  - Classification of capital gains or losses on available-for-sale securities in Net Banking Income (the French banks classified income on long-term securities under operating income)
  - Breakdown of the financial margin of insurance companies
    - BNPP reclassified the items representing the financial margin of insurance companies (M€ 1,919 in 2004)
  - Add-back of certain costs and commissions in the net interest margin with respect to the EIR. The impact on RBS net income as of June 30, 2004 is M£ 128 with respect to the interest margin

Contents

Business Combinations and Goodwill

- All the sample banks having reported on IFRS 3 and adopted IFRS for the first time for the 2004 comparative financial statements used the option provided by IFRS 1 not to restate business combinations recognized prior to the date of transition
  - However, still no information on this matter from Dexia, Intesa, BNL
  - The non-retroactivity to the IFRS first-time adoption date led to a difference with US GAAP for banks filing a 20-F
  - The goodwill on business combinations that occurred prior to 01/01/2004 can, nevertheless, be restated on account of the allocation to intangible assets not recognized under IFRS, e.g.: restatement of Coface network values in Groupe Banque Populaire

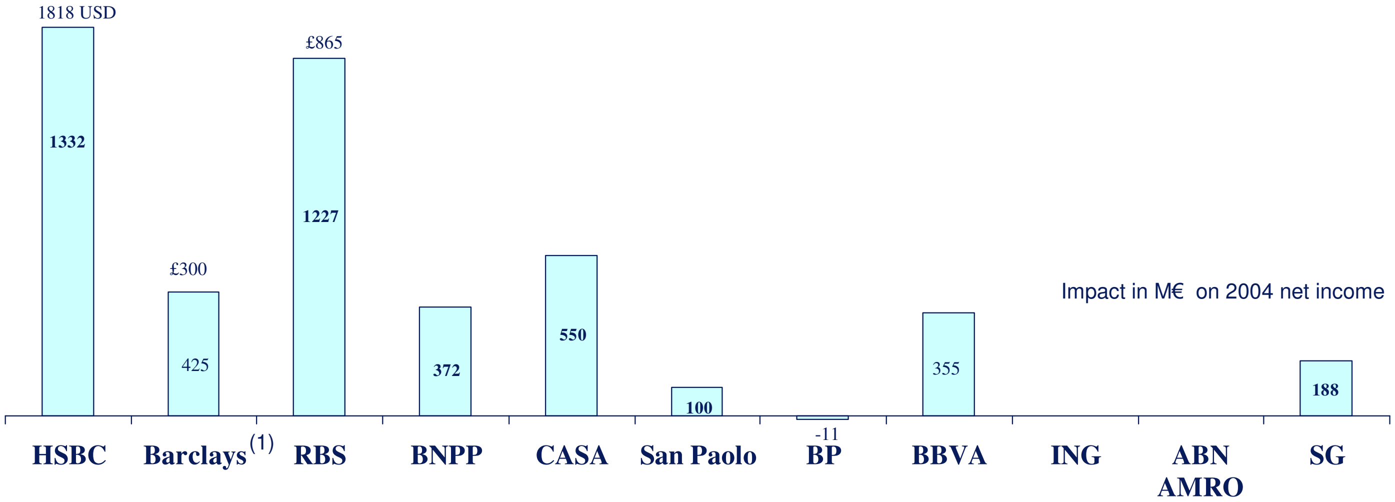
- The credit institutions that already apply IFRS (Commerzbank, Dresdner, UBS) have ceased to amortize goodwill and conducted impairment tests for business combinations that occurred after March 31, 2004. The goodwill on previous business combinations will continue to be amortized until December 31, 2004

- The previous European practices were not very consistent:
  - UK GAAP:
    - Goodwill prior to 1998 is charged to equity
    - Subsequent goodwill is amortized using the straight-line method over the estimated useful life
    - The portion of goodwill charged to equity is included in the calculation of disposal gains or losses
  - Dutch GAAP:
    - Goodwill is charged to equity

- For its 2004 acquisitions, RBS states that it recognized intangible assets relating to demand deposits, mortgage servicing rights and customer relations

Business Combinations and Goodwill

- The impact of the non-amortization of goodwill is very often the most significant IFRS impact on net income for first-time adopters. However, the absence of any impact for Dutch banks should be noted, with goodwill being charged to equity. Negative goodwill is recorded in net income and is no longer amortized (Groupe Banque Populaire).



(1) Simulation based on 2003 net income and the Transition Report

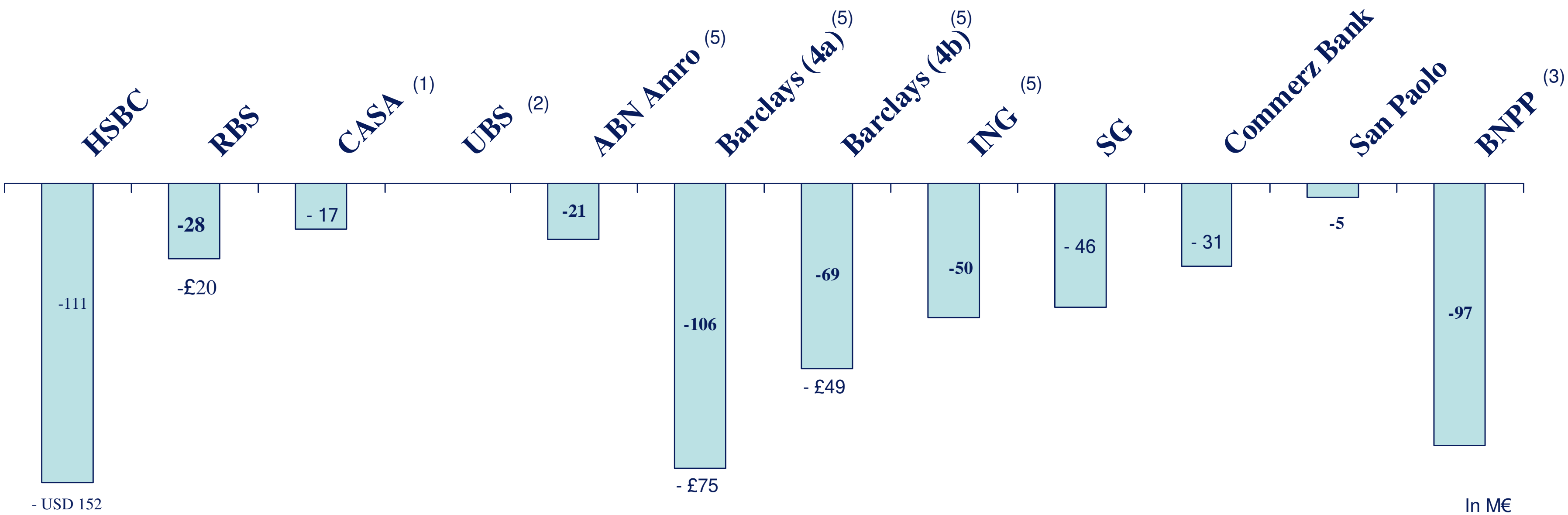
- Finally, the impact on equity as of December 31, 2004 mainly corresponds to the ceasing of goodwill amortization. The – M€ 2,990 impact on BBVA equity relating to goodwill, which remains unexplained, should nevertheless be noted.
- At this reporting stage, no information has been released on the CGUs.

Share-based payment

- The cost of share subscription option plans and the deferred interest payable in shares is amortized in net income as from the grant date over the vesting period by offsetting reserves. The shares acquired by the Group to be granted to employees are deducted from equity. IFRS 2 strictly applies to plans granted after 11/07/2002, and can be applied retrospectively (option followed by HSBC for example).
- BNP Paribas mentions that in order to ensure a simultaneous recognition between performance and payment, deferred bonuses will now be paid in cash and not in shares and specifies the impact on future income of the reversed amortization of deferred bonuses paid in shares in the past. The expense relating to bonuses paid in shares is amortized over the vesting period under IFRS.
- SG states that, in order to measure the expense, it took into account the cost of not being able to issue shares reserved for employees over 5 years in accordance with the recommendation from the French National Accounting Council (CNC).
- On January 24, 2005, UBS drafted a detailed presentation of IFRS 2, which will be applied in 2005 with a full restatement: restatement of all transactions impacting the 2003 and 2004 pro forma financial statements. The additional expense in 2004 with respect to IFRS is nil but derives from an additional expense of MCHF 550 in respect of options and an expense reduction of MCHF 550 for share plans. The IFRS 2 additional expense in respect of 2003 amounted to MCHF 558, justified by the high increase in bonuses paid in shares in 2004.

Share-based payment

- The impact on 2004 net income for banks which have reported on share-based payment is as follows. There is no significant impact on equity



(1) Estimated "ordinary" expense
(2) Additional expense of MCHF 558 in 2003
(3) Of which M€ 74 relating to deferred bonuses
(4a) Simulation on 2003 net income
(4b) Transition Report
(5) Before tax

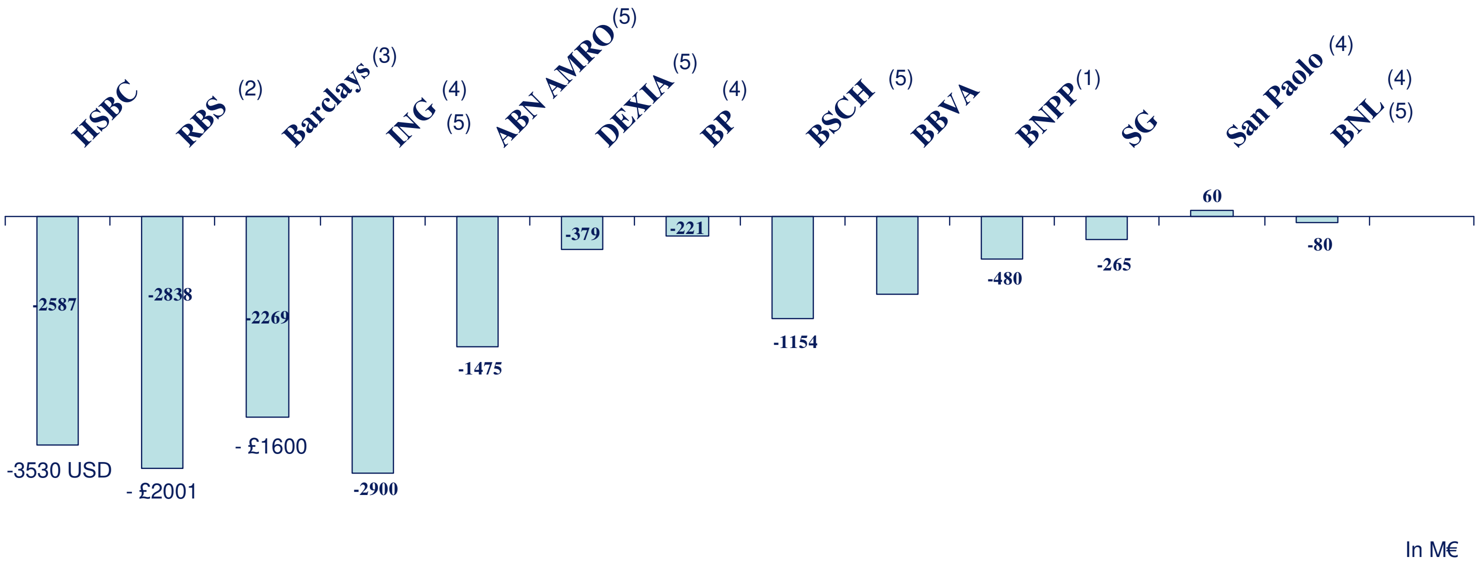
Employee benefits

- The impact on equity of employee-related commitments is very significant (see table below), the sample banks having opted to charge the negative impact relating to the application of IAS 19 to equity.
- The IAS 19 impact is mainly due to:
  - A measurement of commitments based on IAS actuarial assumptions that are more stringent than local GAAP, in particular Spanish, German, Italian and UK (SSAP 24) GAAP, by taking into account:
    - A discount rate for liabilities corresponding to a high quality corporate bond of a currency and term consistent with those of the commitments
    - The remeasurement of wages and turnover
  - Certain services not covered by a liability:
    - E.g.: commitment vis-à-vis the health insurance scheme (BNPP)
  - The use of the option provided by IFRS 1 to record previously unrecognized actuarial gains or losses in equity

Employee benefits

- The sample banks opted to eliminate actuarial gains or losses in equity
- In the UK, banks may apply FRS 17 in advance (RBS) or with a disclosure in the notes (Barclays, HSBC)
  - FRS 17 is consistent with revised IAS 19, with the specific option offered by IAS 19, whereby the changes in actuarial differences are recognized in equity and are not amortized. Revised IAS 19 has yet to be approved by the European Union. The “financial” component of pension cost (discounting costs and return on plan assets) is recognized in financial income.
  - Finally, UK banks obtained on a prudential level a limit on the basis used for estimated contributions to be paid over the next five years, according to certain terms and conditions of their initial loss.
- Even though most banks apply the corridor, CASA stated that it does not do so.

Employee benefits – Impact on equity as of 01/01/2004
unless otherwise stated



(1) Of which M€ 97 in respect of the health insurance scheme transformed into a defined-contribution regime in 2004

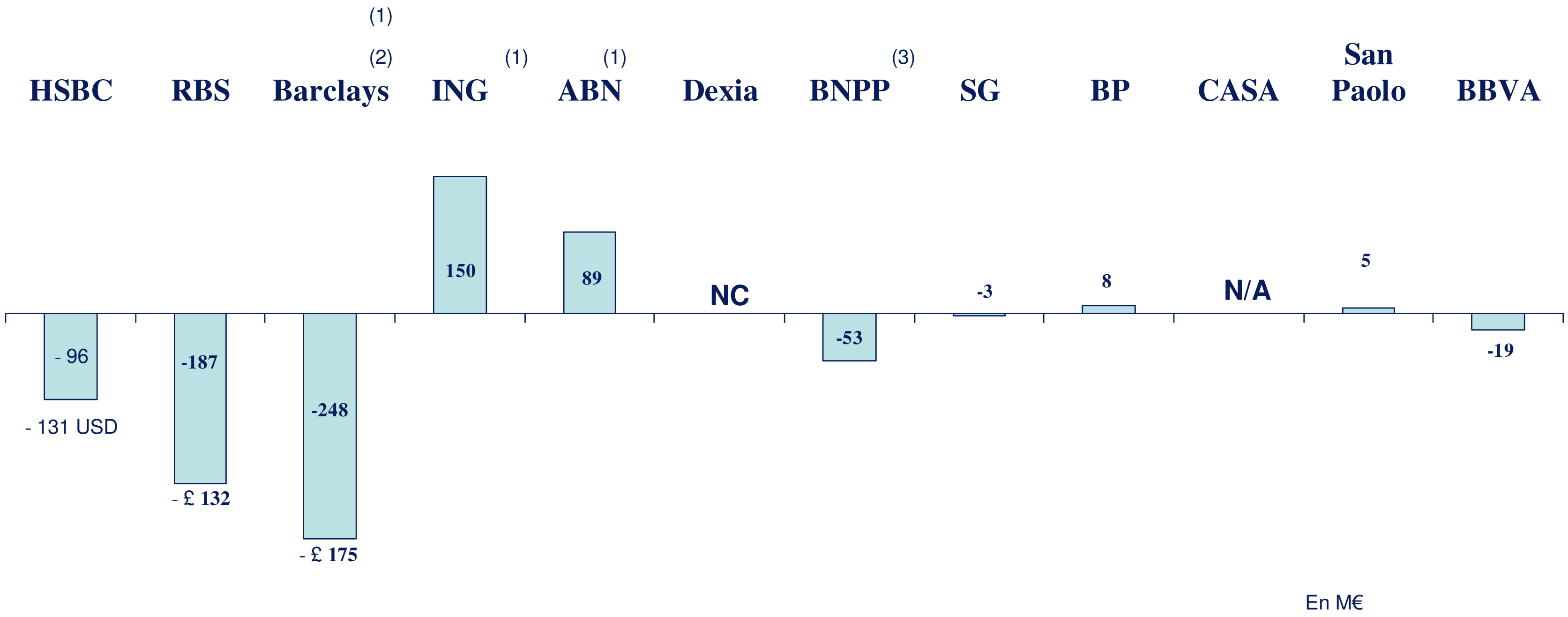
(2) Adoption of FRS 17

(3) Simulation as of 06/30/2004. Based on the transition report (M£ 1,697)

(4) Impact as of 12/31/2004 or 01/01/2005

(5) Before tax

Employee benefits – Impact on 2004 net income



(1) Before tax

(2) Simulation based on 2003 net income and the transition report

(3) Excluding the non-recurring impact from the health insurance scheme (M€ 97)

Scope of consolidation

- Private Equity
  - IAS 27 and IAS 28 do not provide for the exclusion of entities under temporary control from the scope of consolidation. These standards require certain private equity investments to be fully consolidated or accounted for under the equity method:
    - Consolidation of 4 companies held as part of investment capital activities (2 FC, 2 EM), (SG).
    - Impact on 2004 net income relating to the equity accounting of industrial investments: M€ 65 (BNPP).
    - Impact of M€ 840 in additional revenue relating to the consolidation of controlled companies (IAS 27) and impact of M€ 80 on 2004 net income (ABN AMRO)
    - Material impact noted for UBS in 2004 (comparative)
      - Revenues: CHF 3.8 billion
      - Net income: MCHF 92
      - Equity: - MCHF 723
      - UBS created a financial reporting segment for its industrial investments
  - Certain banks like BP chose not to account for certain investments under the equity method and to classify them in the “fair value through profit or loss” category. CASA and ABN AMRO recognized all its uncontrolled investments in this category, including the investments over which the Group does not exercise any significant influence. The impact on 2004 net income is – M€ 146 (CASA) and M€ 129 (ABN Amro).

Scope of consolidation

- Listed strategic insurance and real estate investments
  - The scope of consolidation of Spanish groups significantly increased, since, under Spanish GAAP:
    - Insurance and real estate subsidiaries were accounted for under the equity method and not fully consolidated on account of their different activity,
    - Significant influence was presumed if a Group had a share of more than 3% in a listed company,
    - As for the method of consolidating non-financial activities (insurance, real estate, industrial, etc.), BSCH states that it fully consolidates insurance activities and includes other non-financial activities in the income statement under Income from non-financial services and Non-financial expenses.
- Activities held for sale
  - In accordance with IFRS 5, activities held for sale are set aside and recognized at the lower of their carrying amount and net realizable value. BNL thus recognized its Argentinean subsidiaries under these principles.
- Special purpose entities
  - A certain number of controlled securitization vehicles or mutual funds were consolidated under SIC 12, but the impacts on equity and net income are limited.

Fixed assets and Leases

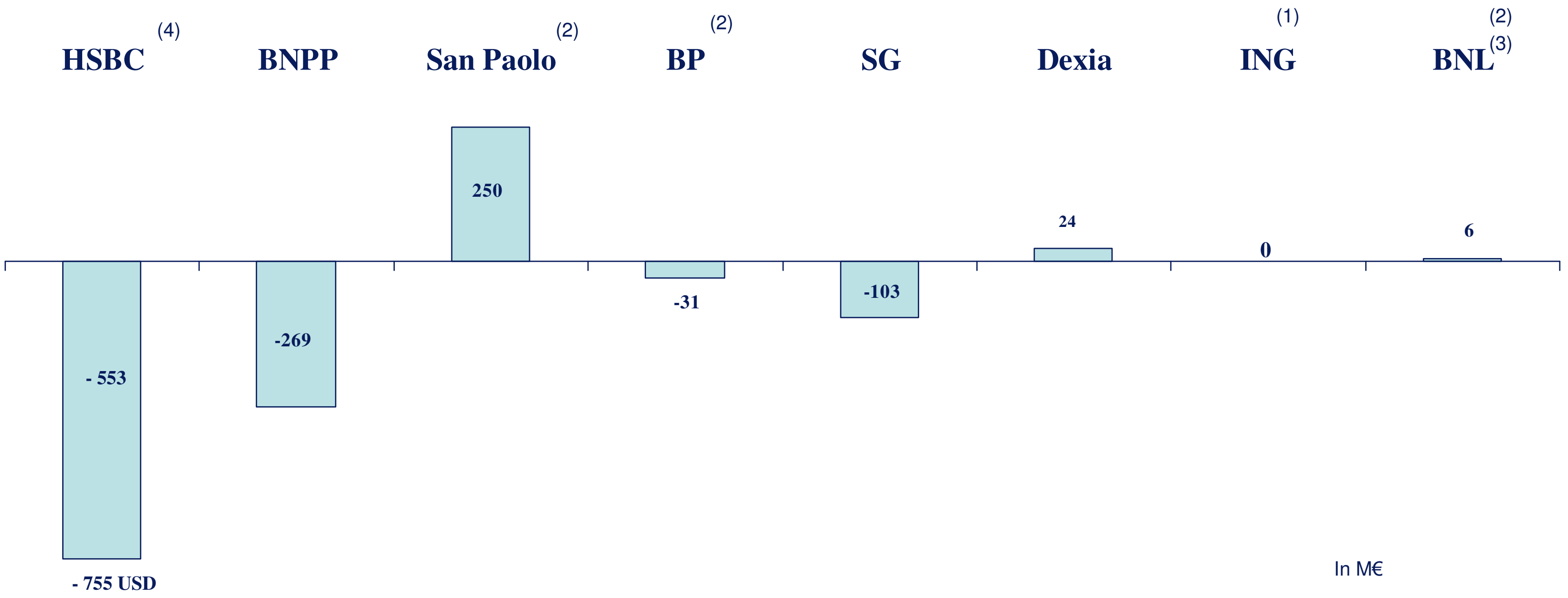
- Most banks maintained the historical cost accounting adjusted for depreciation and amortization under the components method as the transition date initial value for operating fixed assets (IAS 16) as of 01/01/2004
  - Past revaluation differences were reclassified in reserve (SG) net of deferred tax.
  - Conversely, BNPP used the initial historical cost by eliminating past revaluations.
  - Crédit Agricole SA applied in advance as of 01/01/2004 CRC regulation 2002-10 to avoid any distortions between French GAAP and IFRS.
  - Dutch banks periodically revalue their operating fixed assets. ABN AMRO reversed the revaluation reserve.
  - San Paolo adjusted the land component of its property portfolio, resulting in a revaluation of equity as of 01/01/2004 for M€ 250.
  - HSBC adopted fair value as deemed cost. The revaluation performed was transferred to reserves at the date of transition (MUSD 639), as HSBC applied the amortized cost method to its business premises. The revaluation on land leased in particular to Hong Kong under very long-term leases and considered under IFRS as operating leases was cancelled (- MUSD 755).
- The practice concerning investment property (IAS 40) is uneven: most banks use historical cost but some have opted for fair value through profit or loss, in particular ING, HSBC, and RBS.

Fixed assets and Leases

- The capitalization of IT development costs becomes mandatory under IFRS. The adjustment is particularly significant for the UK banks
- Conversely, some banks reversed certain capitalized costs to intangible assets and deferred charges, which did not satisfy IFRS criteria (BNL)
- Leasing
  - The rate of return on finance leases takes into account the direct costs of origination but not tax savings. Furthermore, a certain number of finance leases and similar transactions are operating leases under IAS. They are amortized using the straight-line method after deducting residual values.
  - These two impacts result in a reduction in equity at the date of transition.
  - The impact is material for the UK banks, in particular, Barclays, RBS and HSBC.

Fixed assets and Leases – Impact on equity as of 01/01/2004

- Property, plant and equipment



(1) Revaluation difference transferred to reserves for M€ 900 before tax

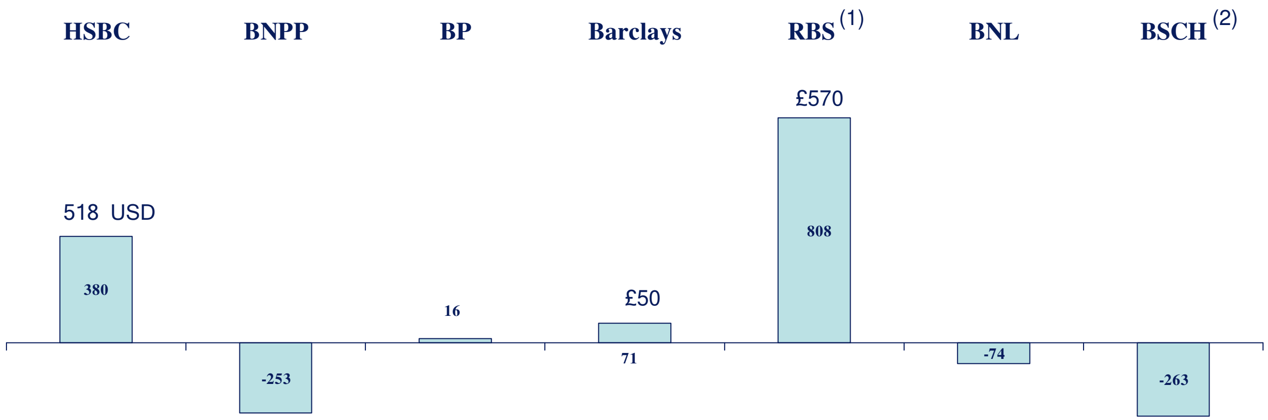
(2) Impact as of 12/31/2004 or 01/01/2005

(3) Before tax

(4) Revaluation difference transferred to reserves for MUSD 640

Fixed assets and Leases – Impact on equity as of 01/01/2004

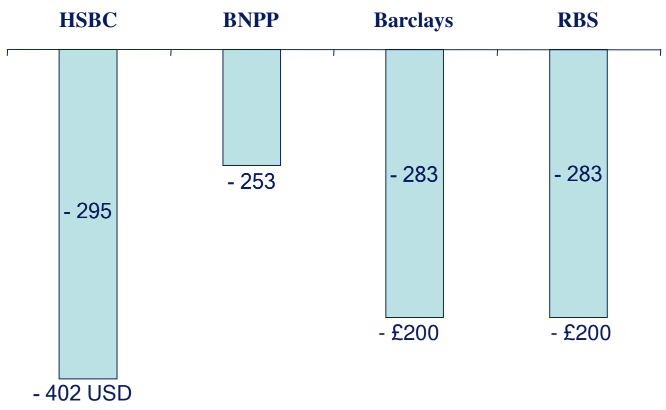
- Intangible assets



(1) System development costs relating to the consolidation of Natwest capitalized and amortized over 3 years
(2) Before tax

In M€

- Leases



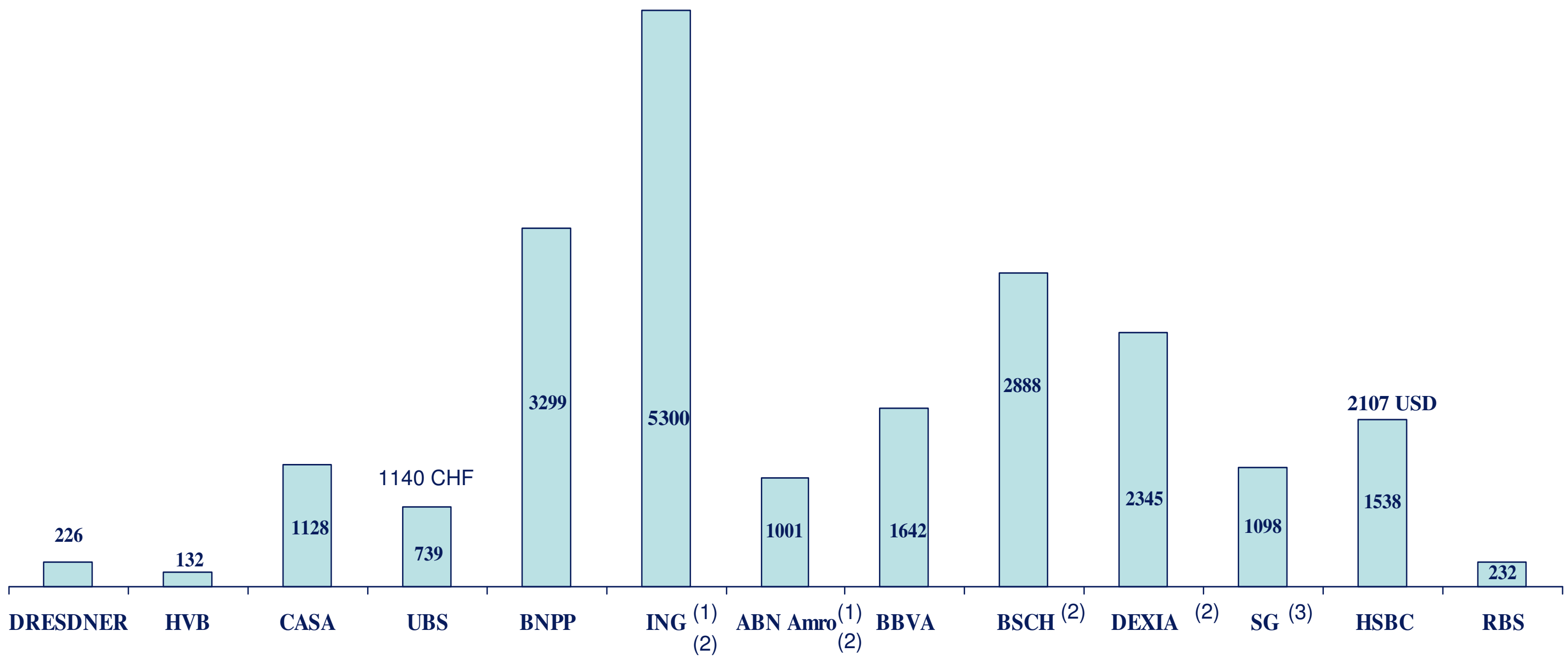
In M€

Available-for-sale assets

- Available-for-sale assets comprise most non-trading security portfolios, given the constraints and limitations relating to Held-to-maturity investments
- The fair value remeasurement of these assets in consideration of a separate component of equity has most often a material impact – when disclosed - on equity even if the impact is adjusted for the calculation of prudential tier one equity
- Specific cases
  - Private equity: see scope
  - Insurance financial assets: see insurance
  - Unlisted securities: certain banks stated that unlisted securities for which the fair value cannot be determined were recognized at cost
  - Little information on the methods of determining "significant or prolonged" decline in FV for equity instruments
    - CASA states however that it used the "lowest market price" as of 1/1/2005 (- M€ 185)
    - SG: impact of – M€ 188
  - Disposal gains or losses: the Dutch banks reamortized disposal gains or losses on debt securities. The interest equalization reserve was reversed through equity: ING (M€ 1,300) and ABN Amro (M€ 1,563)

Available-for-sale assets

- Impact of the remeasurement of available-for-sale assets on AFS equity reserve as of 01/01/2005



(1) Restated for the interest equalization reserve: -M€ 1,300 for ING and M€ 1,563 for ABN Amro

In M€

(2) Before tax

(3) Separate component of equity impacts (including impact on cash flow hedges)

Debt/equity

- Preferred shares within the meaning of this chapter comprise various types of issues: preferred shares, perpetual debt instruments, etc.
- They are classified in debt or equity (minority interests if not issued by the parent compagny), depending on their features

  The interest is thus recognized in either distributed net income or minority interests or financial expenses

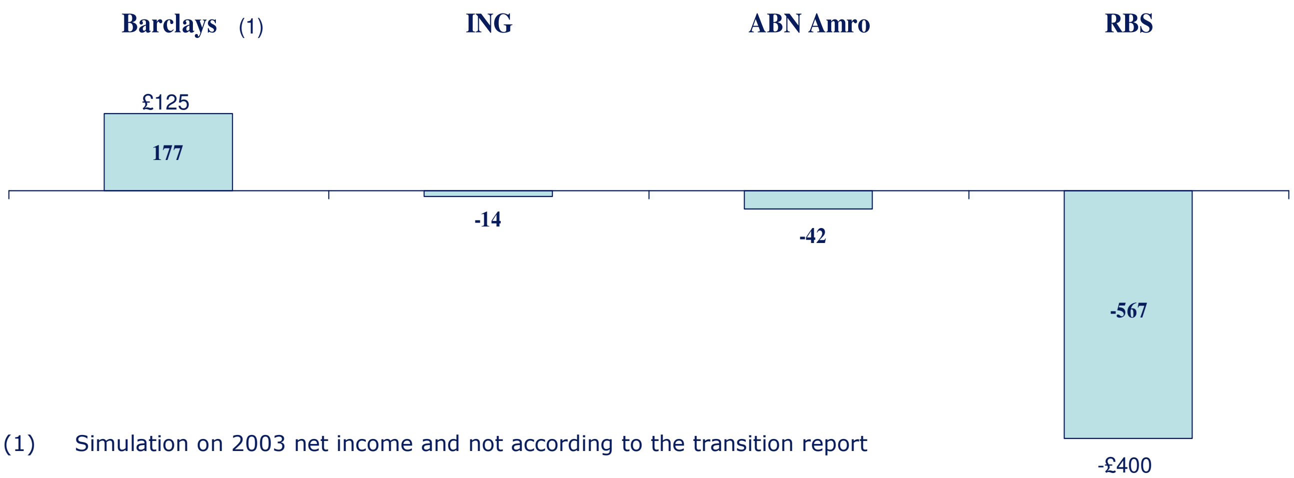
- Reclassifications vary greatly, even though it is impossible to analyze at this stage whether they reflect a certain heterogeneity in the analyses or whether they result from the different features of these instruments
  - SG: perpetual subordinated debt securities "would be" deemed as debt and preferred shares as equity (March 2005). Reclassification of preferred shares in minority interests for M€ 2,049 (May 2005)
  - Barclays: reclassification of preferred shares from debt to equity (£2 billion)
  - However, generally speaking, certain preferred shares are reclassified in debt: ING, ABN Amro, RBS, HSBC, BSCH
  - BNPP: the classification adopted under French GAAP already complies with IFRS
- The impact is especially significant for RBS and HSBC, resulting in a reduction in equity of £5.8 billion, of which - £2.5 billion in minority interests for RBS and a reduction of USD 10.2 billion in minority interests for HSBC

Debt/equity

- The analysis of the “discretionary” nature of the interest payable by the issuer is often difficult, particularly when issues include cumulative dividends or contain step-up clauses with a call for the issuer
- The restatement, when compared to local standards on equity including minority interests, does not normally impact prudential equity
- The impact on the income statement reflects this reclassification and affects the net interest margin and minority interests
  - For 2004, the impact on the net interest margin and therefore profit before tax is - M€ 567 for RBS and M€ 180 for Barclays
  - A note on this impact was also disclosed in certain cases in order to analyze the 06/30/2005 results
    - RBS: impact on Profit Before Tax (PBT) as of 06/30/2004: - M£ 212
    - HSBC: impact on PBT as of 06/30/2005: - MUSD 280
    - BNPP stated that as of 06/30/2005 it issued a Super Perpetual Subordinated Debt Security of USD1.35 billion; this issue has been classified in equity
    - SG stated in a note in its half-yearly financial statements that it performed a “retroactive reclassification in the Q1-05 results of the interest on preferred shares, previously deduced from NBI, to minority interests in the amount of M€ 35. In addition, as the super-subordinated securities formed part of the Group’s share of equity, their interest previously deducted from NBI was reversed from the income statement.”

Debt/equity

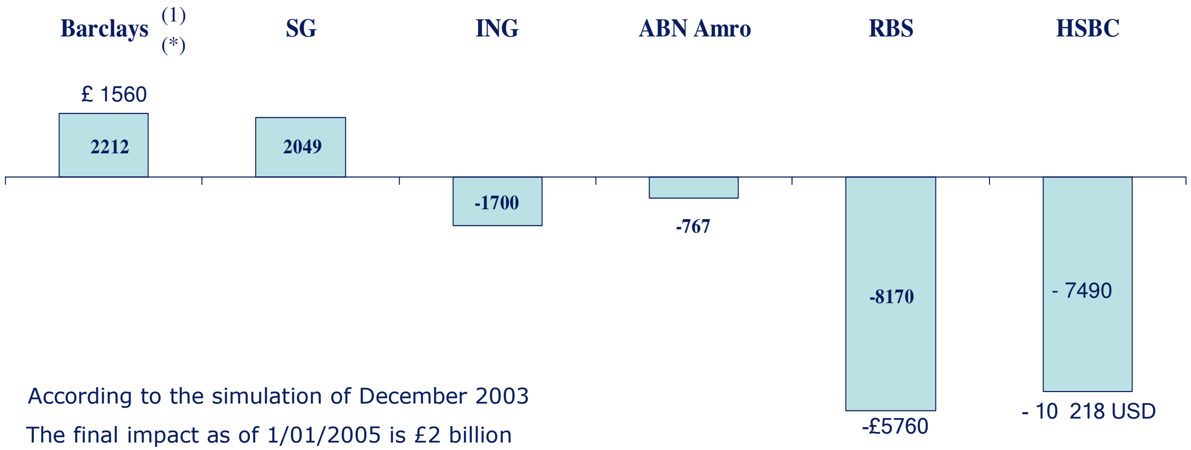
- Impact on 2004 net income before tax and minority interests



(1) Simulation on 2003 net income and not according to the transition report

En M€

- Impact on equity as of 01/01/2005, including minority interests



(1) According to the simulation of December 2003

(*) The final impact as of 1/01/2005 is £2 billion

En M€

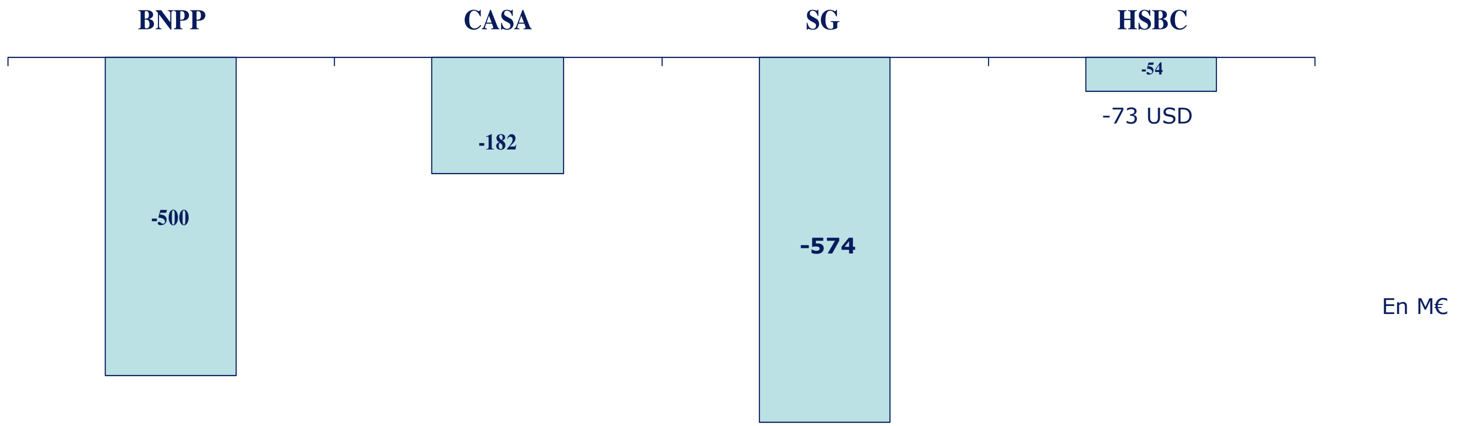
Day one profit

- Few groups (5 in the sample: CASA, BNPP, SG, ABN Amro, HSBC) have disclosed at this stage quantified information on the impact of restating day one P/L.
- Restatement at the date of first-time adoption: 3 treatments were possible
  - Prospective treatment (as of the IAS 39 date of transition)
  - Limited retrospective treatment (contracts entered into after 10/25/2002)
  - Full retrospective treatment

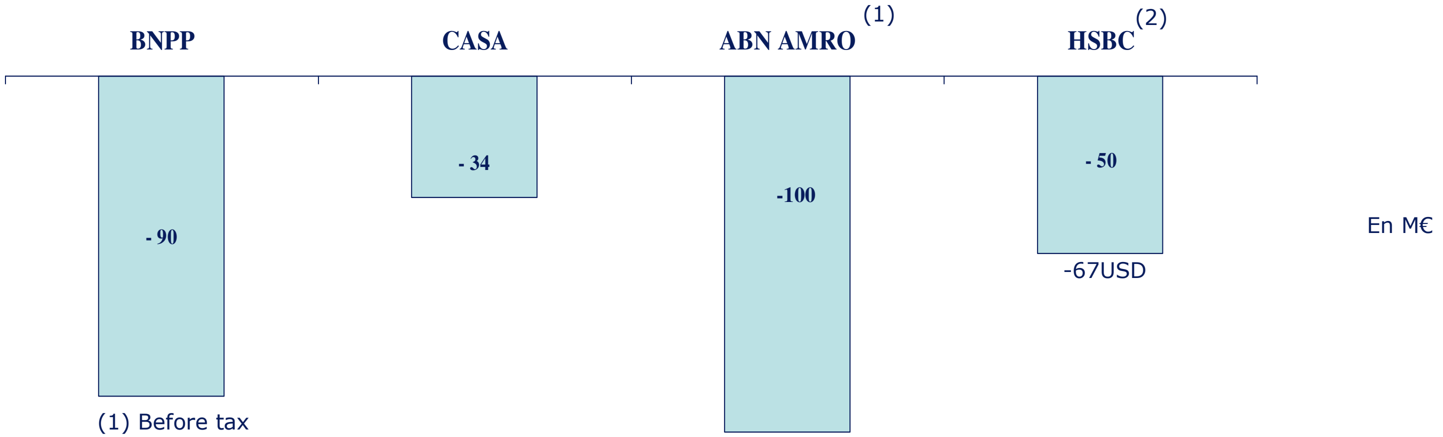
  BNPP and CASA applied the full retrospective treatment and SG the limited retrospective treatment.
- The treatment of day one profit is generally specified and consists of amortizing this profit over the term of the transaction until the criteria become observable, where appropriate. UBS specifies the treatment of day two profit.
- SG explains that this change in accounting basis did not modify the intrinsic profitability of products over their term or their management methods in terms of risk.
- HSBC presents a table of changes over the half-year reconciling the deferred portion as of 01/01/2005, the impact of new transactions and the amount transferred over the year relating to the amortization of deferred income, the observability of criteria and their maturity. In addition, another table breaks down the fair value calculation (market price, internal models). The result is that 0.9% of derivative assets and 0.7% of derivative liabilities have a fair value based on non-observable criteria.

Day one profit – Impacts

- Impact on equity as of 1/01/2005



- Impact on 2004 net income



(1) Before tax
(2) Impact as of June 30, 2005 corresponding to the deferred income on the new transactions, net of reversals

Hedging

- Certain banks recall the limits and difficulties of applying IAS 39 with regard to hedging and justify the application of the carve-out
  - ING: “the hedge accounting requirements in IAS 39 were subject to much criticism from the financial industry because they are not aligned to established risk management policies… ING will apply the carve-out as it enables ING to implement additional hedge accounting.”
  - BNP Paribas dedicates a specific part of its presentation to explaining how the carve-out works and what are its advantages
  - Dexia: “This option (carve-out) allows Dexia to appropriately reflect its current sound asset and liability management in the accounts, with a limited impact in terms of volatility of earning and reserves.”
- Different examples of documentation on macro-hedged derivatives appear to have been used but the information collected remains limited:
  - The French banks use the carve-out option and apply the macro fair value hedge to demand deposits and fixed-rate loans. They also document certain derivatives in micro fair value hedge and micro cash flow hedge relationships. Macro fair value hedges are also used, in particular, for certain entities of the Groupe Crédit Agricole.

Hedging

- UK banks do not use the carve-out option and have provided at this stage little information on the treatment of hedging transactions. The expected impact on net income is low or “moderate”, considering the documentation performed.
  - Barclays: “PBT (Profit Before Tax) impact variable depending on effectiveness of hedging but trending to zero.”
- Our understanding is that Barclays and RBS would prioritize micro fair value hedge type documentation. In its presentation of the major differences between UK GAAP and IFRS, HSBC states on the contrary that “where possible HSBC intends to hedge its interest rate exposure using cash flow hedging.” This information does not feature in HSBC’s report for the period ended June 30, 2005.
- The German banks seem to have a different practice and certain banks have apparently switched from a macro cash flow hedge model to a micro fair value hedge model. This model, in its most developed implementation, consists of allocating external derivatives to fixed-rate assets and liabilities on the basis of the open net position and, in order to limit ineffectiveness, redesigning the hedging relationships on a daily basis. However, HVB states that it documents its macro-hedge swaps in a cash flow hedge relationship: “The Bank recognizes derivatives in accordance with cash flow hedge accounting when they are used to hedge interest rate risk as part of the Bank’s asset and liability management system.” Commerzbank also uses cash flow hedges predominantly (“For covering these items, cash flow items, cash flow hedges are used for the next part”), which explains the significant cash flow hedge reserve (- €1.2 billion).
- UBS provides quality information on hedging. It uses fair value hedges for certain fixed-rate issues. It prioritizes cash flow hedges in ALM to hedge variable-rate assets and liabilities or the expected substitution of assets and liabilities.
- Little information from Spanish banks. We understand that the practice would be to prioritize micro cash flow hedges, given the predominance of variable-rate assets and liabilities in the balance sheet.
- Also little information from Italian banks. We understand that certain banks use macro fair value hedges with the carve-out option by documenting the net position of derivatives as hedging instruments.
- Finally, Dexia also uses the carve-out and therefore macro fair value hedges for its fixed-rate loans and securities.

Hedging

- The impacts on equity at the first-time adoption date vary widely. It is necessary to distinguish between the impact on transferable equity and the impact on retained earnings.
  - The impact on retained earnings should be relatively limited insofar as the derivatives used for hedging relationships under local GAAP can only qualify for trading if the hedging relationship is not eligible under IFRS. Examples:
    - Interest rate risk hedging of held-to-maturity investments
    - Hedging with net written options
    - Hedging of internal transactions
    - Hedging using credit derivatives. From this perspective, SG, ABN Amro and UBS specifically refer to the impact of classifying these products as trading

  Nevertheless, certain non-negligible impacts have been noted, in particular ING: fair value remeasurement for - €2.6 billion as of January 1, 2005 (before tax) of derivatives classified as trading at the date of transition. The other significant impacts are as follows:
    - ABN Amro: - M€ 560 before tax on reserves as of January 1, 2004 (Impact of derivatives and hedging)
    - BBVA: + M€ 56 on reserves as of 12/31/2004
    - CASA: - M€ 448 on reserves as of 01/01/2005 (reclassification in a trading portfolio of derivatives that are by principle not eligible)
    - BNPP: - M€ 400 as of 01/01/2005 (hedging strategies not recognized under IFRS)
    - San Paolo IMI: - M€ 150 as of 01/01/2005 (closing of derivative positions and fair value)
    - BNL: - M€ 49 as of 12/31/2004
    - BSCH: - M€ 41 as of 12/31/2004
    - Dexia: - M€ 1,098 before tax as of 12/31/2004 including the fair value hedge impact
    - HSBC: - M€ 498 (- M€ 360) as of 12/31/2004

Hedging

- The impact of cash flow hedges on CFH equity reserves varies considerably
  - BNPP: M€ 300
  - CASA: M€ 36
  - ING: M€ 1,700 (before tax)
  - Dresdner: - M€ 46
  - Commerzbank: - M€ 1,214
  - UBS: - M€ 322
  - HVB: - M€ 457
  - HSBC : MUSD 433 or M€ 317
- The banks which apply the carve-out fair value hedge have specified the remeasured amount of the derivative instruments used in this macro fair value hedge relationship, except for SG which did not report on this matter:
  - ING: €0.6 billion
  - BNPP: €1 billion
  - CASA: €1.3 billion (net remeasurement of hedged assets/liabilities)

- Regarding the impact of the remeasurement of derivatives reclassified as trading, and the impact of ineffectiveness on net income, certain banks provide information regarding the impact on 2004 net income: CASA: M€ 94, ABN Amro: - M€ 34, BBVA: - M€ 87. However, BNPP states that the impact on 2004 net income is not very relevant considering the changes in the hedging technique.

  The - M€ 34 balance for ABN Amro actually reflects the very high volatility of certain items
  - no correct reversal of US internal hedging contracts: M€ 255
  - bifurcation of structured products: -M€ 76
  - derivative instruments not eligible for hedging (CDS): - M€ 52
  - ineffectiveness and treatment of hedging derivatives on Mortgage Servicing Rights: -M€ 161

  - The June 30 financial statements offer little additional information on the quantified volatility of derivatives and hedging
    - HSBC: loss of MUSD 68

- The issue of internal contracts is mentioned by certain banks (ABN Amro, Banca Intesa, etc.)

  ABN Amro: "The positive effect (on IFRS 2004 net profit) of US hedge contrats not properly externalised (net positive impact EUR 255 mln). Although the hedges are related to BU North America, the impact is recorded in Group Functions because the proper externalization of the internal hedges of BU North America was a group responsibility."

Hedging

- UBS, which is not subject to European regulations, used the fair value option in 2004, mainly for its indexed issues so as not to separate the embedded derivatives

  "At December 31, 2004, we carried compound debt instruments designated as held for fair value in the amount of CHF 65,756 million on the balance sheet.

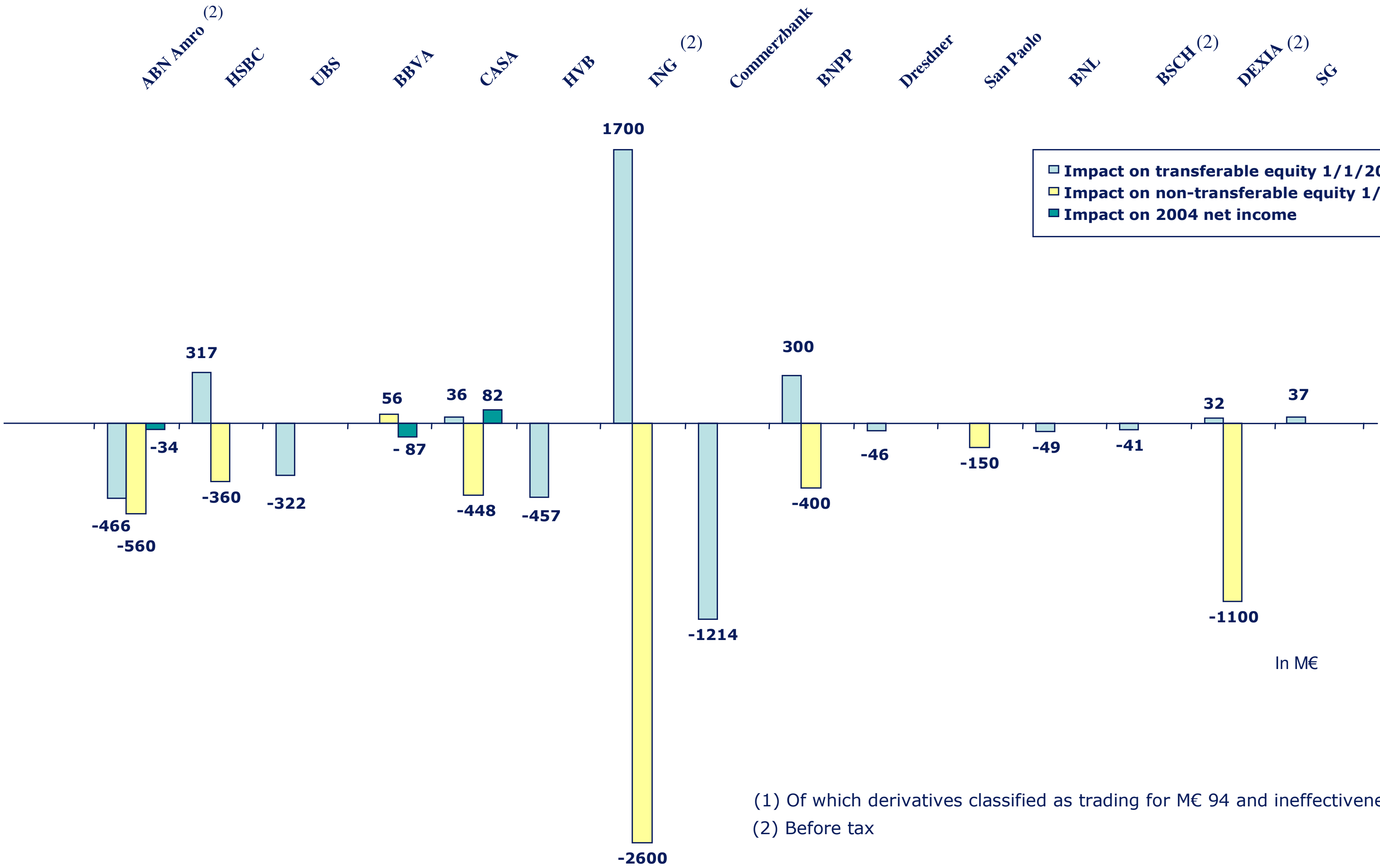
  In 2004, the change in fair value of these instruments was an expense of CHF 1,203 million, of which CHF 402 million was attributable to changes in LIBOR and CHF 801 million was due to changes in the fair value of embedded derivatives"

  The information published as of June 30 offers interesting developments as to the use of the fair value option by other EU banks. Although this amendment has yet to be published (approval by the ARC on July 8, 2005), a certain number of banks have applied it to their interim financial statements:

  - HSBC: HSBC applies the fair value option for
    - Fixed-rate issues swapped at variable rates (USD 48 billion in outstandings)
    - Financial assets (USD 12 billion) and liabilities (USD 9 billion) relating to insurance contracts

    The corresponding adjustment on equity is – MUSD 812 as of 01/01/2005, but the net impact of this option cannot be assessed as it does not incorporate the impact of assets and liabilities related to assets and liabilities FV TPL on option
  - BNPP used this option for debt securities, and, to a lesser extent, subordinated debts and structured debts in the amount of M€ 33.5

Hedging – Impact



(1) Of which derivatives classified as trading for M€ 94 and ineffectiveness for – M€ 12

(2) Before tax

Loan provisioning

- The impacts of adopting IFRS mainly relate to
  - Reclassification of GBR in reserves (mostly) or provisions (1 case)
  - Removal by a majority of banks of general provisions, replaced by portfolio-based provisions, the impacts of which are mixed
  - Discounting of cash flows expected to be recovered on doubtful loans

FGBR

- The banks which had set up GBR reversed them:
  - by reclassification in reserves, with no impact on the tier one ratio (Groupe Banque Populaire: M€ 2,077; BNPP: M€ 838; SG: M€ 312; CASA: M€ 837; Dexia: M€ 1,793; ABN AMRO: no figures)
  - by reallocation to collective provisions or provisions for contingencies and losses (CASA: €1.1 billion)
  - by stating that they can no longer be set up: “Hidden reserves may not be formed” (Commerzbank)

Loan provisioning

Provisioning method:

- Most banks set aside "general" provisions and explain that these provisions are no longer permitted under IFRS:

	Local GAAP	IFRS
BARCLAYS	General provision revised against performing tests	No concept of general provision
HSBC	General provisions made through experience in respect of impaired advances that are known to exist but are not specifically identified	IAS 39 does not give rise to an impairment loss on initial recognition of an asset
ABN AMRO	Certain general provisions maintained	Provision for incurred but not identified loan losses
SG	Significant outstandings – segmental / fixed country provisions	Outstandings presenting an impairment risk – portfolio-based provision (collective)
HVB	Lending risks are covered by general provision measured on the basis of historic loan loss rates taking into account the economic environment and current events	Charge in 2005: a method has been provided for calculating impairment on account of inherent risks

Loan provisioning

- BBVA is a special case in the sample since generic provisions are maintained pursuant to the directives of the Bank of Spain (BIS circular), with new rates:
  - "Generic provisions": coverage of inherent losses (between 0 and 2.5% with a cap), moving towards internal risk model
  - "through – cycle provisioning methodology (not applied by other European Bank Systems) to ensure greatest coverage and stability of future provision level"
- San Paolo IMI has also maintained "a prudential approach to inherent risk on performing loans with a generic reserve of € 1014 million which represents approximately 0,8% coverage of the performing loans or approxim x2 the annual expected loss of the performing loan portfolio."
- The banks generally provide information on new portfolio-based provisioning methods, by stressing the notion of incurred losses
  - "point in time" estimate of incurred loss basis "through the cycle" (local group) (ING)
  - "impairment on an incurred basis" (HSBC)
- The German and Spanish banks mention that they will finally maintain country risk provisions, while others have reviewed these "general" provisions in connection with recognizing portfolio-based provisions.
  - "Sets aside provisions for loans to borrows in countries exposed" (HVB)
  - "Country loan loss allowances" (Commerzbank)
- BNL breaks down its collective provisioning method, which resulted in a hedge of performing loans at 1.3% compared to 0.68% based on the "loss given default rates calculated on historic data from internal rating/scoring systems"
- Certain banks make the connection with Basel II criteria or rating
  - "For the determination of collective adjustments to performing loans, comprehensive to IAS provisions considers the criteria indicated for Basel II which are progressively introduced" (Banca Intesa). In particular Banca Intesa has used for collective measurement of performing loans the one year period to measure the probability of default which "approximates the definition of incurred loss".
  - "The method adopted by BNP Paribas involves internal risk rating implemented for the purposes of calculating economic and regulatory capital" (BNPP)

Loan provisioning

- Concerning the specific provisioning of individual doubtful loans, the current rules generally comply with IFRS (excluding the discounting impact)
  - "Total amount of specific provisions for individually significant exposure"
  - It is sometimes specified that the transfer to doubtful loans takes place from the first moment of arrears, (BBVA), instead of after a minimum of three defaults under local GAAP
- Discounting the expected rates of recovery, which is not permitted under local GAAP, results in relatively significant impacts in the opening balance sheet (see below) for some banks which disclose figures

  However, discounting doubtful loans (NPV on problem loans) had no impact for San Paolo IMI as the Group had adopted the principle of discounting doubtful loans in its local financial statements since 1998, the year in which it was listed in the US
- Certain banks however stress the fact that this impact quickly fades in the results or the impact of the different current and IFRS methods is identical at the end of the provisioning cycle

  "In the normal course of business, no impact on net income during a provisioning cycle of around 5 years" (SG)
- Finally, where necessary, the divergence with US GAAP is mentioned
  - "divergence with US practice for credit cards" (Barclays), resulting in provision reversals under IFRS

Loan provisioning

Impacts:

- The removal of general provisions (excluding FGBR) and the application of new provisioning methods have different impacts depending on the bank, considering disparate previous GAAP
  - No or little impact on provisions due to a reclassification in provisions determined according to IFRS
    - “opening impairment stock broadly in line with UK GAAP” (Barclays)
    - no adjustment necessary in the new IFRS (San Paolo IMI)
  - Positive impact on provisions:
    - “Positive impact on equity of €0.6 billion before tax due to the release of certain provisions” (ING)
  - Negative impact on provisions:
    - MUSD 138: HSBC (12/31/2004)
    - - M€ 113: HVB (12/31/2003)
    - - M€ 551 including discounting of doubtful loans for –M€ 451. The final quantification for the 2004 benchmark IFRS financial statements is M€ 480 with respect to the discounting of future cash flows and M€ 155 corresponding to the difference between collective provisions and country, general and segmental provisions
    - - M€ 405 before tax (overall impact including the negative impact of debt discounting) ABN AMRO
    - - 10 bp on discounting of doubtful loans, virtually all country and segmental provisions (€1 billion) were reclassified in portfolio-based provisions (SG)
    - - M€ 185 for discounting of doubtful loans (CASA)
    - - M€ 805, including performing loans of – M€ 336 and problem loans of – M€ 469 (for which the hedging percentage increased from 51.4% to 62.8%) (BNL)
  - BBVA, BSCH: the use of new criteria from the Bank of Spain results in maximum generic provision rates:
    - “Generic provisions at maximum levels”
    - Impact on equity: – M€ 301 (net of tax) including additional provisions for “American” portfolios (BBVA)
    - Impact on equity: M€ 268 (before tax) (BSCH)

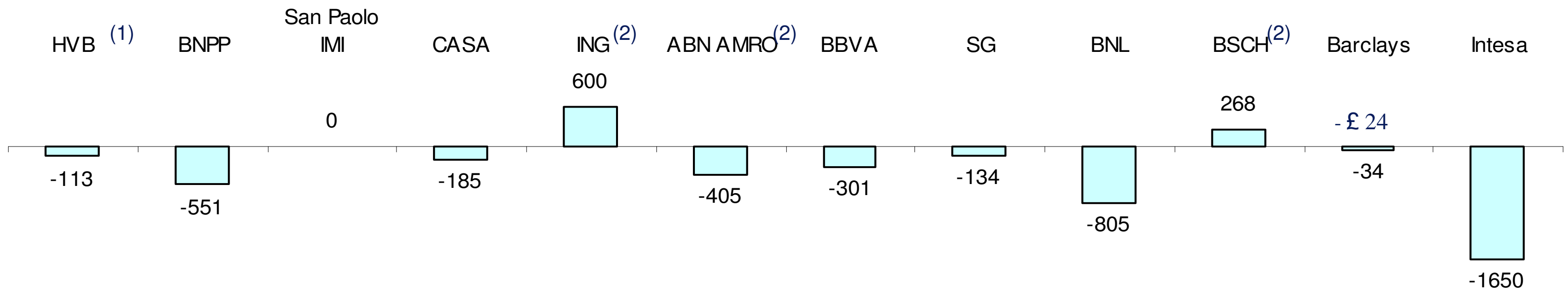
Loan provisioning

- Only the banks applying IAS 32/39 for the first time as from 2004 reported the impact of the new methods of providing for credit risk on their 2004 net income
  - BBVA: M€ 28
  - ANB Amro: M€ 29

- Finally, certain banks specify the impact of the discounting of doubtful loans on income statement presentation:
  - BNPP: PNB: +150 / cost of risk: - M€ 150 (2004 simulation)
  - RBS: Net interest income: M£ 67 (06/30/2005 simulation)
    Cost of risk: - M£ 75

Loan provisioning (excluding GBR)

- Impact on equity as of 12/31/2004 (unless otherwise stated)



1) 12/31/2003
2) Before tax

En M€

Insurance

- Insurance activities are now consolidated, particularly in Spain and Italy where they were accounted for under the equity method
- General provisions, in particular the equalization provision, are cancelled
  - The Groupe Banque Populaire performed such a restatement concerning the equalization provision for export credit insurance (M€ 88 as of 12/31/2004) as did BBVA
- “Controlled” Mutual funds were consolidated, particularly in France where they benefited from a regulatory exemption.
- Financial assets, mainly available-for-sale assets considering the restrictions imposed on Held-to-maturity securities, are measured according to IAS 39. Insurance contracts with profit-sharing may be subject to shadow accounting in liabilities which balances the remeasurement of the corresponding assets so that only the remeasured portion of proprietary assets impacts equity. The liability adequacy test did not require additional technical provisions. The BNPP, CASA, ING and SG Groups specifically mention the use of shadow accounting.

  These capital gains amount to, in particular:
  - CASA: M€ 296
  - BNPP: M€ 100
  - ING: €2.9 billion after shadow accounting (€3.2 billion) and reversal of the equalization reserve (€1 billion).
- IFRS 4 is more restrictive than certain local GAAP (UK GAAP in particular) regarding the scope of insurance contracts so that a portion of the contracts now fall within the scope of IAS 39. This results in an impact, often significant, on the treatment of embedded value and the costs and revenues on these contracts. Thus for Barclays, half of the life insurance contracts will be considered as financial contracts, and the embedded value on these contracts has been reversed (impact on equity: - M£ 500). The corresponding impact for HSBC is – MUSD 192.
- A deferred tax is recognized for the entire capitalization reserve of life insurance companies

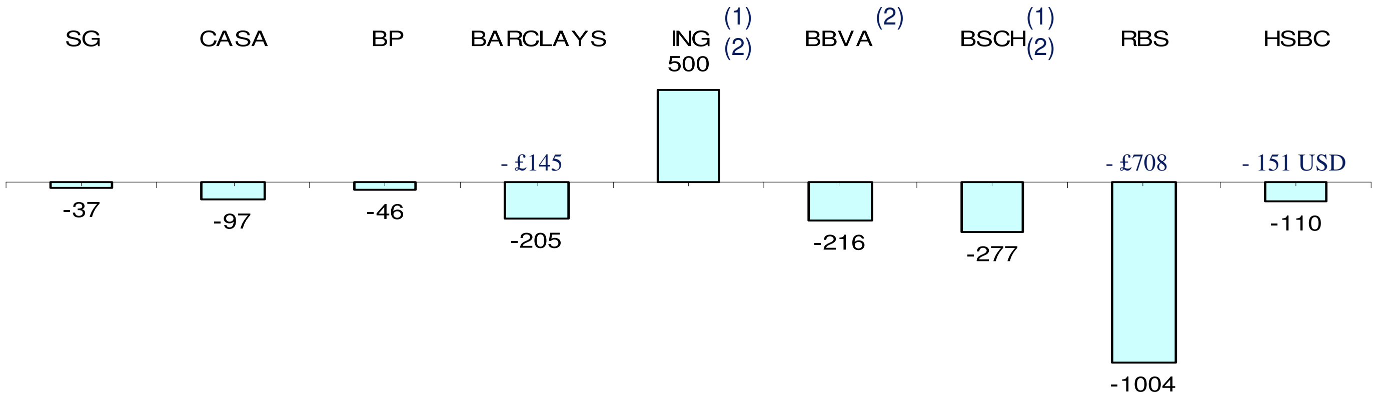
  Only the French banks mention this restatement.
  - CASA: - M€ 285
  - Groupe Banque Populaire: - M€ 30
  - SG: - M€ 73

Effective interest rate/Treatment of commissions

- The restatement of commissions, if performed, took place as of 01/01/2004 under IAS 18 or as of 01/01/2005 under IAS 39 (ING, Barclays, RBS, HSBC, and BNPP).
- The main changes mentioned regarding the treatment of commissions involve:
  - Commissions on retail bank credit cards (SG)
  - Consumer credit agency commissions, commissions on retail bank credit cards, some commissions on investments (CASA)
  - Fees and costs on mortgages (mainly commissions) amortized (ING)
- The impacts vary substantially: generally immaterial on the income statement for French banks, they may be more considerable for certain banks whose methods of recognizing commissions and costs relating to loans differed more widely from IFRS (Barclays, BBVA, BSCH, etc.)

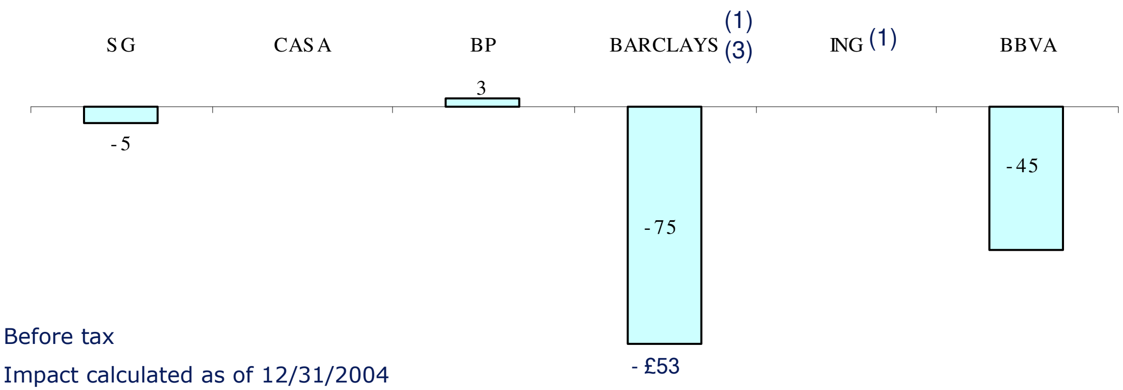
Effective interest rate/Treatment of commissions

- Impact on equity as of 01/01/2004



In M€

- Impact on 2004 net income



(1) Before tax

(2) Impact calculated as of 12/31/2004

(3) Based on the presentation of December and not the Transition Report

In M€

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  - Share-based payment
  - Employee benefits
  - Scope of consolidation
  - Fixed assets and leases
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  - Debt/equity
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  - Hedging
  - Loan provisioning
  - Insurance
  - Effective interest rate/Treatment of commissions
- **Financial reporting for the period ended June 30, 2005**

A 2005 schedule in line with the 2004 schedule

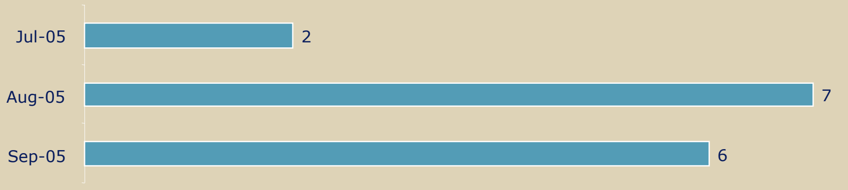
- The 2005 reporting schedule is line with that of 2004
- Information as of March 31, 2005 is mainly released in May 2005

ABN AMRO

BNPP, SG, Dexia, BBVA, Banca Intesa, San Paolo IMI, BNL, ING, BSCH

CASA

- Information as of June 30, 2005 will mainly be released in the first two weeks of August



BBVA, BSCH

BNPP, SG, Barclays, HSBC, RBS, ABN AMRO, ING

CASA, BP, Dexia, Banca Intesa, San Paolo IMI, BNL

- 4 banks (3 English and 1 French) will only release half-yearly results
- Italian banks are not required to publish IFRS quarterly results (only Banca Intesa published IFRS information for Q1 2005)

Half-yearly reporting adopts varied formats

- The 2005 reporting schedule is line with that of 2004, only delayed by 1.5 days on average
  - 9 banks published their half-yearly financial statements prior to August 15, 2005
- Only one bank states that it prepared its half-yearly financial statements in accordance with IAS 34 on interim financial statements (HSBC)
  - Most banks do not mention IAS 34 or refer to local presentation standards for interim financial statements (Société Générale)
  - Hence, the content of notes at this stage varies widely
- Concerning the first-time adoption of IFRS, the half-yearly reports
  - Refer to the reports published with respect to first-time adoption (Barclays, RBS) or restated benchmark financial statements for 2004 (published at start of July for BNPP)
  - Include summary tables of the transition impacts (Société Générale)

Half-yearly reporting differs depending on whether the early adoption of IAS 32/39 is applied

- The 2004 comparative financial statements, including IAS 32/39 and IFRS 4, are published for banks that have applied these standards since 01/01/2005 (ABN AMRO, BBVA, BSCH)
  - The comments provided on the half-yearly results do not particularly refer to the impact of IFRS
- For the 6 other banks that did not publish a 2004 comparative income statement including IAS 32/39
  - 2 banks published additional simulations of restated financial statements (BNPP, RBS). RBS stated that this comparative does not comply with the provisions relating to hedge accounting and new rules for recording credit provisions
  - 4 banks commented on the impact of the adoption of IAS 32/39 on the results for the 2nd quarter or the 1st half of 2005: on an overall basis (ING) or the main relevant headings by core business (Société Générale, Barclays, HSBC)

The fair value option has been anticipated in certain cases

- 5 banks opted for the early application of the fair value option adopted by the IASB in mid-June and approved by the ARC on July 8, 2005 (ABN AMRO, Barclays, BNPP, HSBC, Société Générale)
- Overall, the reclassifications concern borrowings (€35 billion for HSBC; €33.4 billion for BNPP; €7.4 billion for Barclays) and certain assets and liabilities of insurance activities (€15 billion for HSBC)
- The impacts on equity are either not disclosed (or aggregated with other impacts), or do not take into account the impact of the related transactions (HSBC: impact of - M€ 595)
  - Only Barclays presents a comparative balance sheet as of 01/01/2005 before and after the fair value option
  - The favorable impact on results with respect to the reduction in volatility is difficult to assess

Topics that are still to be developed in terms of financial reporting

- Certain topics – most often subject to debate – have still not been widely developed by many European groups
  - Hedge accounting
  - Loan provisioning (approach by portfolio)
  - Debt/equity classification
  - Fair value measurement
  - Analysis of volatility generated (except for home ownership savings plans/accounts)