

COMITE DE LA REGLEMENTATION COMPTABLE
Règlement n° 2002-03 du 12 décembre 2002**Relatif au traitement comptable du risque de crédit dans les entreprises relevant du
Comité de la réglementation bancaire et financière**

Le Comité de la réglementation comptable ;

Vu le code monétaire et financier ;

Vu le règlement du Comité de la réglementation bancaire et financière n°97-02 relatif au contrôle interne des établissements de crédit ;

Vu l'avis n°2002-04 du 28 mars 2002 du Conseil national de la comptabilité sur le traitement comptable du risque de crédit dans les entreprises relevant du Comité de la réglementation bancaire et financière ;

Vu l'avis n°2002-02 du Comité de la réglementation bancaire et financière en date du 21 novembre 2002

Décide**1 - Définitions****Article 1**

Le présent règlement s'applique aux établissements assujettis suivants :

les établissements de crédit et les compagnies financières mentionnés respectivement aux article L.511-1 et L.517-1 du Code monétaire financier ;

- les entreprises d'investissement visées à l'article L.531-4 du code monétaire et financier, (hors sociétés de gestion de portefeuille), ainsi qu'aux personnes morales membres des marchés réglementés ou effectuant une activité de compensation d'instruments financiers, visés respectivement à l'article L.421-8 et aux points 3, 4 et 5 de l'article 442-2 ;
- qui effectuent des opérations génératrices d'un risque de crédit au sens de l'article 2b) du présent règlement.

Article 2

Pour l'application du présent règlement, on entend par :

- a. contrepartie : toute entité juridique bénéficiaire d'un crédit ou d'un engagement par signature, partie à un instrument financier à terme ou émetteur d'un titre de créance.
- b. risque de crédit : l'existence d'une perte potentielle liée à une possibilité de défaillance de la contrepartie sur les engagements qu'elle a souscrits.
- c. risque de crédit avéré : un risque est avéré dès lors qu'il est probable que l'établissement ne percevra pas tout ou partie des sommes dues au titre des engagements souscrits par la contrepartie conformément aux dispositions contractuelles initiales, nonobstant l'existence de garantie ou de caution, et que cette probabilité de perte est associée à l'une des situations suivantes.

2 - Identification du risque de crédit

Chapitre 1 - Règles comptables

Article 3

Au sein de l'ensemble de leurs risques de crédit, les établissements assujettis distinguent comptablement les encours sains et les encours douteux.

Sont des encours douteux les encours porteurs d'un risque de crédit avéré au sens de l'article 2c), correspondant à l'une des situations suivantes :

- lorsqu'il existe un ou plusieurs impayés depuis trois mois au moins (six mois pour les créances sur des acquéreurs de logement et sur des preneurs de crédit-bail immobilier, neuf mois pour les créances sur des collectivités locales, compte tenu des caractéristiques particulières de ces crédits). Il ne peut être dérogé à cette règle que lorsque des circonstances particulières démontrent que les impayés sont dus à des causes non liées à la situation du débiteur ;
- lorsque la situation d'une contrepartie, présente des caractéristiques telles qu'indépendamment de l'existence de tout impayé on peut conclure à l'existence d'un risque avéré. Il en est ainsi notamment lorsque l'établissement a connaissance de la situation financière dégradée de sa contrepartie, se traduisant par un risque de non recouvrement (existence de procédures d'alerte, par exemple) ;
- s'il existe des procédures contentieuses entre l'établissement et sa contrepartie, notamment les procédures de surendettement, de redressement judiciaire, règlement judiciaire, liquidation judiciaire, faillite personnelle, liquidation de bien, ainsi que les assignations devant un tribunal international.

Article 4

Les éléments de bilan et les engagements par signature relatifs à une contrepartie correspondant à des encours douteux sont identifiés au sein du système d'information comptable de l'établissement assujetti soit par enregistrement comptable au sein de comptes créés à cet effet, soit au moyen d'attributs.

Article 5

De façon permanente, les procédures internes de l'établissement définies à l'article 21 du 97-02 doivent permettre d'identifier et de suivre les engagements douteux. Dans le cas d'établissements gérant des volumes importants de crédits de faible montant présentant des caractéristiques communes, cette identification peut être fondée sur des procédures de traitement statistique.

Article 6

Le classement en encours douteux peut être abandonné lorsque les paiements ont repris de manière régulière pour les montants correspondant aux échéances contractuelles d'origine. Dans ce cas l'encours est porté à nouveau en encours sain.

Les créances restructurées du fait de la situation financière d'un débiteur sont également à nouveau inscrites en encours sain si la restructuration s'est faite aux conditions de marché à la date de la restructuration.

Les encours restructurés à des conditions hors marché sont identifiés au sein de l'encours sain dans une sous-catégorie spécifique jusqu'à leur échéance finale ; une information est donnée en annexe. Tout abandon de principal ou d'intérêt, échu ou couru, est constaté en perte au moment de la restructuration. Tout écart d'intérêt futur, par référence aux conditions de marché au jour de la restructuration si ces dernières sont inférieures aux conditions initiales, et par référence aux conditions initiales dans le cas contraire, fait l'objet, pour son montant actualisé, d'une décote au moment de la restructuration, enregistrée en coût du risque ; cette décote est réintégrée sur la durée de vie du crédit dans la marge d'intérêt.

Article 7

Lorsque après un retour en encours sain, le débiteur ne respecte pas les échéances fixées, les encours sont immédiatement déclassés en encours douteux compromis.

Article 8

Le classement pour une contrepartie donnée des encours en encours douteux entraîne par " contagion " un classement identique de la totalité de l'encours et des engagements relatifs à cette contrepartie, notwithstanding l'existence de garantie ou caution. Cette règle ne concerne ni les encours affectés de litiges ponctuels non liés à l'insolvabilité de la contrepartie, ni le risque de crédit dépendant de la solvabilité d'un tiers et non de celle de la contrepartie même (cas de l'escompte commercial).

Lorsque la contrepartie appartient à un groupe, l'établissement examine les conséquences de cette défaillance au niveau du groupe et apprécie la nécessité de classer en encours douteux l'ensemble des encours relatifs aux entités juridiques formant ce groupe.

Article 9

Lorsque les conditions de solvabilité d'une contrepartie sont telles qu'après une durée raisonnable de classement dans les encours douteux, aucun reclassement en encours sain n'est prévisible, les encours concernés sont spécifiquement identifiés au sein des encours douteux comme encours douteux compromis, soit par enregistrement comptable au sein de comptes créés à cet effet, soit au moyen d'attributs.

L'identification intervient à la déchéance du terme ou, en matière de crédit bail, à la résiliation du contrat. Dans le cas de créances à durée indéterminée, l'exigibilité intervient à la clôture des relations notifiée à la contrepartie selon les procédures prévues par le contrat. En tout état de cause, l'identification en encours douteux compromis intervient au plus tard un an après la classification en encours douteux.

L'établissement de crédit sort les encours concernés de ses actifs par la contrepartie d'un compte de perte, lorsque le caractère irrécouvrables des créances est confirmé.

Article 10

Les intérêts sur encours douteux sont comptabilisés conformément aux termes du contrat. Ils entrent dans la base du calcul de la provision des pertes probables avérées.

Les intérêts ne sont plus comptabilisés après le transfert en encours douteux compromis.

Chapitre 2 - Système d'information

A des fins de gestion et de conformité avec ses obligations prudentielles, l'établissement dispose de systèmes d'information internes permettant d'évaluer par contrepartie ou catégories de contrepartie le niveau de risque qu'il assume.

Article 11

En vue de garantir la fiabilité de l'information comptable, l'établissement s'assure de l'existence d'un lien permettant de réconcilier à chaque date d'arrêté l'information comptable, telle que définie précédemment, et l'information de gestion ou prudentielle.

3 - Provisionnement du risque de crédit avéré.

Article 12

Dès lors qu'un risque de crédit avéré est un encours douteux, la perte probable doit être prise en compte par l'établissement par voie de provision.

Les provisions constituées apparaissent en déduction des encours correspondant à la seule exception de celles relatives aux engagements hors bilan qui apparaissent au passif.

Article 13

L'établissement assujetti constitue les provisions permettant de couvrir, en valeur actualisée, l'ensemble de ses pertes prévisionnelles au titre des encours douteux ou douteux compromis.

Les pertes prévisionnelles sont égales à la différence entre les flux contractuels initiaux, déduction faite des flux déjà encaissés, et les flux prévisionnels. Ces derniers sont eux-mêmes déterminés en prenant en considération la situation financière de la contrepartie, ses perspectives économiques, les garanties appelées ou susceptibles de l'être sous déduction des coûts liés à leur réalisation, l'état des procédures en cours.

Les flux contractuels initiaux, déduction faite des flux déjà encaissés, et les flux prévisionnels sont actualisés au taux effectif d'origine des encours correspondants pour les prêts à taux fixe ou au dernier taux effectif déterminé selon les termes contractuels pour les prêts à taux variable.

Jusqu'au transfert en encours douteux compromis, les flux contractuels initiaux ainsi actualisés sont par construction équivalents au capital restant dû augmentés des arriérés d'intérêts et de capital (valeur comptable); après le transfert, ce montant ne varie qu'à raison des encaissements effectifs. En pratique également, les flux prévisionnels ne sont actualisés que si l'incidence de l'actualisation est significative au regard de leurs montants prudemment estimés.

Article 14

Pour les encours composés de petites créances présentant des caractéristiques similaires, l'étude, contrepartie par contrepartie, peut être remplacée par une estimation statistique des pertes prévisionnelles. Cette estimation repose sur une base statistique permettant de valider les provisionnements pratiqués. D'une façon générale, cette base tient compte des niveaux de pertes historiquement constatées ainsi que des évolutions constatées ou anticipées de nature à modifier les probabilités de pertes effectives.

Article 15

Pour les encours restructurés se trouvant, du fait d'une nouvelle défaillance, classés en encours douteux compromis, le taux d'actualisation retenu est le taux de marché en vigueur à la date de la restructuration, l'éventuelle décote résiduelle étant intégrée dans la valeur comptable.

Article 16

Le montant des provisions constituées ne peut être inférieur aux intérêts enregistrés sur les encours douteux et non encaissés.

4 - Dispositions relatives aux instruments financiers à terme et aux titres

Chapitre 1 - Risque de crédit sur les instruments financiers à terme

Article 17

Lorsque les circonstances de défaillance et les procédures de résiliations unilatérales ne sont pas précisées dans les dispositions contractuelles, le dispositif général d'identification des créances douteuses défini au

point 2 " identification du risque de crédit " du présent règlement s'applique.

Article 18

Le provisionnement du risque de crédit sur les instruments financiers à terme s'effectue différemment selon que :

- le contrat est valorisé en valeur du marché : la perte latente sur le contrat est prise en compte à chaque évaluation du contrat. Si, de plus, l'établissement décide de constater une créance sur le débiteur défaillant, celle-ci doit être provisionnée intégralement ;
- le contrat est valorisé suivant toute autre méthode : par dérogation à la règle de l'article 16, le montant impayé des intérêts constatés en comptabilité (échus non réglés et courus non échus) est provisionné à 100 % à hauteur du montant non garanti par un collatéral – dépôts, appels de marge. Le provisionnement des autres sommes enregistrées au titre du contrat s'effectue suivant les règles définies à l'article 13.

Article 19

Les titres à revenu fixe sont seuls visés par le présent règlement. Ils sont notamment caractérisés par un engagement de l'émetteur de régler une rémunération à date d'échéance fixe.

Article 20

Les titres enregistrés dans la catégorie des titres d'investissement sont soumis aux dispositions de ce règlement concernant l'identification du risque de crédit et le provisionnement des pertes avérées.

Article 21

Les titres enregistrés dans la catégorie des titres de placement sont soumis aux règles d'identification décrites dans le présent règlement. Des provisions pour dépréciation, destinées à prendre en compte le risque de contrepartie et prises en compte dans le coût du risque, sont constituées sur cette catégorie de titres :

- s'il s'agit de titres cotés, sur la base de la valeur de marché qui tient intrinsèquement compte du risque de crédit. Cependant, si l'établissement dispose d'informations particulières sur la situation financière de l'émetteur qui ne sont pas reflétées dans la valeur de marché, une provision spécifique est constituée,
- s'il s'agit de titres non cotés, sur la base des dispositions du présent avis concernant le provisionnement des pertes probables avérées,
- les titres classés en portefeuille de transaction n'ont pas à faire l'objet d'une identification en titres douteux ni d'un provisionnement identifié au titre du risque de contrepartie.

5 - Informations à publier sur le risque de crédit

L'établissement publie dans l'annexe les informations suivantes.

Chapitre 1 : Informations sur les principes et méthodes

Article 22

Définitions :

- encours sains,

- encours restructurés (hors conditions de marché),
- encours douteux,
- encours douteux compromis.

Article 23

Règles relatives à la segmentation des encours :

Chaque établissement indique, en fonction de la nature de son activité, la segmentation des encours qu'il adopte.

L'établissement indique l'utilisation qu'il fait de systèmes de notations externes et/ou internes.

Article 24

Règles relatives aux créances douteuses :

Règles de déclassement :

- méthodes retenues pour l'identification des encours douteux, notamment, modalités d'application du critère de contagion ; traitement des créances restructurées ; conditions de retour vers l'encours sain,
- méthodes retenues pour le déclassement vers l'encours douteux compromis ; règles de passage en perte.

Règles d'enregistrement des intérêts sur créances douteuses.

Article 25

Méthode de prise en compte des instruments de réduction des risques :

- définition et méthodes d'évaluation des garanties prises en compte, périodicité des évaluations,
- opérations de titrisation : détails chiffrés des opérations de titrisation de l'exercice. Lorsque des garanties ont été accordées dans le cadre d'opérations de titrisation encore en cours, information sur les garanties données dans ce cadre, en particulier celles visant à prémunir les porteurs de parts de fonds commun de créances ou de l'organisme étranger contre les défaillances des débiteurs des créances cédées, sur les risques couverts, sur les provisions éventuellement constituées. Les informations relatives aux opérations de titrisation ne font toutefois l'objet d'une présentation détaillée que si elles sont nécessaires pour apprécier le patrimoine, la situation financière, les risques ou les résultats de l'établissement cédant,
- recours aux autres méthodes de réduction des risques, utilisation de produits dérivés, assurance crédit, contrat de compensation,
- méthodes de comptabilisation.

Article 26

Règles relatives au provisionnement

Méthodes retenues pour le calcul des pertes probables avérées :

- provisionnement d'engagements individuels,
- provisions sur portefeuilles homogènes de créances de petit montant : définition et mode de détermination de ces portefeuilles ; nature des informations historiques retenues,
- méthodes retenues pour la détermination des flux prévisionnels et des taux d'actualisation retenus.

Article 27

Permanence des méthodes de présentation et de l'évaluation

Indication des modifications de présentation ou d'évaluation d'un exercice à l'autre.

Chapitre 2 : Informations sur les encours

Article 28

Encours bruts globaux :

- montant de l'encours brut global (avant garanties éventuelles et provisions),
- répartition de l'encours brut selon les critères les plus pertinents pour l'entreprise. En fonction de la nature de l'activité de chaque établissement, les encours sont répartis de la façon suivante :
- par secteurs géographiques :

La répartition par secteurs géographiques s'effectue par pays, groupes de pays ou régions d'un même pays de façon à donner une information pertinente en fonction de l'implantation géographique de l'établissement. Les facteurs qui doivent être pris en compte pour identifier les secteurs géographiques sont notamment :

la similitude du contexte économique et politique,

les risques spécifiques associés aux activités dans une zone donnée,

les réglementations à caractère monétaire, notamment contrôle des changes,

les risques de change sous jacents.

- par secteurs d'activité économique.
- par grands types de contreparties :

A titre d'exemple, la répartition par grand type de contrepartie distingue les contreparties suivantes : Etat, Secteur public, Secteur Interbancaire, Entreprises, Particuliers par durées résiduelles :

- par durées résiduelles :

La répartition par durée résiduelle distingue notamment les échéances finales à moins de trois mois, trois mois à un an, un an à cinq ans, plus de cinq ans.

La structure d'organisation et de gestion d'une entreprise et son système d'information financière interne fournissent normalement le meilleur indicateur de la segmentation des risques de crédit à publier, en particulier pour les informations sectorielle et géographique.

L'établissement indique en outre toute concentration de son risque de crédit pertinente.

Une répartition des encours combinant deux ou plusieurs des critères évoqués ci-dessus est fournie lorsque l'établissement estime que cette information est utile pour une meilleure information sur son exposition au risque de crédit.

Le caractère significatif d'un segment s'apprécie d'un exercice à l'autre suivant des critères constants.

- crédits restructurés (hors conditions de marché),
- risques de crédit relatifs aux instruments financiers à terme et aux titres de créance.

Article 29

Informations sur les encours douteux :

- montant de l'encours global de créances douteuses,
- répartition de cet encours selon les mêmes critères que ceux retenus pour l'encours brut,
- risques de crédit relatifs aux instruments financiers à terme et aux titres de créance.

Article 30

Informations sur les encours douteux compromis :

- montant de l'encours global de créances douteuses compromises,
- répartition de cet encours selon les mêmes critères retenus pour l'encours bruts,
- risques de crédit relatifs aux instruments financiers à terme et aux titres de créance.

Chapitre 3 - Informations sur les provisions, dotations et reprises

- montant et variation des provisions constituées pour couvrir le risque de crédit avéré : encours à l'ouverture, dotations, reprises, effets dus aux variations de périmètre, et de taux de change, encours à la clôture,
- répartition de ces provisions selon les critères retenus pour la répartition de l'encours global,
- information sur le stock de provisions constituées de façon statistique sur la base de portefeuilles homogènes de créances de petits montants,
- ventilation entre provisions sur encours douteux et provisions sur encours douteux compromis.

Chapitre 4 - Créances passées en perte et récupération sur créances passées en perte :

- montant des pertes de l'exercice sur créances douteuses et douteuses compromises et montant des reprises de provisions correspondantes,
- récupérations de l'exercice sur créances passées en perte.

6 - Date d'application

Le présent règlement est applicable à compter du 1^{er} janvier 2003. Toutefois, l'application de la méthode d'actualisation des flux prévisionnels décrite à l'article 13 du présent règlement peut être reportée au 1^{er} janvier 2005.

Une application anticipée au 1^{er} janvier 2002 est recommandée.

RECOMMENDATION ON CREDIT RISK DISCLOSURE

The French Banking Commission (*Commission bancaire*) and the French Securities Commission (*Commission des opérations de bourse*) together with representatives of the banking industry, represented in the AFECBI (*Association Française des Etablissements de Crédit et des Entreprises d'Investissement, French Association of Credit Institutions and Investment Firms*) have conducted in 1999 a common work on Credit Risk. The purpose of this work is to enhance financial disclosure in this area by French credit institutions and investment firms (referred to as "financial institutions") and specifically by issuers of debt and equity securities listed on a regulated market.

The objectives of the group were:

To identify the best practices at the international level in the area of financial disclosure by financial institutions ("benchmarking")

To issue recommendations in the area of financial disclosure that would be supported by the whole marketplace community (financial community), formally taken into consideration in the work of regulators and relayed by the professional organizations to their members.

To build an homogeneous framework for financial disclosure in this sensitive area.

The proposals presented herewith correspond to the conclusions of the Joint Working Group. These proposals are in line with the recommendations of the draft report of the Basel Committee entitled "Best Practices for Credit Risk Disclosure" to be published shortly. This Basel Committee report will cover the disclosure of carrying amounts, allocated by activity sectors, major categories of counterparties and geographical areas and the disclosure of impairment losses according to one of the criteria used for the carrying amounts complemented, if necessary, by an allocation based on other criteria linked to the economic situation and the specificity of each financial institution.

The proposals of the Working Group may be updated later if necessary in order to take into consideration the work of other international institutions that have expertise in this field of competence.

Also, these recommendations may be forwarded to the National Accounting Council (*Conseil National de la Comptabilité*, French accounting standard-setter) in order to be integrated in the ongoing work of this body on Credit Risk.

The COB and the CB urge all financial institutions to develop their disclosure of Credit Risk in their annual financial statements for the financial year 1999.

1. Disclosure of Credit Risk (except off balance-sheet market operations)

1.1 General guidelines

a) Instruments scoped in the basis for the Credit Risk assessment (referred to as "the instruments")

This recommendation covers all areas in which a credit risk might arise. All balance-sheet and off-balance-sheet instruments are to be included (loans, securities, credit risk equivalent of off balance-sheet items, except for market operations that are already addressed under other sections);

b) Determination of carrying amounts

- Gross carrying amount of instruments

The carrying amount of instruments should be disclosed on a gross basis (before any possible guarantees or impairment losses), as it is deemed to best reflect a financial institution's activity.

Nevertheless, it is useful to provide additional information on collaterals, including information on the nature of the guarantees delivered.

- End of period carrying amount of instruments

Disclosure will preferably provide the carrying amount of instruments at the end of the year or at the end of the interim reporting period.

- Consolidated carrying amount of the instruments

For most financial institutions, where financial disclosure is made on a consolidated basis, specific disclosure of Credit Risk shall be consistent with the overall financial disclosure of the institution.

c) Consistency in the reporting criteria

Financial institutions shall disclose their segmentation and aggregation criteria and any change from prior years or reporting periods. In particular, significant changes in the consolidation scope may require disclosure of proforma information in order to allow a valid comparison with prior reporting periods.

d) Reconciliation between internal and external reporting

In some financial institutions, the existing data processing systems may not directly provide a breakdown of instruments by activity sector. Also computer information may not be comparable from one financial institution to another.

Nevertheless, some information may be obtained in the short term by using internal reporting data, should external reporting data not be available. In that case, this fact will be disclosed and the financial institution will take the appropriate corrective measures to remedy this situation.

Reconciliation of internal and external reporting data is important as it provides safety in the data production and ensures the fairness and accuracy of the financial statements. Therefore, internal and external data shall be reconciled at the appropriate aggregation level. In particular, it is important that a reconciliation be made possible both for the breakdown of the carrying amount of instruments and for the aggregate amount of the impairment losses.

e) Distribution of information between the notes to the financial statements and the Management Discussion and Analysis

As was provided by the CNC for disclosure of market risks, a possible option is to determine the presentation of the information by nature : quantitative information may be provided in the notes to the financial statements and qualitative information may be given in the Management Discussion and Analysis.

Nevertheless, in the short term a distribution of information between the notes to the financial statements and the Management Discussion and Analysis may be based on the source of information (internal or

external reporting) in order to take into account their degree of precision which is key to determine the nature of the external control to be carried out by statutory auditors (audit or specific control on the fairness of the MD&A-“contrôle de sincérité”).

1.2 Recommended segmentation

a) Breakdown of the carrying amount of instruments by activity sector

A breakdown of the carrying amount of instruments by activity sector shall be provided. This breakdown can be made on the basis of the APE codes (national coding system for companies according to their business sector) used individually or in aggregate, or by reference to a foreign equivalent classification, when available, above a significant amount by financial institution. A materiality threshold shall be defined. It could be set at 5% of the aggregate carrying amount of instruments (domestic and international).

The domestic carrying amount of instruments, which generally represent the major part of the financial institutions' activity, shall be further detailed.

b) Breakdown of carrying amount of the instruments by major categories of counterparties

A breakdown of the carrying amount of instruments by major categories of counterparties shall be provided. This breakdown can be made according to the seven following categories:

- 1) central administrations (governmental agencies) and central banks (including supranational organizations)
- 2) interbanking instruments
- 3) other financial institutions
- 4) local governments [regions, departments, cities, etc.]
- 5) enterprises
- 6) professionals (artisans, traders, members of the liberal professions...)
- 7) other individuals

If a distinction between individuals and professionals is not relevant, it shall be omitted.

In addition, for each category, a concentration indicator shall be provided. Such indicator shall be defined as the total percentage of the ten most important customers, when this portion exceeds a significant threshold. As an indication, this threshold may be set at 10%.

c) Geographical breakdown of the carrying amount of the instruments

The geographical breakdown shall be made as follows:

- 1) France
- 2) Other countries of the European Economic Area
- 3) Other European countries
- 4) North America
- 5) Central and South America
- 6) Africa-Middle East
- 7) Japan
- 8) Asia (except Japan) and Oceania
- 9) Non broken-down and international organizations

The allocation by geographical area shall be based on the debtor's nationality. A more refined breakdown (i.e. by country) may be provided, depending on the significance of this information for each financial institution.

d) Breakdown of the carrying amount by internal rating

In the context of the reform of the solvency ratio the Basel Committee may consider the possibility of a standardization of internal rating systems. Therefore the Working Group has decided to await further progress being made on this subject before issuing a recommendation.

e) Breakdown and monitoring of doubtful instruments and impairment losses

Doubtful instruments and impairment losses will be disclosed, based on the same breakdown criteria as for the carrying amount of instruments, generally by geographic area. A further breakdown shall be provided according to the economic situation and the specificity of the financial institution's activity. This secondary breakdown may be limited and aimed at a specific disclosure objective.

In addition, the portion of general provisions that relates to the credit risk shall be disclosed.

A reconciliation of the impairment losses at the beginning and end of the year shall be provided in the notes to the financial statements. This reconciliation will show separately gross increases and decreases during the year as well as the effects of any change in the consolidation scope.

2. Market operations accounted for in the off-balance-sheet section

For market operations accounted for in the off-balance-sheet section a breakdown of the credit risk equivalent of off balance-sheet items is provided by the CRBF¹ Rule n° 91-01 modified by the CRC² Rule n°99-04.

At present, this breakdown shall be made in priority according to counterparties. Later, it shall be made according to internal or external rating, once the Basel Committee has completed the ongoing reform of the solvency ratio.

¹ CRBF : French Banking and Financial Regulation Committee

² CRC : French Accounting Regulation Committee

3. FINANCIAL STRUCTURE AND RISK EXPOSURE

3.1. The capital base and own funds were consolidated in 2001

Analysed overall for 2001, the capital base of credit institutions strengthened from a strictly accounting perspective.

The book value of capital can be calculated on the basis of components in institutions' total assets (capital, reserves, reserve for general banking risk, retained earnings). It is therefore an aggregate that approximates prudential capital, within the meaning of Regulation 90-02 of the Comité de la Réglementation Bancaire. It rose by 9.4% to €185,2 billion at 31 December 2000, i.e. close to activity as a whole. The ratio of capital to total assets remained stable around 4.9%.

A strictly accounting perspective shows a consolidation of the capital base of credit institutions.

Subordinated debt outstanding in the form of borrowings and securities issues rose 9.6%, from €65.7 billion in 2000 to €72.1 billion in 2001.

Bond debt increased by 4.5% to €204.6 billion.

Long-term assets nevertheless showed a rise of 9.8% at 31 December 2001. Long-term assets include net doubtful loans, because they are fixed assets, within the economic meaning. Subordinated loans and shares in affiliated entities grew sharply, by 14.6% and 10.7% respectively. The ratio of fixed assets¹ to permanent capital² increased again, reaching 44.7% in 2001 (after 43.4% in 2000).

Long-term assets increased.

3.2. Credit risk exposure increased slightly in a less certain economic climate

3.2.1. The economic slowdown kindled fears of sector risk and international risk...

In France, the downturn in the economy affected business performance. The *Banque de France* noted in its financial survey that the cash position of businesses worsened in 2001, more sharply for small and medium sized companies. Gross operating profit was down on both 2000 and the first few months of 2001 and working capital requirement continued to swell. The increase in both the number and the size of corporate failures intensified over the year and also affected large companies, such as Moulinex.

Globally, concern was first prompted by the USA, hit by a deep economic slowdown and the announcement of major bankruptcies. The situation of several emerging countries dependent on the US economy also worsened in 2001.

Heightened sector and country risks...

¹ Net doubtful loans, shares in affiliated entities, subordinated loans and fixed assets.

² Book value of capital, subordinated debt and bonds.

Emerging Asia's growth slumped from 8.2% to 0.4% between 2000 and 2001, and Argentina failed to overcome its additional difficulties and defaulted on its debt at end-2001.

3.2.2. ... and was reflected in a slight rise in doubtful loans

... did not lead to a strong rise in doubtful loans in 2001.

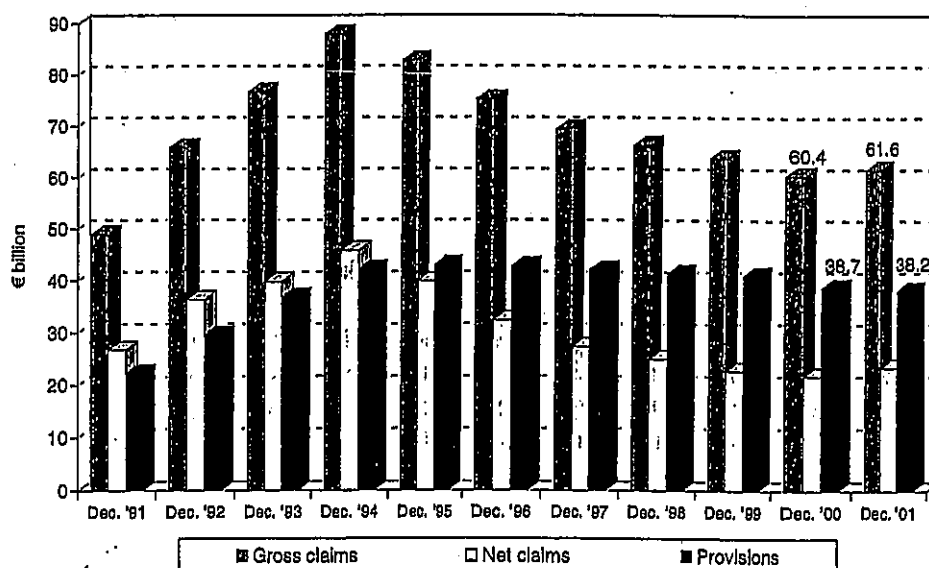
In 2001, credit institutions' gross bad loans outstanding for all types of activity rose by a slight 1.8%, after falling by 5.4% in 2000. The share of doubtful loans in gross customer lending remained stable around 5%.

The total of provisions deducted from gross assets fell by a slight 1.3% to €38.2 billion. As a result, the rate of doubtful-loan cover decreased in 2001 to around 62% (64.1% in December 2000).

Net doubtful loans outstanding nevertheless increased by 7.9% in 2001, reflecting a trend reversal in an environment that was uncertain in France and worsening internationally.

As a share of the book value of capital (roughly equivalent to prudential capital), net doubtful loans remained stable, dipping from 12.8% at the end of 2000 to 12.6% at the end of 2001.

Doubtful loans to customers
Aggregate activity – all reporting institutions



Source: *Commission Bancaire*

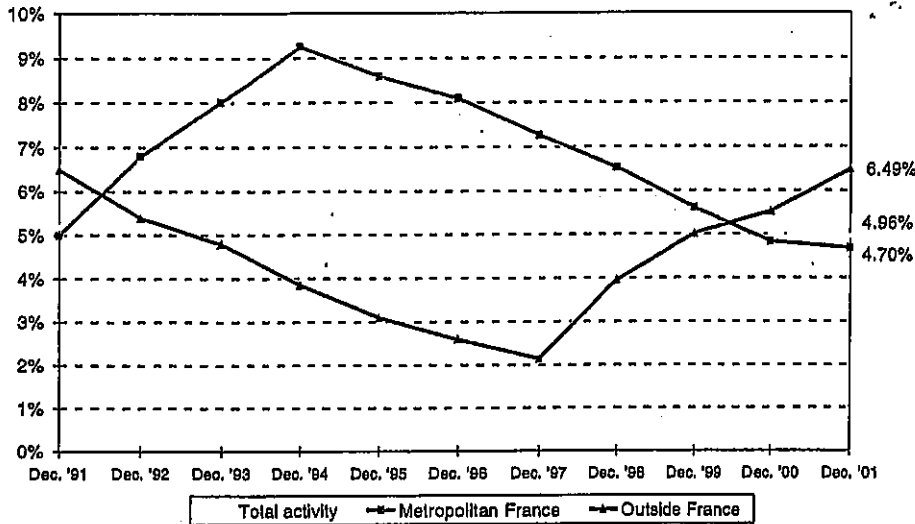
The share of doubtful loans remained stable in metropolitan France, ...

In metropolitan France, gross doubtful loans remained stable, rising only 0.7%. The ratio of gross doubtful customer lending to total gross lending decreased from 4.8% to 4.7% between 2000 and 2001. The rate of doubtful-loan cover slipped slightly from 64% in 2000 to 62.3% in 2001.

Outside France, however, gross doubtful loans increased by a substantial 4.6%, reaching €8,7 billion at the end of 2001. As a result, the ratio of gross doubtful loans to total gross loans increased significantly, from 5.5% to nearly 6.5%, which is higher than the ratio in metropolitan France (4.7%) and the ratio for aggregate activity (5%). The rate of cover of these doubtful loans decreased, from 1.9% in 2000 to 58.6% in 2001, because of a lower increase (8.5%) in the stock of provisions.

... but increased in business by foreign branches.

**Gross doubtful lending as a percentage of gross lending
All reporting Institutions**

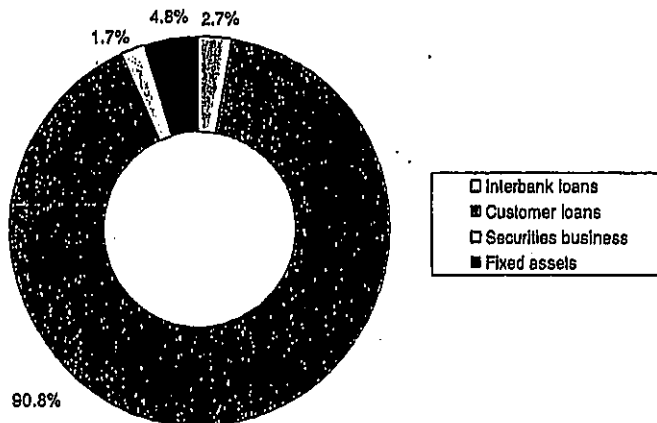


Source: Commission Bancaire

Across all activity, the share of gross doubtful loans in non-customer commitments is still relatively small, at 9.2% of total gross doubtful assets. Totalling €6.3 billion, these gross doubtful loans break down as €1.8 billion for interbank loans, €1.1 billion for securities and €3.3 billion for fixed assets.

More than 90% of doubtful loans are to customers.

**Breakdown of gross doubtful loans
Aggregate activity - All reporting institutions**



Source: Commission Bancaire

Provisions for liabilities remained stable around €33 billion across all activity.

On the same basis, allocations to the reserve for general banking risk by all credit institutions increased by 13.2% to reach €13.6 billion.

3.2.3. Lending to real-estate professionals in 2001

Even though the real-estate market slowed in 2001, ...

Amid an economic slowdown — a factor of uncertainty in businesses' development projects — the business property market in the greater Paris area contracted significantly in 2001 in relation to 2000¹, when measured by satisfied demand, even though activity was brisk compared with previous years. This trend can also be attributed to high prices as a result of the shortage of available space. This gap is beginning to narrow, however, given the sustained pace of building starts².

The residential market slowed somewhat, with fewer housing starts than in the previous two years, which had been boosted by special tax incentives for real-estate purchases. Similarly, price rises for previously owned housing flagged.

Investment in business property increased by 38% over a year to a record level of €12 billion³, with a growing contribution from international investors. The year was marked by several exceptional large-scale transactions resulting from property asset disposals by several companies.

As in the past, the *Secrétariat Général de la Commission Bancaire* conducted its regular survey to measure the risk exposure of credit institutions that lend to real-estate professionals. The annual survey of banking commitments to real-estate professionals was conducted on a sample of the main general and specialist credit institutions operating in the sector. For the second year in a row, a simplified survey was conducted on 30 June on a smaller sample.

... lending to the sector increased...

An analysis of the responses of the institutions surveyed shows an increase in their lending to real-estate professionals. Annual loan production, which measures new on-and off-balance sheet commitments, totalled more than €21 billion, a significant increase on 2000 (€17 billion), without declining in the second half of the year. Loans outstanding also grew to €53 billion, from €47.8 billion a year earlier.

... linked mainly to the growing share of international investors.

More specifically, the data on loan production reveals an increase in financings for investors, who seem to be expanding their position in the market and who are in second place after real-estate dealers. At the same time, the proportion of financings for offices is increasing and moving closer to that for housing. The geographical breakdown of financings in the greater Paris area shows the growing

¹ 1.7 million m² in 2001, compared with 2.5 million m² in 2000 (source: Bourdais).

² Space available in one year reached 2.3 million m², compared with 1.7 million m² in 2000 (source: Bourdais).

³ Source: Bourdais.

ods, policies and procedures defined by GRM, as well as into decision-making processes and the implementation of risk monitoring and control systems. In order to achieve the expected level of responsiveness, GRM teams are based in the 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 or by establishing a clear functional reporting relationship with GRM.

Credit risk

PROCEDURES

DECISION-MAKING PROCEDURES

The Chairman and Chief Executive Officer has ultimate authority for lending decisions. This authority is rolled down to various levels in the organisation through a system of discretionary lending limits.

All lending decisions must be approved by a formally designated member of the Risk Management Function. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of the local or business line Credit Committee. No commitments may be entered into until the appropriate approval procedure has been completed. Lending limits are set by counterparty or group of related counterparties when aggregating risks is economically justified. The limit varies depending on 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. All discretionary lending limits are required to be approved by GRM.

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

Loan applications must comply with the Bank's overall lending policy and with any specific policies applicable to the business line or the type of facility requested. Any exception needs to be signed off on 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 the applicable laws and regulations. The Group Credit Committee chaired by one of the Chief Operating Officers or the Risk Director, has ultimate decision-making authority for all credit and counterparty risks. The Committee normally meets twice a month but special meetings can be called as and when required.

MONITORING PROCEDURES

A comprehensive credit risk monitoring and reporting system has been established. It is organised around Control and Reporting units which are responsible for guaranteeing 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.

The credit risk information systems in use have been developed either directly under the supervision of GRM or with its assistance. Consolidated exposures are calculated at all levels. At counterparty level, this means that exposures to several customers are consolidated in cases where it is probable that if one of these customers runs into financial difficulties, the other customers in the "group" will also have difficulty in fulfilling their commitments. At Group level, it means that management have an overview of the Bank's aggregate exposure to credit risks.

Daily exception reports are produced and various "warning" techniques are used – based on projection tools and forecasts – to identify potential escalations of credit risks as early as possible.

Credit risks are monitored by GRM at various levels, generally reflecting the different discretionary lending limits. Top-level oversight is exercised by the Group Debtor Committee chaired by the Chairman and Chief Executive Officer. This Committee meets at monthly intervals to examine all sensitive and problem loans in excess of a certain amount. In the case of problem loans, the Committee decides on any adjustments to the related provisions, based on the recommendations of the business line and GRM.

PROVISIONING PROCEDURES

All loans qualified as doubtful⁽¹⁾ are reviewed at least once every three months with the aim of determining the impairment loss to be recognised, either by way of a reduction in the carrying value or by providing for an adequate loan loss reserve, according to banking regula-

(1) Doubtful loans are defined in the "Banking Policy" section.

tions. The amount of the impairment loss takes into account potential recoveries, including the value of any collateral or other guarantees.

Depending on the applicable regulations, interest accruals on doubtful loans are either suspended or continued; in the latter case, a provision adjusted to the collection prospects is recorded immediately in order to totally or partially offset the accrued amount.

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 on a specific industry or country.

RATING POLICY

The Bank has a comprehensive rating system, which already complies with the requirements planned by the regulatory authorities for the determination of risk-weighted assets used to compute capital adequacy ratios.

The rating system is based on a default probability rating and an overall recovery rate which depends on the structure of the transaction.

There are 12 counterparty ratings. 8 cover excellent, good and average customers, 2 are related to customers in an uncertain situation which are put on the GRM credit watch list, and 2 concern customers qualified as doubtful. Doubtful customers are customers who (i) are likely to default on their commitment, or (ii) have missed at least one payment date and have not remedied the situation within 3 months²⁰, or (iii) have filed for protection under bankruptcy laws.

Ratings are determined at least once a year, in connection with the loan approval process, drawing on the combined expertise of business line staff and GRM credit risk managers, who have the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The techniques used depend on whether the rating is applied to corporate borrowers or retail banking customers. They are applied automatically to certain customer categories.

Various methods are used to check rating consistency and the reliability of the rating system. These include analysing data stored in the Internal Default Database. Advanced quantitative analysis methods are also used to enhance the

²⁰ 12 months for retail bank loans and 3 months for loans to local government

quality of internal ratings and react more quickly to changing circumstances.

PORTFOLIO POLICY

In addition to carefully selecting individual risks and accurately measuring the related exposure, the Group follows a portfolio-based policy, with the aim of achieving a sound diversification of risks among borrowers and industries, backed by a cautious approach to country risks.

DIVERSIFICATION OF COUNTERPARTY RISKS

A core feature of the Group's lending policy is the diversification of counterparty risk. In this regard, several customers are treated as a single counterparty in cases where it is probable that if one of these customers runs into financial difficulties, the other customers in the "group" will also have difficulty in fulfilling their commitments. The breadth and depth of the Group's businesses and the rigidly structured system of lending limits contribute to this diversification. Compliance with counterparty diversification policy is reviewed on a quarterly basis.

DIVERSIFICATION OF INDUSTRY RISKS

The Group also pays close attention to diversifying industry risks and performs projections to actively manage the Bank's exposures. Diversification of industry risks is based on the opinions of independent industry experts about probable developments in the industries they track, backed by precise studies of underlying trends and factors that explain the vulnerability of the main industry players. The depth of the industry research varies according to the weighting of the industry concerned in the Group's total portfolio, the technical expertise necessary to assess industry risks, the cyclical nature of the industry and its level of globalisation, and the possible existence of specific risk issues. Where appropriate and for 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.

THE GEOGRAPHIC DIMENSION

Country risk corresponds to the Bank's aggregate exposure to debtors operating in the country concerned. Country risk is different to sovereign risk, which concerns exposure to national states and agencies. It reflects the Bank's exposure to an economic and political environment which needs to be factored into the assessment of the counterparty risk.

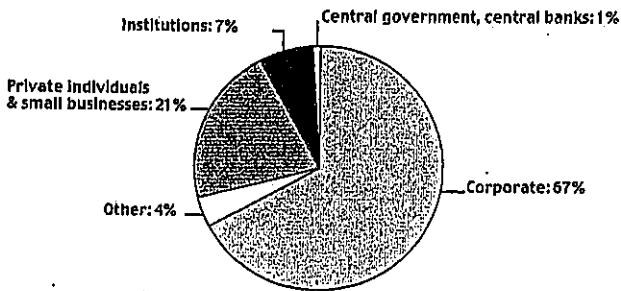
The Group has operations in the majority of economically active regions. As a global player, it follows a policy of avoiding excessive concentrations of risks on countries with weak political and economic infrastructures. Country risk exposure limits are set by the Group Credit Committee, based on recommendations made by the business lines. Lending commitments by the business lines 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, which attributes a rating to each country. The breakdown and structure of country risks are reviewed annually by the Risk Policy Committee which also examines the overall consistency of the Group's country risk policy.

CHARACTERISTICS OF THE PORTFOLIO

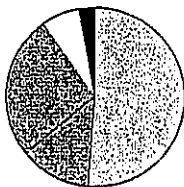
BREAKDOWN BY TYPE OF COUNTERPARTY

The Group's overall portfolio of commercial loans and commitments totalled EUR 400.5 billion⁽¹⁾ at 31 December 2001, up 3.0% on the year-earlier figure. The breakdown by main customer category was largely unchanged, with corporate and institutional customers accounting for three-quarters of

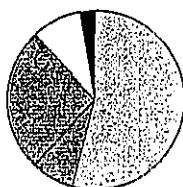
Commercial loans and commitments



Doubtful commitments: EUR 14.9 bn



Specific provisions: EUR 9.9 bn



the total.
At 31

Corporate loans 51%	Corporate loans 54%
Loans to private individuals & small businesses 26%	Loans to private individuals & small businesses 26%
Other doubtful commitments 13%	Other doubtful commitments 8%
Loans to institutions 7%	Loans to institutions 9%
Loans to central government, central banks 3%	Loans to central government, central banks 3%

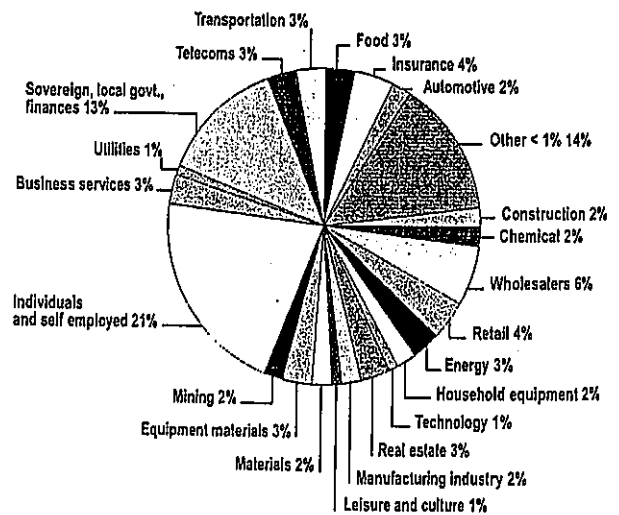
(1) Unconsolidated balance sheet commitments. Data extracted from the consolidated financial statements.

December 2001, the 10 largest customers or customer groups represented less than 4% of the total.

INDUSTRY BREAKDOWN

Thanks to its disciplined approach to industry risks, the Group is not exposed to any material concentration of credit risks in any specific industry. No customer sector accounts for more than 5% of total commitments, with the exception of sovereign, local government, public financing borrowers and the wholesale sector, corresponding largely to commodity traders.

In 2001, certain industries experienced difficulties above and beyond the effects of the overall economic downturn. Long before the events of 11 September, some of them were already being closely monitored. The Group has kept watch over the situation of customers in these industries and issued instructions requiring all new loan applications to be submitted to GRM industry experts for review prior to their approval. The industries concerned include telecommunications (3% of total lending, equivalent to the industry's contribution to GDP, with 2/3 of customers rated Investment Grade), the high-tech industry (2% of total lending and 4% of GDP), the automotive equipment industry, the paper industry (less than 1% of total lending, with 80% of customers rated Investment Grade) and the airline industry, although the bulk of loans to airlines are covered by credit insurance or backed by high quality collateral.



Following the events of 11 September in the United States, additional credit restrictions were introduced for loans to the most vulnerable industries. These include the insurance industry, where the Bank's commitments are mainly with major insurance and reinsurance companies, the aircraft and aircraft equipment industries, the shipping industry, the hotel/tourist industry, the advertising industry, and the metalworking industry. A detailed review of the Bank's commitments in these industries did not reveal any major potential losses.

GEOGRAPHIC DIVERSIFICATION

The majority of loans (57% of the portfolio) are to borrowers in the European Economic Area, with France accounting for 39% of the total.

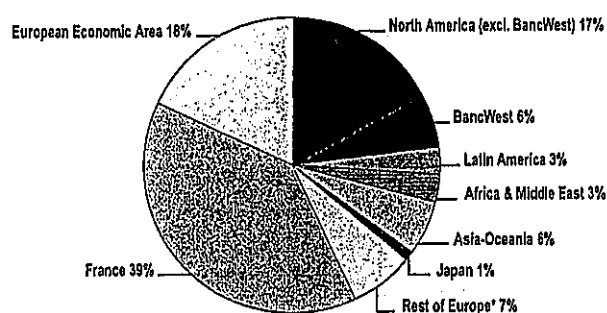
Japan, which remains mired in recession, accounts for only 1% of the total. The credit quality of the loan portfolio in this country is excellent.

Loans to US borrowers, excluding BancWest, represent 6.8% of total outstanding loans. BNP Paribas moved ahead of the economic downturn, by selectively reducing its commitments in the United States as from December 2000. The latest stress tests on the portfolio did not reveal any recent escalation of credit risks.

The bulk of loans in emerging countries are secured by high quality collateral, such as oil cargoes and liens on ships or aircraft.

Market and liquidity risks

BNP Paribas has set up a sophisticated system to measure market and liquidity risks, backed by rigorous controls and watertight procedures. Overall responsibility for managing



* including Turkey

Doubtful loans and commitments by type of counterparty

In billions of euros	Loans to private individuals & self-employed	Loans to institutions	Loans to central government, central bank	Corporate loans	Total customer loans	Other doubtful commitments	Total
Doubtful loans and commitments	3.9	1.0	0.4	7.7	13.0	1.9	14.9
Specific provisions	2.6	0.9	0.3	5.3	9.1	0.8	9.9
Provision rate	68%	87%	69%	68%	70%	45%	67%

BNP Paribas exposure in Argentina as of 31 December 2001:

Commitments other than short-term commercial loans	
Sovereign/public sector	64
Banks	19
Corporates	338
Private individuals	68
Total	489
Short-term commercial loans	129

The above table shows both on and off balance sheet commitments and covers short-, medium- and long-term loans, commodities financing, trading and other securities, denominated in foreign and local currency. The figures include all transactions with the Argentine government, banks and corporations, with the exception of subsidiaries of multinationals headquartered in non-sensitive countries. They do not include the portion of commitments guaranteed by international and national public institutions (for example, Coface in France) established in non-sensitive countries or by cash collateral formally pledged to the Bank.

Note 5 – Customer items

In millions of euros, at 31 December	Gross	2001 Provisions	Net	2000 Net	1999 Net
Due from customers					
Commercial and industrial loans	9,427	(40)	9,387	10,075	8,576
Overdrafts	17,424		17,424	15,931	13,669
Other credits					
- Short-term loans	43,603		43,603	40,224	42,655
- Mortgage loans	36,672		36,672	34,986	33,211
- Investment loans	20,156		20,156	19,346	27,768
- Export loans	8,449	(884)	7,565	9,100	7,541
- Other customer loans	57,569	(56)	57,513	58,269	50,736
Total other credits	166,449	(940)^(a)	165,509	161,925	161,911
Doubtful customer loans	13,006	(9,067)	3,939	3,943	3,930
Accrued interest	1,558		1,558	1,650	1,282
Securities and bills purchased outright or under resale agreements	16,734		16,734	18,597	7,279
Subordinated loans ^(b)	299	(31)	268	180	467
Total due from customers ^(c)	224,897	(10,078)	214,819	212,301	197,114
Leasing receivables	20,494	(406)	20,088	18,609	16,281
Total customer items	245,391	(10,484)	234,907	230,910	213,395
<i>Including accrued interest</i>			<i>1,860</i>	<i>1,919</i>	<i>1,491</i>

(a) General provisions for country risks.

(b) Participating loans granted to BNP Paribas customers included under "Subordinated loans" amounted to EUR 207 million at 31 December 2001 (EUR 102 million at 31 December 2000 and EUR 339 million at 31 December 1999).

(c) Loans qualifying for refinancing by the French Central Bank amounted to EUR 13,491 million at 31 December 2001 (EUR 18,244 million at 31 December 2000 and EUR 12,233 million at 31 December 1999).

Note 9 - Provisions for credit risks and country risks

In millions of euros	2001	2000	1999
At 1 January	12,542	12,433	8,685
Net additions during the period	1,366	1,105	648
Write-offs during the period covered by provisions	(1,230)	(1,423)	(863)
Effect of changes in Group structure - consolidation of Paribas and its subsidiaries			3,637
Translation adjustments and other changes	493	427	326
At 31 December	13,171	12,542	12,433
Breakdown of provisions:			
- Provisions deducted from assets:			
On interbank items ²²	379	456	168
On customer items (note 5)	10,484	10,006	10,273
On securities ²⁴	1,117	783	691
Total provisions deducted from assets	11,980	11,245	11,132
<i>including provisions for country risks</i>	2,271	2,241	2,193
- Provisions recorded under liabilities:			
To cover off-balance sheet commitments	621	459	383
To cover other credit risks including industry risks	570	838	918
Total provisions recorded under liabilities	1,191	1,297	1,301
<i>including provisions for country risks</i>	434	714	678
Total provisions for credit risks and country risks	13,171	12,542	12,433

(a) Provisions on loans to credit institutions mainly concern financial credits (note 4) exposed to country risk. Provisions on securities shown in the above table 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, provisions for general risks and provisions for unforeseeable industry risks.

Provisions covering principal and interest, premiums and discounts on sovereign loans amounted to EUR 2,705 million at 31 December 2001 (EUR 2,955 million at 31 December 2000 and EUR 2,871 million at 31 December 1999).

ASSETS

(in EUR billions)

Cash, money market and interbank items (excluding repos)	15.01	19.26
Securities received under repurchase agreements (from banks and customers)	18.85	19.83
Customer-related items and lease financing (excluding repos)	47.20	44.66
Securities portfolio	56.24	53.26
Fixed assets	2.16	2.02
Goodwill	0.20	0.33
Other assets, sundry accounts and prepaid expenses	13.42	13.33
Total	153.08	152.69

Cash, money market and interbank items

Cash, money market and interbank items accounted for 9.8% of total assets, a decline of 3%. Crédit Agricole Indosuez's treasury units are concentrated in four financial centers – Paris, New York, London and Tokyo – thus enabling the bank to optimize interbank borrowing and lending activities.

Securities received under repurchase agreements

Repurchase agreement activities varied according to the market. Their aggregate weighting dropped to 12.3% of total assets. CPR and Crédit Agricole Indosuez Italy repo activities were discontinued, while in the next few months Crédit Agricole Indosuez plans to build up this business line in Paris. In Japan, Crédit Agricole Indosuez (together with four other foreign banks) received approval from the Bank of Japan and the Ministry of Finance to trade repos on Treasury Bills. Lastly, a new reverse repo activity in the United Kingdom is being developed.

Customer-related items

Customer loans increased by almost EUR 3 billion, thanks to the strong US dollar (one third of the increase) and several large

new transactions completed in Paris, where outstandings increased by EUR 2.2 billion, mainly in the areas of project financing and acquisitions, ship and aircraft financing. In Spain, project finance transactions and participation in pooled loans to local government bodies led to an increase of EUR 0.6 billion. The increase of EUR 1.6 billion in Japan was mainly due to the increased utilization of an auctioned credit by the Ministry of Finance.

By contrast, US portfolio outstandings were reduced by 25% as part of the downsizing of Corporate Banking activities in the United States.

As part of its global loan portfolio management strategy, Crédit Agricole Indosuez carried out two new synthetic securitization transactions for reference portfolios made up of European and American corporate loans. These structures, Chloé 3 and 4, were arranged in the form of credit default swaps and credit link notes totaling EUR 5.2 billion.

Doubtful customer loan outstandings (including principal, interest and other receivables except for leases) rose by EUR 323 million to EUR 3.36 billion as of December 31, 2001. The coverage ratio came to 62.2%.

Assets: breakdown into currencies

(in %)

	7	8	10
Other currencies	7	7	12
Yen	27	28	27
US Dollar	7	7	7
Other currencies in the European Union			
Euro	43	43	51
French Franc	9	7	
	1999	2000	2001

Provisions on balance sheet

(in EUR millions)

	3,493	3,864	4,145
Other			
Customer risk, banks and securities	796	1,038	988
Country risk			
	2,386	2,464	2,721
	311	362	436
	1999	2000	2001

The unit's operating expenses decreased to a smaller extent as Crédit Agricole Indosuez Cheuvreux continued to build up its European operations, particularly in London and Amsterdam. Investors continued to withdraw from Asian markets, and all the more so in 2001 which led to a reshuffling in IWICS, the Asian brokerage unit. IWICS is now concentrating on Tokyo, Hong Kong and Seoul markets.

Lastly, CPR Online, which accounted for 4.8% of total online brokerage transactions in France in 2001, continued to generate losses in 2001.

The group's distressed assets management activity generated a sharp increase in revenues compared to last year. This unit was able to account for gains on the disposal of securities and loans. Financial Services includes fund administration through Fastnet

in Luxembourg and institutional custody services in France. The latter's assets were assigned in part to the subsidiaries of Crédit Agricole Investor Services in November 2001. Funds under administration at Crédit Agricole Indosuez came to EUR 66.6 billion at the end of 2001, up by 15%. However, revenues were squeezed by the stock market downturn. Information technology investments were continued in order to support the expansion of Fastnet.

Despite a difficult market environment for mergers and acquisitions and even less so for initial public offerings, the investment banking unit only witnessed a limited decrease in revenues. This business line reported strong volumes towards the end of the year notably thanks to Crédit Agricole S.A.'s Initial Public Offering.

3) Financing

(In EUR millions)	2001	2000	% chg.
Net banking income	887	907	(2.2)
Operating expenses, depreciation and amortization	(564)	(549)	2.7
Gross operating income	323	358	(9.8)
Risk-related cost	(231)	(256)	(9.8)
Net operating income	92	102	(9.8)
Share of net income of equity affiliates	50	43	16.3
Net income on fixed assets	9	0	
Net ordinary income (before tax)	151	145	4.1

The Financing business line continued to expand, achieving good performances especially in France and Europe. The slight decline in net banking income reflected a significant increase in income from asset-based finance (project finance, aircraft finance, shipping, and export credits) and a decrease in revenues from corporate banking transactions in Asia and Banque Française de l'Orient, whose Swiss subsidiary was sold in 2001.

As the business continued to expand, the increase in operating expenses was held to 2.7%.

Risk cost declined by 10% compared to last year, reflecting:

- lower allocations to specific provisions for corporate banking activities in the United States and against Middle East linked customers;
- high provisions for the US activities of Indosuez Capital, which accounted for half of the Finance business risk-related cost in 2001. Al Bank Al Saudi Al Fransi, accounted for by the equity method, once again reported an increase in net income in 2001.

4) Private Banking

(in EUR millions)

Net banking income	434	503	(13.7)
Operating expenses, depreciation and amortization	(351)	(329)	6.7
Gross operating income	83	174	(52.3)
Risk-related cost	0	(31)	
Net operating income	83	143	(42.0)
Share of net income of equity affiliates	2	2	
Net income on fixed assets	(1)	0	
Net ordinary income (before tax)	84	145	(42.1)

Private Banking continued to expand in all its markets. Net new assets amounted to EUR 4 billion, bringing total assets under management to EUR 46.2 billion.

On the other hand, net banking income fell by 13.7% as the financial market downturn affected trading volumes and squeezed brokerage and management fees.

Operating expenses continued to rise due to the 12-month impact of the hiring policy initiated in 2000 and continued in the beginning of 2001.

In Switzerland, the year 2001 saw the integration of the Private Banking activities of Canadian Imperial Bank of Commerce - Suisse, acquired at the end of 2000.

5) Other activities

(in EUR millions)

Net banking income	214	239	(10.5)
Operating expenses, depreciation and amortization	(159)	(201)	(20.9)
Gross operating income	55	38	44.7
Risk-related cost	(66)	(103)	
Net operating income	(11)	(65)	(83.1)
Share of net income of equity affiliates	26	9	
Net income on fixed assets	28	51	
Net ordinary income (before tax)	43	(5)	

This division had a significant increase in income. CPR's activities turned in mixed performances in 2001: drop in income for Alternative Asset Management and Schelcher-Prince Finance, however good results for CPR Billets and Asset & Liability Management.

After factoring in the earnings of equity affiliates (mainly Crédit Agricole Asset Management) and net gains on asset disposals (particularly the contribution of CPR Gestion[®] to Segespar), pre-tax recurring income came to EUR 43 million, compared to a loss of EUR 5 million in 2000.

CREDIT RISK

Pursuant to the recommendations with regard to financial information on credit risks issued by the Commission Bancaire and the Commission des Opérations de Bourse, the following tables summarize the main characteristics of the credit portfolio (and by nature of economic agent including breakdowns of outstandings by geographical area, by business sector), the change in doubtful debts and the amount of counterparty risk on market transactions.

As of December 31, 2001, total net consolidated commitments on the balance sheet of Crédit Agricole Indosuez amounted to EUR 52 billion, up 11.3%. The breakdown of outstandings by residual maturity (excluding overdrafts and provisions) did not change significantly in 2001, with 62.9% of outstandings having a maturity of 1 year or less, 21.3% from 1 to 5 years, and 15.7% more than 5 years.

Customer transactions and leasing Breakdown by geographical zone ⁽¹⁾

(in EUR millions)	2001	2000
France (including French overseas departments and territories)	13,025	13,034
Other European Economic Area (EEA) countries	7,488	6,544
Rest of Europe	3,726	3,147
North America	4,457	5,149
Central and South America	4,774	3,997
Africa / Middle East	5,571	5,468
Asia and Pacific (excluding Japan)	6,008	6,340
Japan	8,228	4,240
Total principal	53,277	47,919
Interest and miscellaneous receivables	854	804
Provisions	(2,094)	(1,979)
Net book value	52,037	46,744

(1) Without reallocation by geographical area in order to factor in guarantees or credit insurance which alters the risk location for the group.

As of December 31, 2001, 69.3% of the credit portfolio was concentrated on the world's most industrialized countries (i.e. OECD countries). The overall portfolio showed a balanced geographical mix, although France accounted for the highest proportion of outstandings with 24.4% of the total.

Customer transactions and leasing Breakdown by economic sector

(in EUR millions)	2001	2000
Private individuals	2,650	2,903
Energy, oil and gas	3,906	2,300
Agri-food industries	749	1,233
Automotive and transportation equipment	720	703
Aviation, aerospace and space	842	602
Chemicals and pharmaceuticals	1,132	1,007
Construction, public works	1,052	1,226
Electronics and electrical manufacturing	823	645
Commodities trading	864	500
Steel and metallurgy	1,260	808
Trade retailing	2,122	2,610
Transportation (air, maritime, other)	6,473	4,338
Real-estate development	1,578	1,667
Press, publishing and communications	1,231	1,029
Insurance and financial services	5,781	12,483
Central and local government	9,676	3,690
Other activities and aggregated data	12,418	10,175
Total principal	53,277	47,919
Interest and miscellaneous receivables	854	804
(Provisions)	(2,094)	(1,979)
Total	52,037	46,744

Non-consolidated equity holdings

Non-consolidated equity holdings are carried at cost less write-downs for permanent impairment in value, as determined by their fair value. Their fair value is based upon the price the Group is prepared to pay to acquire securities, taking into account any targets fixed, profitability, shareholders' equity, prospects for future sale, the overall economic situation, average share price if their evolution does not result from accidental circumstances.

Portfolio activity securities

Portfolio activity securities are investments regularly made within a framework of an activity carried out in a significant and permanent way by the Group which has no intention of investing on a long-term basis or participating actively in the operational management of the company. Portfolio activity securities are carried at cost decreased if need be by a specific provision when the fair value of the securities is lower than the purchase price. The fair value is determined by taking into account the general perspectives of the issuer and the duration for which the securities are held.

Other long-term securities

Other long-term securities are investments made in order to enhance the development of a long-standing professional relationship with the issuer, by creating a privileged relationship without however influencing its management considering the weak percentage of voting rights held. Other long-term held securities are carried at cost decreased if need be by a specific provision when the fair value of the security is lower than the purchase price. The fair value is determined in the same way as the non-consolidated equity holdings.

g) Temporary purchases and sales of securities, securities loaned and borrowed

Securities loaned and borrowed

In the accounts of the lender, a receivable is recorded in the balance sheet representing the book value of the loaned security at the market price prevailing on the date of the loan, in the place of the loaned security. On each balance sheet date, the receivable is valued using the rules applicable to loaned securities,

including the recognition of accrued interest on securities available for sale and investment securities.

In the accounts of the borrower, the security is recorded on the asset side of the balance sheet under trading account securities, at the market price prevailing on the date the security was borrowed. A liability towards the lender is recorded in the balance sheet under "amounts payable". At each balance sheet date, the liability and the security are valued at their most recent market price.

Securities delivered under agreements to repurchase

Assets delivered under agreements to repurchase continue to be shown in the balance sheet. The amount received is recorded as a liability. In the other party's books the assets received are not recorded in the balance sheet. The amount paid is however recorded as an amount due.

The corresponding income and expenses are recorded as income on a prorata basis.

Securities delivered under agreement to repurchase continue to be subject to accounting principles applicable to the type of securities portfolio from which they originate.

h) Loans

Loans are recorded according to principal amount outstanding in the balance sheet. Interest income is recognized in the income statement on an accrual basis. Lease financing is included in customer transactions and recorded as assets on the basis of financial amortization. Net gains and losses on the disposal of leasing contracts, as well as those related to rental contracts similar to leasing contracts, are included in net banking income.

Customer loans are classified as doubtful loans when it is probable that they will not be repaid in full or in part, even when guaranteed, or in any event, when the principal amount or an interest payment is more than 90 days overdue, more than 180 days overdue in the case of real estate loans, or more than 270 days overdue in the case of local authority loans.

Interest on loans for which interest adjustments have been made because of the borrower's financial difficulties is accounted for in accordance with the new terms of the loans.

When a loan is converted into an equity instrument of the (underlying) counterpart, it is then transferred at its net value and additional provisions are made if need be.

i) Country risk

Country risk (risk on international commitments) is made according to "total amount of commitments in arrears (on and off-balance sheet) carried by Group entities either directly or through defeasance structures on private or public debtors domiciled in countries listed by the Banking Committee, or where the outcome depends on the situation of public or private debtors domiciled in such countries" (Banking Committee's note of December 24, 1998).

j) Provisions

Provisions for loan

These provisions are established according to their likely estimated loss. They are recorded on the balance sheet and deducted from the relevant assets.

Interest on receivables classified as doubtful loans is systematically subject to a complete provisioning which is deducted directly from net banking income.

When doubtful loans are partially repaid, this payment is deducted primarily from the principal amount of the loan that has not been provisioned.

In addition, provisions are established to cover risks related to specific types of activities based on an analysis of the relevant economic conditions of that sector, rather than on the financial situation of the borrower. These provisions are recorded on the liability side of the balance sheet.

Provisions for sovereign risks

These provisions are allocated, taking into account an economic analysis conducted by the Group on a country-by-country basis and/or reference to market discounts of sovereign risk paper.

k) Guarantee commitments

The off-balance sheet portion notably takes into account any undrawn portion of committed loans, as well as commitments on guarantees received or issued. The issued commitments may lead to an allocation of provisions for risks and charges on the liability side whenever it appears likely that the guarantees may be called upon, resulting in a loss for the Group.

l) Fees and income from securities transactions

Fee and commission income calculated according to a time schedule is recorded on a prorata basis. Other fee and commission income is recognized on the date of payment.

Share income (dividends) is recognized on distribution date.

m) Goodwill

The acquisition cost of investment in consolidated entities over the Group's share of unallocated fair value of net assets acquired at the acquisition date is recorded as goodwill.

Goodwill related to companies acquired or in the process of being consolidated is amortized over a period of 5 to 20 years on a straight line basis over a period which should reflect the expected return on investments at the time of acquisition.

Where no longer justified by the economic situation of the subsidiary, the goodwill recorded is subject to exceptional write-down.

n) Fixed and intangible assets

Fixed assets are carried at original cost less accumulated depreciation. Depreciation is charged using either the straight line or the accelerated method over the estimated useful lives of the related assets.

Purchased assets are recognized at their purchase cost. Maintenance and repair costs are charged to the income statement as incurred.

Leasehold improvements are amortized according to the straight line method over the terms of the lease or its estimated life, whichever is shorter.

Intangible assets consist principally of lease rights and the net book value of purchased software, amortized over a period not exceeding five years.

o) Corporate income tax

Crédit Agricole Indosuez S.A., wholly owned by Crédit Agricole S.A. since December 27, 1996, and certain subsidiaries, belong to the tax consolidation of Crédit Agricole S.A.

The annual tax charge takes into account current income taxes on taxable income and expenses for the year, and deferred taxes.

The bases of deferred tax are determined according to a balance sheet approach which lists all assets and liabilities with a consolidated book value that is different from their fiscal value. However, according to regulations, this base does not include goodwill from which the amortization is not tax deductible, the revaluation reserve concerning non amortized intangible assets that cannot be separated from the acquired company, assets that can be amortized for tax purpose on an amount lower than their cost when accounted for the first time and whose fiscal value does not take into account this amortization gap when they are deconsolidated.

Deferred taxes are calculated according to the liability method. Timing differences arising or reversing during the year and the balance of deferred taxes carried in the balance sheet are calculated