



# Corporate and Investment Banking

## Advisory and Capital Markets

### CORPORATE FINANCE

Corporate Finance offers advisory services for mergers & acquisitions and primary equity market transactions. The M&A teams advise both major events in the life of the enterprise; Primary market services include flotations, equity issues, secondary issue placements, and convertible/exchangeable bond issues.

Corporate Finance has adopted a matrix organisation designed to give customers access to the best combination of specialists in each product, industry and geographical area, while optimising resource management.

Corporate Finance employs 400 professionals located throughout its worldwide network. Focused first and foremost on Europe, it also has a presence in North and South America and constitutes a potent force in Asia via BNP Paribas Peregrine.

### EQUITIES

The Equities business encompasses research, trading, equity sales and equity derivatives sales. Equities teams have a worldwide presence, both in primary and secondary markets, and in a sense, take over where Corporate Finance leaves off. The customer portfolio includes financial institutions, companies and individuals.

Equities operates under a product-based organisation. Each of its two departments, Equities Brokerage and Equity derivatives, offers a full range of services to customers.

To ensure full coverage of its markets, Equities has developed a broad-based, worldwide infrastructure :

- 1,600 front-office professionals;
- hubs in major financial centres, a physical presence in 26 cities and customers in 35 countries;
- membership of 48 equity and derivatives stock exchanges;
- direct tie-in to the infrastructure and services offered by BNP Paribas Securities Services;
- Specialisation in continental Europe and the Asia-Pacific region.

### FIXED-INCOME AND CURRENCY INSTRUMENTS

The Fixed-Income mission is to serve the group's clients on three segments of the markets: Foreign Exchange – Interest Rates – Credit related products.

Fixed-Income offers a global reach for “cash products” (currency exchanges, short-term instruments, cash government and corporate bonds) and a long-established Primary Dealership status in most G11 countries (including the USA, Japan, France, Germany and Italy) as well as on the Corporate and Securitisation Bond markets, particularly in euros.

Leveraging its long-standing investment in Quantitative Research and its knowledge of the underlying instruments, Fixed-Income has developed a very strong franchise in Options and Derivatives, at first on Interest Rates and Forex, followed more recently by Credit Derivatives.

Its geographical coverage is also very extensive, with more than 1,100 professionals present on all continents and in 30 countries, ensuring a global 24 hour access to the financial markets 6 days a week.



# Corporate and Investment Banking

## Specialised Financing

### STRUCTURED FINANCING

BNP Paribas' Structured Financing team designs and structures, on a worldwide basis, a broad range of complex and innovative financing arrangements, including syndicated loans, acquisition financing, LBO financing, project financing, optimisation and asset financing, and media and telecommunications financing. This business unit is at the crossroads of the Group's lending and capital market activities.

### INTERNATIONAL TRADE FINANCE

With a total staff of around 300, International Trade Finance offers global solutions to industrial groups throughout the world in the following areas:

- Export financing, with 15 export desks covering 28 public credit insurers, correspondent banks in 30 emerging markets, and a team dedicated to special products such as private insurance, debt conversion and multilateral financing;
- Global Trade Services, this team runs the network of Trade Centers as well as structuring complex guarantees and documentary credit;
- Aircraft financing, with offices in New York and Singapore;
- Ship financing, with teams in Athens, Oslo, Geneva and Hong Kong.

### COMMODITIES AND ENERGY FINANCING

Commodities and Energy Financing today has a staff of more than 500, plus 250 more in the operational centres. It covers energy, metals and soft commodities and is organised as follows:

- 5 business centres (Paris, Geneva, New York, Hong Kong and Singapore) and their satellites (in London, Houston, São Paulo and other cities). Each centre covers the entire line of business in its geographic area and offers customers trade financing, structured finance in emerging—mostly producing—markets and corporate loans, including reserves financing
- transverse activities, such as deconsolidation, brokerage of forward contracts on commodities and commodities derivatives.

Commodities and Energy Financing is headed by a management team and a marketing and business development team, both based in Paris.

## Corporate Banking

With nearly 1,400 staff in 40 countries in Europe, North America, Latin America and Asia, Corporate Banking has a dual function:

- **Customer focus:** Corporate Banking increases the value of the Group's portfolio of customers and prospects by maintaining close ties with all the various business lines in the Corporate and Investment Banking division and in the Group's other divisions. In so doing, it systematically proposes to each corporate customer solutions that call upon the products best suited to the customer's needs.
- **Business focus:** Corporate Banking actively manages the transactions recorded on its books, including receipts and disbursements, payment instruments, short-term import and export financing and traditional intermediation. It is responsible for limiting the risk of credit losses, reducing the capital allocated to its direct business lines and increasing their profitability.



# Retail Banking

## Retail Banking in France

BNP Paribas has a large retail banking operation in France, offering services to every type of banking customer. Through its network of 2,200 branches, Retail Banking in France serves 6 million individual and small business customers, and 50,000 corporate customers including France's top 100 companies.

Retail Banking in France includes the BNP Paribas domestic branch network, Banque de Bretagne and BNP Paribas Développement, a venture-capital company that supports growing SMEs. It employs 30,000 staff located mostly in the branches, in the Private Banking centres devoted to premium clients and in support teams responsible for handling after-sales operations.

Retail Banking in France aims to offer high-quality banking services to all of its customers, through constant innovation and consistent use of cutting-edge technology. The broad-based product and service offer ranges from standard current account services to the most complex corporate financing deals and asset management services for high net-worth individuals.

The division has 18,000 customer advisors and also uses state-of-the-art distance banking technologies. BNP Paribas is the market leader in France in Internet banking and its services are also accessible via the telephone and the Minitel viewdata system.

In July 2001, two nationwide multimedia platforms came on stream. Their robust capacity and innovative range of services form the cornerstone of the Group's Multichannel Bank project and make BNP Paribas a pioneer in this part of the Western European banking landscape.

Deployment of the Multichannel Bank will augment the role of the branches in the personal relationship that customers expect. Customer advisors in these branches will now devote their efforts exclusively to receiving and advising clients, with physical transactions performed automatically, either on- or off-site, from the customer's home or workplace.

Finally, Retail Banking in France has a research and development centre staffed with 500 high-level commercial banking and marketing professionals whose mission is to ensure that the division's products and services are always in step with customer expectations and that branches are always in a position to offer customers the most innovative products and services on the market.

## Retail Financial Services

### CETELEM

Cetelem is the leading supplier of consumer credit in France and Europe, with EUR 24.6 billion in outstanding loans as of 31 December 2001 (including loans managed under outsourcing agreements) and more than 7,000 staff throughout the world.

Since 1953, Cetelem has contributed to making consumer credit a modern and responsibly-handled solution to help consumers manage their household budgets.

Cetelem has become the benchmark in the industry. Its Aurore card, held by 13 million consumers worldwide, stands as a symbol of Cetelem's ability to innovate. Its high-quality service offering – backed by outstanding technical expertise – meets most household financing needs, from personal loans to instalment sales to revolving credits.

Cetelem is a preferred partner of the retail industry and has a long tradition of helping large retailers achieve their development goals in France and abroad.

Cetelem is also the partner of choice for banks and insurance companies, which value its credit expertise.

Already present in 21 countries, international expansion is a strategic priority for Cetelem.

### CONTRACT HIRE AND FLEET MANAGEMENT

The Contract Hire and Fleet Management unit consists of three groups of companies that offer modular solutions to corporate customers looking to out source the management and financing of their vehicle

fleets and other logistical equipment:

- Cars and light trucks: Arval PHH
- Heavy trucks: Artegy
- Desk-top assets: Arius

The flexible products and services offered are designed to evolve with the needs of the customer. All three groups help their customers remove certain assets from their balance sheets and, more importantly, optimise the management of their fleet of vehicles and logistical equipment.

They bring to the table their superior purchasing power, the technical expertise of their teams of specialists, and a set of interactive tools essential for effective dialogue with corporate clients.

### CORTAL

Cortal proposes a broad range of savings management products and services to individual investors, including short-term investments, mutual funds, direct share purchases and life insurance. Products and services are marketed via five distribution channels : telephone, the Internet, independent financial advisors, institutional partners, and face-to-face in Villages de l'Épargne.

Cortal managed 630,000 customer accounts at the end of 2001, including 391,000 direct customers. It has a local presence in five European countries: France, Belgium since 1992, Luxembourg since 1993, and Italy and Spain since 2001. Cortal is the no. 1 online broker in France by number of accounts and ranks 4<sup>th</sup> among European brokers by number of direct customers. (source: "Asset gathering in Europe" JP Morgan, November 2001)

## BNP PARIBAS LEASE GROUP

Wholly-owned by BNP Paribas, BNP Paribas Lease Group was created from the merger of BNP Lease and UFB Locabail in 2000. BNP Paribas Lease Group specialises in equipment lease financing for corporate and small business customers. It is the leader in France in this business with a market share of 21%. The company is also active in property lease financing for professionals and in factoring through its subsidiary BNP Paribas Factor.

BNP Paribas Lease Group's core business is providing leveraged lease financing for equipment sales by manufacturers, importers, distributors and dealers. BNP Paribas Lease Group builds a close relationship with these partners, ranging from simple referral agreements to exclusive contracts to the creation of joint-ventures.

In France BNP Paribas Lease Group's products and services are marketed by the BNP Paribas network and by referral partners, whose activities are coordinated by BNP Paribas Lease Group's own network of 60 branch offices covering the entire country. Outside France, BNP Paribas Lease Group leverages the synergies between its 10 subsidiaries and branches and the BNP Paribas network.

## UCB

UCB specialises in financing residential real estate purchases by individuals, either for their own use or as an investment. UCB is active in France and, via its subsidiaries, in Spain, Italy and Portugal.

UCB markets its products through a network of business referral partners in the property industry, such as estate agents and builders, who put prospective buyers in touch with UCB. Its strengths are specialisation, a commitment to innovation, effective risk management and a high market share among French civil service employees, all of which make UCB a recognised force in residential property financing. Cross-fertilisation with BNP Paribas' retail network lends even more power to UCB's existing resources.

Through its servicing business, UCB also makes its expertise, tools and processing platforms available to other industry partners.

## BANQUE DIRECTE

When Banque Directe was launched in September 1994 as a telephone, Minitel, fax and postal banking service, with representatives available 24 hours a day, Monday to Saturday, it spearheaded a new type of customer-bank relationship in France. In 1997, the bank expanded its customer touch points to include a transactional Internet site, the content of which is constantly being enhanced. The site's customer advisors are also available, via e-mail, 24 hours a day, six days a week.

Dedicated to individual customers, Banque Directe offers an innovative range of 50 different products and services, including current accounts and related services, savings and investment solutions, loans and on-line brokerage accounts.

## International Retail Banking

International Retail Banking's mission is to develop a network of local banks in specific regions, drawing on the strengths of the BNP Paribas Group and capitalising on the synergies between the Group's numerous business units. It aims to make a recurrent, growing contribution to Group profits, as well as increasing the synergy between the different business lines of BNP Paribas. Its subsidiaries and branches are multi-brand, present in more than 30 countries (plus France's overseas departments and territories) and owned by BNP Paribas to varying extents. Geographically, the division is organised around its US network on the one hand and "Emerging Markets and Overseas" on the other.

In the United States, International Retail banking operates through its subsidiary BancWest Corporation, present in 6 Western US states (California, Oregon, Washington, Idaho, New Mexico and Nevada) and Hawaii; its network of 252 branches operates under 2 banners, Bank of the West on the mainland and First Hawaiian Bank in Hawaii.

BancWest is growing at a rapid pace. In 2001, Bank of the West acquired 30 branches in New Mexico and Nevada from First Security Bank, while First Hawaiian bank bought Union Bank of California's network in Guam and Saipan.

On 20 December 2001, BNP Paribas increased its control of BancWest from 45% to 100%.

Lastly, BNP Paribas signed an agreement on 8 December 2001 to acquire United California Bank (UCB) from the Japanese group UFJ Holdings Inc. Following approval of the transactions by the American banking authorities, the acquisition was completed by BancWest on 15 March 2002.

The Emerging Markets and Overseas unit is made up of four geographical zones: Africa – Indian Ocean, French overseas departments and territories (Dom Tom), North Africa and Middle East.

BNP Paribas' operations in Africa are organised around the network of Banque Internationale pour le Commerce et l'Industrie (BICI). With 90 branches distributed over seven countries (Burkina Faso, Ivory Coast, Gabon, Guinea Conakry, Mali, Senegal and Togo), BNP Paribas manages French-speaking Africa's largest banking network.

No changes were made to the Group's Dom Tom network in 2001. Through its 48 branches, the Group maintains strong ties with its 200,000 customers.

In the North Africa region, Banque Marocaine pour le Commerce et l'Industrie (BMCI) in Morocco integrated the 20 Moroccan branches of ABN Amro's network in November 2001, which it had acquired in September. In addition, UBCI undertook in 2001 the first phase of an ambitious programme to open new branches.

In Algeria, in accordance with the decision taken in 2000, International Retail Banking prepared the opening of its new subsidiary, which became operational in early 2002.

Lastly, in the Middle East, International Retail Banking restructured its operations in the Gulf region, adding a regional headquarters in Bahrain responsible for four territories (Bahrain, Abu Dhabi, Dubai, Qatar). At the same time, the Group withdrew from its position in Bank Dhofar Al Omani Al Fransi.



## Private Banking, Asset Management, Insurance and Securities Services

### Private Banking and Asset Management

#### PRIVATE BANKING

BNP Paribas Private Banking offers a broad range of products and services tailored to the financial and wealth management needs of a demanding private clientele. Its approach is heavily weighted towards advisory services and personalised management.

A first-tier player in its field, BNP Paribas Private Banking manages more than EUR 104 billion in financial assets for its worldwide customer base. In France, it commands a leading position in the market, with more than EUR 42 billion in customer assets and a network spanning the entire country. The Private Banking division is rapidly building its presence in other domestic markets in Europe and already occupies significant positions in the major international private banking centres in Europe and Asia.

#### ASSET MANAGEMENT

Asset Management is one of the Group's major strategic priorities. BNP Paribas Asset Management is a leading European player in the field, with EUR 162 billion in assets under management as of 31 December 2001.

BNP Paribas Asset Management:

- offers discretionary asset management services to a prestigious international clientele of insurance companies, pension funds, central banks, international organisations, multinational corporations, etc.;
- distributes mutual funds (Sicav, FCP...) around the world through the BNP Paribas branch network and Private Banking units as well as through an external network of banks and financial institutions.

These funds cover the full spectrum of investments, from money-market instruments, bonds and equities to diversified funds, guaranteed-return funds and structured products.

BNP Paribas Asset Management's international expertise has been built on proven management methods. Upstream, this means synthesising the vision of economists and market analysts. Downstream, it means adhering to a rigorous investment process tailored to the nature of each of the assets in question.

### BNP Paribas Securities Services

BNP Paribas Securities Services specialises in securities services for financial and other institutions, including banks, brokerage houses, pension funds, mutual funds and insurance companies. In addition to clearing and custody services, BNP Paribas Securities Services offers a wide range of related services, such as securities and cash position financing, collateral management, the outsourcing of middle- and back-office functions, fund administration and accounting, performance measurement and attribution, e-banking support services, and transfer agent and issuer services.

In addition to its head office in Paris, BNP Paribas Securities Services has branches, subsidiaries and offices in Amsterdam, Athens, Brussels, Dublin, Frankfurt, Lisbon, London, Luxembourg, Madrid, Milan, New York and Zurich. It also offers services in Turkey through an agreement with Garanti Bank.

### Insurance

The Insurance business encompasses Natio Vie, Natio Assurances and the Cardif group companies. Its strategy is multi-brand, multi-partner and multi-country. Natio Vie and Natio Assurances, a non-life company owned jointly with Axa, distribute their products in France via the Retail Banking division's branch network and BNP Paribas Private Banking. Contracts cover the whole range of personal insurance, including life, health, death & disability and savings & retirement lines, as well as motor and comprehensive home policies.

In France, the Cardif group sells personal insurance, savings and pension products to both individual and corporate customers. Its distribution network includes group companies in the Specialised Financial Services division, partner banks, brokers, independent financial advisors and direct marketing channels.

The companies' non-brand-specific functions are performed by an intercompany partnership, giving them access to economies of scale.

Cardif is also present in 26 other countries, where it has co-operation agreements with banks and other credit institutions. In certain European countries, products are distributed through networks of independent financial advisors.

## Real Estate

BNP Paribas offers all of its customers a comprehensive range of products and services through its array of property subsidiaries – BNP Paribas Immobilier, Meunier, Comadim, Astrim, Gérer, Coextim, Klépierre, Ségécé, Antin Vendôme and Sinvim. The good strategic fit of these subsidiaries' products allows the Group to add value by proposing solutions that meet all of the needs of a demanding clientele.

BNP Paribas is present in all three segments of the property market: office, residential and commercial. Its property

subsidiaries are among the leading players in the market and the Group also offers specialised services such as investment financing, transaction support, advisory services, asset management, design and development, and property appraisal.

BNP Paribas is active not only in the Paris area but also in the Rhône Alpes and Côte d'Azur regions. Klépierre, which manages more than 250 shopping centres, is active in France, Spain, Italy, Belgium, Greece and Slovakia.



## BNP Paribas Capital

BNP Paribas Capital encompasses all of the Group's Private Equity activities, previously housed in Paribas Affaires Industrielles (PAI) or at Banexi. The Group's private equity business consists of investing in the capital of generally unlisted companies, with the objective of realising a capital gain in the medium term.

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

- advise the BNP Paribas Group on its proprietary portfolio;
- manage or advise on funds that bring the Group together with outside investors.

BNP Paribas Capital is active in all segments of the Private Equity market.

PAI Management arranges large LBOs in Europe.

Dedicated funds managed or advised by BNP Private Equity and its subsidiaries handle medium-sized LBOs and venture capital transactions in France as well as investments in the media and telecoms sectors.

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

# Corporate and Investment Banking

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# Corporate Finance

In 2001, the environment was much less favourable for Corporate Finance activities than it had been in 2000. Against this more challenging backdrop, the mergers & acquisitions and primary equity markets businesses turned in contrasting performances.

The performance of the primary equity markets business was dented by stock-market declines. Economic and political uncertainty in many parts of the world led to brutal market volatility, representing infertile soil for new equity issues. BNP Paribas was selected to lead-manage the Euronext and GranitiFiandre initial public offerings, as well as the Lafarge, Casino, Genesys and Omega Pharma equity issues. In Asia, BNP Paribas Peregrine maintained a substantial presence in initial public offerings.

The market for convertible and exchangeable bond issues, buoyed by low interest rates and volatility in the equities markets, was very active in 2001. BNP Paribas strengthened

its position as one of the principal players in this market, ranking 6<sup>th</sup> in Europe according to IFR. It participated in 27 transactions in Europe and the USA, for issuers as diverse as Rallye/Casino and Pinault Printemps Redoute in France, Motorola, and Nortel in the USA and Olivetti, SAI and Prada in Italy. The Group also lead-managed France Télécom's EUR 3.5 billion convertible bond issue, Europe's largest to date.

The mergers & acquisitions business generated nearly 40% more revenue than in 2000. The Group maintained its position as leader in France and advanced in most other European markets, reaping the benefits of the merger between BNP and Paribas. This performance was achieved despite the 55% fall in the European M&A market in 2001. According to *Thomson Financial*, in 2001 BNP Paribas was the leading advisory bank on deals involving a French target.

Several factors contributed to this performance:

- cross-border transactions increased, with deals such as Lafarge's acquisition of Blue Circle and EDF's purchase of Eastern Electricity;
- property sector transactions continued apace. France Télécom's divestment of EUR 3 billion worth of properties constituted the largest transaction of its kind in continental Europe in 2001;
- BNP Paribas maintained its strong presence in manufacturing industries, such as pharmaceuticals and chemicals, where the Group assisted Sanofi-Synthelabo, Syngenta and others in divesting assets; automotive, where it advised Faurecia on the acquisition of Sommer-Allibert's automotive equipment business; electrical equipment, where it advised ABB on the acquisition of Entrelec; steel, where it acted as advisor to Arcelor in its bid for Usinor, and utilities, where it advised US-based AES on its acquisition of Sonel in Cameroon;
- privatisation advisory services continued to develop, with projects for the governments of Algeria (GSM licence), Ecuador (water services) and France (SFP);
- BNP Paribas strengthened its position in France as leader in mergers and acquisitions involving medium-sized enterprises, thanks to the support of the Retail Banking division.

## Corporate Finance enjoyed robust growth in Italy in 2001

Leveraging the expertise of a team of around 15 Milan-based professionals, supported by teams of industry and product specialists based in Paris and London, Corporate Finance performed exceptionally well in Italy in 2001, both in mergers and acquisitions and in the primary equity markets.

Primary market transactions included the GranitiFiandre initial public offering and three exchangeable bond issues totalling EUR 466 million for Societa Assicuratrice Industriale SpA (SAI). BNP Paribas also participated in Olivetti's equity and convertible bond issues. In advisory services, BNP Paribas advised Montedison on the demerger of Eridania Beghin Say. The Group also assisted Italian clients with numerous cross-border transactions. For example, BNP Paribas advised Merloni Termosanitari on the purchase of Preussag's heating businesses in France and Germany and SNIA on the acquisition of Ela Medical. The Milan team's excellent knowledge of the Italian industrial landscape also enabled Corporate Finance to advise its customers regarding transactions in Italy, such as PPR/Conforama for the purchase of Emmezeta and Valeo on the sale of Filtrauto to Sogefi. Corporate Finance is set to have another good year in 2002, as evidenced by advisory contracts already underway, such as Montedison's mandate to find a buyer for its stake in Beghin Say.

# Equities

## A difficult environment

After an extremely buoyant 2000, equity markets were hit hard in 2001 by deteriorating conditions in the world economy. The collapse of TMT stocks and the prospects of an economic slowdown sapped the market's energy in the first half of the year, while the second half was indelibly marked by the events of September 11. As a result, most market participants experienced a sharp drop in earnings, leading them to slash resources devoted to their equity businesses.

Like the Corporate and Investment Banking division as a whole, the Equities business unit leveraged its diversified business base to gain market share in certain lines of business.

## The Equity Derivatives unit gives the Group a competitive advantage and enjoys very favourable growth prospect

Equity Derivatives succeeded in matching the previous year's strong revenue performance, thanks to its diversified business and customer bases, and its outstanding skill in managing risks. The unit's performance strengthened BNP Paribas' position as one of the uncontested leaders in the field, and highlighted the ability of its professionals to produce a recurrent revenue stream, year after year.

Equity Derivatives was also at the forefront of the fast-growing portfolio trading and equity financing markets, supplementing the unit's well-established positions in

### Exemplary cross-selling

BNP Paribas was bookrunner for the France Télécom jumbo convertible bond issue (EUR 3.5 billion), rated the best European Equity-Linked Issue in 2001 by IFR.

- Origination: Senior Bankers, Corporate Finance, Equity Research.
- Structuring: Equity Derivatives, Fixed-Income, Corporate Finance.
- Placement: Equity Syndications, Equity Sales teams, Derivatives and Fixed-Income.

### Acclaim for BNP Paribas Peregrine

- Best investment bank in Asia, second consecutive year (2001 Capital Award).
- Best mid-cap broker, second consecutive year (2001 Finance Asia Award).
- Best analyst/strategist, second consecutive year (2001 Asia Money Brokers' poll).
- Best execution in Hong Kong (2001 Asia Money Brokers' poll).
- Best research, executive and sales trading in China (2001 Asia Money Brokers' poll).



equity, index and fund options, warrants, certificates, convertible bonds and structured products.

The underlying industries – fund management, private banking and corporate finance – are growing so rapidly, and customers are becoming so knowledgeable about derivatives that these value-creating

businesses look destined for a very bright future. BNP Paribas, through the skills of its Equity Derivatives teams and their privileged access to all of the Group's customers, is exceptionally well-positioned to take advantage of this burgeoning market.

## A year of consolidation for the Equities Brokerage business

The 2001 market was characterised by declining end-customer volumes and a dearth of primary market issues. BNP Paribas maintained its strong presence in the markets of continental Europe and developing the European Equities platform remained a priority for the Investment Banking business unit. A new website addressing customer demand for equity research was launched: [cashequity.bnpparibas.com](http://cashequity.bnpparibas.com).

In Asia, the Group doubled its market share in Japan and BNP Paribas Peregrine consolidated its competitive positions while continuing to enjoy a reputation for excellence, as evidenced by its numerous awards (see "Acclaim for BNP Paribas Peregrine" inset). With China's entry into the WTO, Peregrine's recognised franchise in that country is set to grow.

# Fixed-Income and Currency Instruments

Despite the backdrop of very tough economic conditions, Fixed-Income and Currency Instruments had an exceptional year 2001.

Foreign Exchange was voted “most improved FX house of the year” by *Euromoney* and reached the top 15 dealers world-wide. BNP Paribas promoted the launch of FX Alliance, a major step forward in e-commerce dealing between liquidity providers and customers. The platform is currently growing extremely rapidly and has proved to be very popular with end-users.

Interest rates activities were combined in a single organisation dealing with Government Bonds, Repos, short- and long-term derivatives, inflation-linked instruments and hybrid derivatives (combining two or several products and types of risks). Fixed-Income was extremely active in those markets, particularly in Interest Rates Derivatives (ranking No. 4 worldwide for book size in Interest Rate Derivatives, No. 8 for IR Options) (*Source: Swaps Monitor*) and Government Bonds Primary Dealership (2<sup>nd</sup> in France, 5<sup>th</sup> in Italy, 9<sup>th</sup> in Germany) (*Source: Local Government Treasury*).

The markets focused a lot on Credit in 2001, realising that defaults could affect very large companies and happen relatively suddenly, in Western countries and not just in Asia or Latin America as in the last crisis. Credit spreads were very volatile, with a sharp widening in the first part of the year, in the Telecoms sector for instance, followed by some tightening in the latter part of the year, and a much more picky environment.

Against this background, the traditional markets of Primary / Secondary Credit turned in an excellent performance, maintaining a respectable 12<sup>th</sup> position in the overall lead-managers league table, but most noticeably climbing to 7<sup>th</sup> place in Euro-denominated issues, 4<sup>th</sup> place for corporate issues in the euro table, and 3<sup>rd</sup> place Euro-MTN programmes dealer. BNP Paribas was a lead manager of the biggest corporate transaction ever, the France Télécom multi-currency issue which totalled over EUR 16 billion notional. The Emerging Markets Credit activity weathered all the storms successfully and participated in some highly acclaimed new issues, such as Latvia and City of Moscow, both in euros.

Developments in the Credit markets were a major driving force behind the growth of Structured Credit activities, including Securitisation, where the Bank took the 9<sup>th</sup> place (*Source: IFR*) in the league tables, and Credit Derivatives, which offers sophisticated risk-taking and risk-hedging to all types of participants.

# Structured Financing

For Structured Financing, 2001 was a year of business development and a year of consolidation of its worldwide positions, in a more mixed overall environment than in 2000. Once again, BNP Paribas moved up the arranging-bank league tables, rising from 12<sup>th</sup> to 9<sup>th</sup> place in syndicated transactions (*source: IFR*) and from 9<sup>th</sup> to 3<sup>rd</sup> place worldwide in project financing (*source: Project Finance International*).

The syndicated credit unit had a busy year, expanding the volume of arranged transactions in a contracting overall market. The unit maintained its dominant position in Europe while increasing the number of deals managed in the US and in Asia.

The acquisition financing market was more challenging than it had been in 2000, due to the sharp fall in mergers & acquisitions activity. BNP Paribas ranked 5<sup>th</sup> in Europe in terms of the number of deals arranged. The Group lead-managed one of the year's biggest deals, the financing of Lafarge's purchase of Blue Circle. BNP Paribas also strengthened its first-tier position for European mid-cap transactions.

During 2001, BNP Paribas expanded its leadership of the European leveraged finance market, by managing major transactions in all the countries in which it has a presence, including for Cégélec (France), Ilpea/Holm (Italy) and Cannons (UK). This business was further underpinned by the 2001 launch, in continental Europe, of LFE Capital I, the first LBO debt fund for outside investors, with an initial amount of EUR 330 billion. The new fund has increased BNP Paribas' capacity to participate in LBO transactions while giving outside investors access to the Group's expertise and reputation in an increasingly specialised market.

In project financing, BNP Paribas also improved its international position as an arranging bank. The volume of business deriving from the utilities sector was especially high, a result of projects to meet the growing demand for electricity throughout the world and particularly in the USA. In 2001, BNP Paribas ranked 3<sup>rd</sup> in the world project financing league tables (*source: Project Finance International*).

BNP Paribas was also one of the most active banks in Europe in the media and telecoms sectors. The Group continued to meet the expanding needs of its telecoms sector customers, managing large transactions such as the EUR 7 billion Wind/Infostrada deal in Italy. BNP Paribas is also very active in telecoms in the USA and Asia, financing major players and infrastructure projects and acquisitions on a selective basis.

In optimisation financing and asset financing, 2001 was a year of organic growth, further proof of the attractiveness of the Group's range of products and advisory services. It was also a year of external growth, with the acquisition of 75% of the capital of Capstar Partners, a first-tier arranger and advisor in asset financing in the USA (*see inset*).

## Capstar Partners

The acquisition of Capstar Partners was a manifestation of the Corporate and Investment Banking division's finely-targeted acquisition strategy.

Using its well-developed asset financing business in Europe, Asia and Australia as a springboard, the Structured Financing team detected a growth opportunity in the USA that would give it a truly global positioning.

After several months of discussions, each side came to understand the motives and strategies of the other and realised that the two entities represented a good strategic fit, in terms of both geography and products. In November 2001, an agreement was signed between BNP Paribas and Capstar Partners to create a worldwide structured leasing group, still called Capstar Partners, but comprising not only Capstar's existing assets but also the corresponding assets of BNP Paribas, spun off into the new entity. BNP Paribas took a predominant, majority stake in the new Capstar Partners.

## Development of the Trade Centers

Launched in June 2000 with the opening of the first Trade Center in Lyons, the network continued to build momentum throughout the year. At the end of 2001, 48 Trade Centers were operational, spanning all continents. This concept of a worldwide network of Trade Finance specialists remains an innovation in the banking environment. The concept's success is clearly evident: the Group's Trade Finance business grew substantially in the zones with Trade Centers, while stagnating elsewhere. Overall, net banking income from this business rose by 20% and the pace of growth is set to continue in 2002.

# International Trade Finance

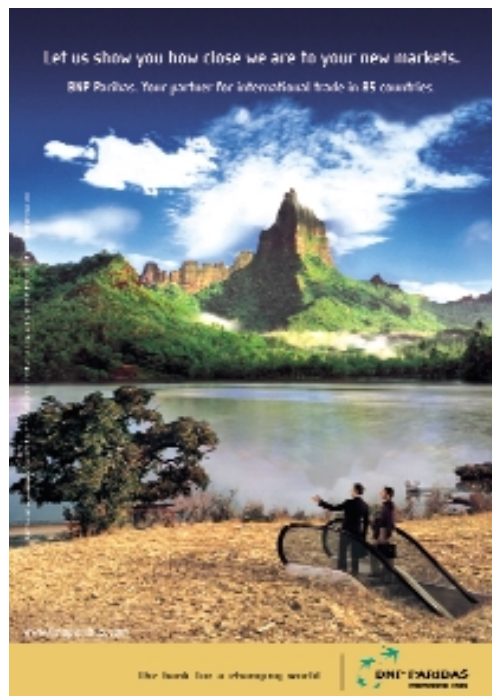
BNP Paribas ranks among the top 5 international players in this business. In June 2001, the Group was ranked 2<sup>nd</sup> in *Trade Finance Magazine's* league table of short-term international trade finance providers.

At the end of the year, a customer relations department was set up to offer a more pro-active response to the short- and medium-term financing needs of large customers throughout the world.

BNP Paribas' export credit production volume grew slightly in a contracting market. The Group consolidated its position as French market leader in the financing of capital goods, while continuing to gain ground in other export markets, which produced 60% of the year's business volume.

Leader in the French market for documentary credits and international guarantees, with a market share of 25%, BNP Paribas continued to open new Trade Centers (*see inset*) and implemented a significant number of structured Trade Finance transactions. 50% of the international network is now ISO certified, guaranteeing a high level of quality to the Group's customers. An innovative service was launched, enabling customers to carry out routine international trade transactions via the Internet. Called Connexis Trade, the new service is now becoming more widespread.

In Ship Financing, BNP Paribas signed one new deal per week on average in 2001, increasing its new loan volume and boosting net banking income from this business by 20%. For high value-added transactions, such as tax



leasing, hedging instruments, refinancing, export credit and cash management, the collaboration of other BNP Paribas departments boosted the profitability of the business as a whole.

In Aircraft Financing, BNP Paribas achieved high volumes over the first 9 months of the year, concentrating primarily on Asia (mostly in the export credit area) and North America, where it was arranger on several deals. After the events of 11 September 2001, the aircraft financing teams had to be ever more vigilant in their selection criteria so as to be in a position to seize any remaining opportunities and stay active in this important market.

## Exemplary multisource export credit in Chile

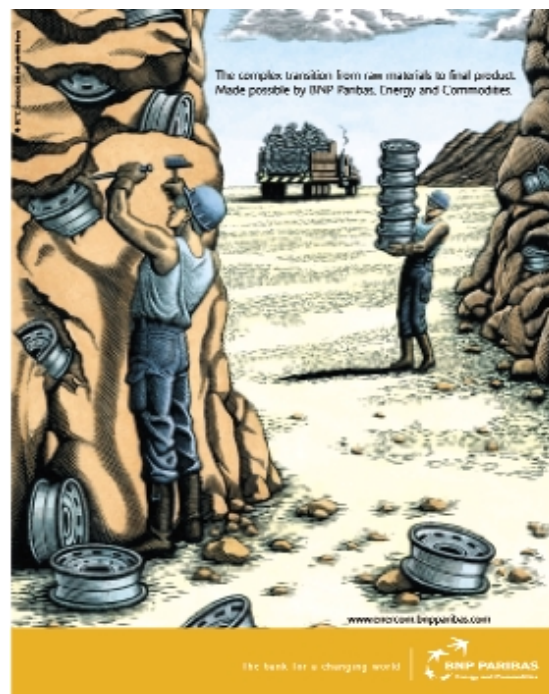
In November 2001, BNP Paribas and the Chilean company Metro SA signed a USD 650 million multisource export financing agreement for the construction of a fourth metro line in Santiago. BNP Paribas was chosen over 15 other international banks as arranger and agent for the French, German, Austrian, Spanish, and Belgian export credits on contracts to be awarded in 2002. This multisource transaction, the largest ever signed by a French bank, further confirms BNP Paribas' position as the sole arranger of Metro SA's external financing needs since 1970.

# Commodities and Energy Financing

The Commodities and Energy Financing business unit generated record revenues in 2001, in a market characterised by sharply declining prices. This performance, which was the fruit of persistent marketing efforts, reflected numerous successes in producing countries, an increase in US market share and rapid growth in brokerage and commodities derivatives business. The results obtained testify to the effectiveness of the unit's customer-focused business development model.

Beginning in February 2001, Commodities and Energy Financing extended the hours of its brokerage services so as to provide 24-hour coverage. In October, the unit expanded into base metals derivatives and clearing on the LME. The Enercom site is now open to customers. Lastly, as shareholder of Powernext, BNP Paribas made a significant contribution to the launch of the new French electricity trading market.

During the year, Commodities and Energy Financing was restructured. All of its large corporate clients are now managed by a single, Europe-based team. A "Marketing and Development" department has been created to facilitate cross-selling and the launch of new products. A reserves financing team has been formed in Europe. Lastly, the soft commodities team has been reorganised.



# Corporate Banking



## Customer focus

Thanks to the initiatives taken by customer relationship managers and a specially-designed tool for identifying opportunities, Corporate Banking was successful in cross-selling a growing number of products and services offered by other departments in the Corporate and Investment Banking division and the other divisions of the Group. Incremental revenues derived from cross-selling to Corporate Banking customers totalled EUR 300 million, significantly higher than the 2000 figure.



In 2002, Corporate Banking plans to optimise the European Corporate and International Banking platform, more finely segment the customer base and continue identifying the most promising cross-selling opportunities. The revenue derived from cross-selling should see vigorous growth and represent 50% of Corporate Banking's net banking income.

## Business focus

In 2001, Corporate Banking continued to scale back its risk-weighted assets. Over a two-year period, dedicated efforts in this direction have reduced risk-weighted assets from EUR 58 billion to EUR 40 billion.

Corporate Banking's net banking income held firm in 2001 despite a more challenging economic environment in the last quarter of the year and a deliberate reduction in risk-weighted assets.

Geographically, net banking income rose in Western Europe, Central and Eastern Europe, North America and Latin America. Conversely, net banking income from Japan, and to a lesser extent the rest of Asia, declined from the 2000 level.

# Financial Institutions Group

## A natural port of call for institutional customers

The Financial Institutions Group (FIG) puts all of the Group's products and skills in the hands of its institutional customers. These include insurers and reinsurers, investment funds and asset management firms, local public entities, supranational organisations, banks and central banks, and public and quasi-public bodies. This customer base represents 16% of the world's market capitalisation and more than 20% of European market capitalisation, including unlisted and mutually-owned customers.

## An efficient worldwide organisation

FIG's mission is also to promote cross-selling. It seeks to increase revenues by identifying and originating asset financing transactions and developing recurring revenue streams. FIG has 150 professionals, including 60 senior relationship managers and 35 associates. They are located in close proximity to their customers in 20 territories across Europe, Asia, North America and South America. They maintain close ties to 600 groups and their subsidiaries throughout the world and are a point of contact for more than 4,000 counterparts.

In 2001, FIG raised its profile with major customers even further. It established regular, in-depth contact with each of them, bolstered recurrent revenue streams, and managed significant originations. These included, by way of example, the Euronext initial public offering, CGNU's and RSA's divestment of foreign subsidiaries, the sale of Groupama's Sorema reinsurance subsidiary to Scor, and securitisation transactions on behalf of First Active.

# Large Corporations

## A special relationship with multinationals

Large Corporations is a coordination unit that oversees BNP Paribas' relationship with more than 300 large multinational corporations. Its mission is to expand each relationship, promote cross-selling of products and services offered by the Group's various divisions, centralise commitments to each multinational customer, track customer profitability and optimise the allocation of capital to this special group of customers. BNP Paribas serves all major French corporations, 76 of the top 100 European companies and 66 of the top 100 companies worldwide.

In 2001, 15 Senior Bankers swelled the ranks of the Large Corporations group in Paris and the other major European markets. Local teams were set up in New York and Tokyo. At the same time, to boost the effectiveness of marketing efforts, a new structure was put in place that teams up relationship managers with product specialists.

In a constantly-changing environment, where companies are consolidating their banking relationships and demanding global solutions, BNP Paribas scored wins in every line of business, and in particular in Fixed-Income, Corporate Finance and Structured Financing. The Group's broad network of relationships and its wide range of products and expertise played a decisive role in this regard. The Group carried out more high value-added transactions, while continuing to reduce low-yielding assets and developing portfolio management tools.

# Listed Investment and Sovereign Loan Management



## Consistently strong results

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

The Listed Investment Management team manages BNP Paribas' portfolio of minority stakes in large listed groups. Despite a very unfavourable stock market context, this business made a significant contribution to the Group's bottom line in 2001, and at the end of the year, unrealised gains on the portfolio totalled EUR 1.2 billion.

The Sovereign Loan Management team's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, eurobonds and restructured credits. Despite a tough exterior environment, this business continued to achieve good results in 2001, while maintaining a sizeable stock of unrealised gains, thanks in particular to a very marginal exposure to Argentina.

# Asset-Liability Management and Treasury

BNP Paribas has combined the Asset-Liability Management and Treasury teams within a new entity responsible for managing liquidity strategy and market risks on balance sheet positions.

ALM Treasury is responsible for:

- defining liquidity policy and managing liquidity and refinancing in a coordinated fashion across all maturities;
- centralising the management of market risk (interest and currency) impacting the balance sheet.

Concerning liquidity, ALM Treasury:

- coordinates liquidity policy over all maturities and all currencies, working very closely with short- and long-term funding desks;
- initiates all Group financing operations on the money and capital markets;
- finances all of the Group's divisions and business lines;
- monitors compliance with internal liquidity standards;
- supervises the basis and the cost of short-term refinancing worldwide;
- manages the Group's borrowing costs in a centralised manner.

Concerning market risks, responsibilities are shared as follows:

- Asset-Liability Management:
  - hedges all maturity mismatches of more than two years on the balance sheets of the various business units;
  - manages, on a consolidated basis, risks related to customer behaviour, such as early repayment risk;
  - manages interest-rate risk related to the financing of Group investments;
  - manages the impact of currency positions on profits and investments.
- Treasury:
  - manages interest-rate risks deriving from balance sheet positions of under two years, on location-by-location basis;
  - manages currency mismatches deriving from balance sheet positions in the major international currencies (EUR, USD, JPY, GBP), on a consolidated basis.

During 2001, ALM Treasury further honed its methods for organising Group financing, enabling Treasury to obtain the best volume-cost mix and to act very quickly in the event of a liquidity crisis.

# Retail Banking

Retail Banking in France

Retail Financial Services

International Retail Banking

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# Retail **B**anking in France

RETAIL BANKING IN FRANCE CONTINUED TO GROW DESPITE A MORE CHALLENGING ECONOMIC ENVIRONMENT.

IN 2001, THE RETAIL BANKING IN FRANCE DIVISION WAS VERY SUCCESSFUL IN ATTRACTING NEW CUSTOMERS AND SATISFYING REQUIREMENTS FOR BANKING SERVICES. THE MULTICHANNEL BANK BECAME OPERATIONAL IN JULY 2001, WITH THE LAUNCH OF TWO MULTIMEDIA PLATFORMS. BNP PARIBAS IS NOW ONE OF THE TOP BANKS IN EUROPE IN THIS SEGMENT. THE UNVEILING OF THE GROUP'S NEW VISUAL IDENTITY HAS ALSO HELPED BOOST THE ATTRACTIVENESS OF ITS BRANCH NETWORK.

## BNP Paribas asks its 6 million customers what they think of its services

Conducted between 15 March and 28 April 2001, this was the largest customer consultation ever organised by a private company in France.

- High response rate

A total of **135,000** customers returned the questionnaires, a response rate qualified as "excellent" by market research company Sofres. Broadly speaking, the results corroborated the findings of traditional surveys conducted by BNP Paribas.

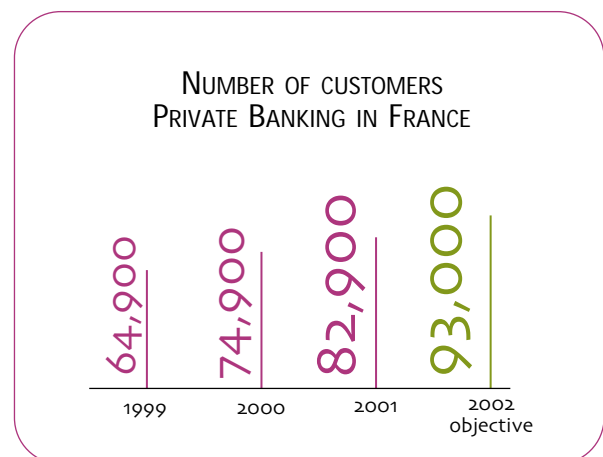
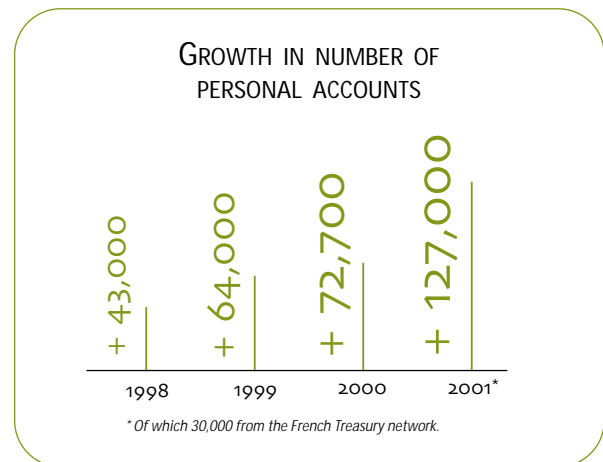
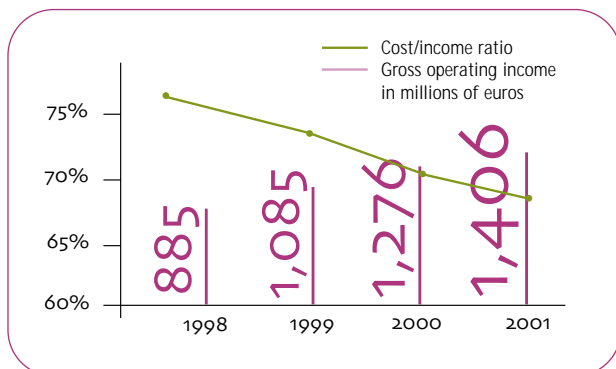
- Good level of overall satisfaction

The satisfaction rate was **75%** among customers responding by post and **79%** among those who subscribe to BNP Net responding via the Internet. These results illustrate the high level of confidence shown in BNP Paribas by its customers.

# Individuals

## Individuals: high volume of new customers and strong market share performance

Retail Banking in France entered into new customer relationships at a robust pace in 2001. The number of personal accounts climbed by a net 127,000, as opposed to an increase of 74,000 the previous year. In particular, the Group was successful in attracting 17% of customers previously served by the French Treasury network, more than any other private-sector bank. 40,000 people who had accounts with the French Treasury responded to BNP Paribas' offer and the corresponding inflow of funds topped EUR 500 million.



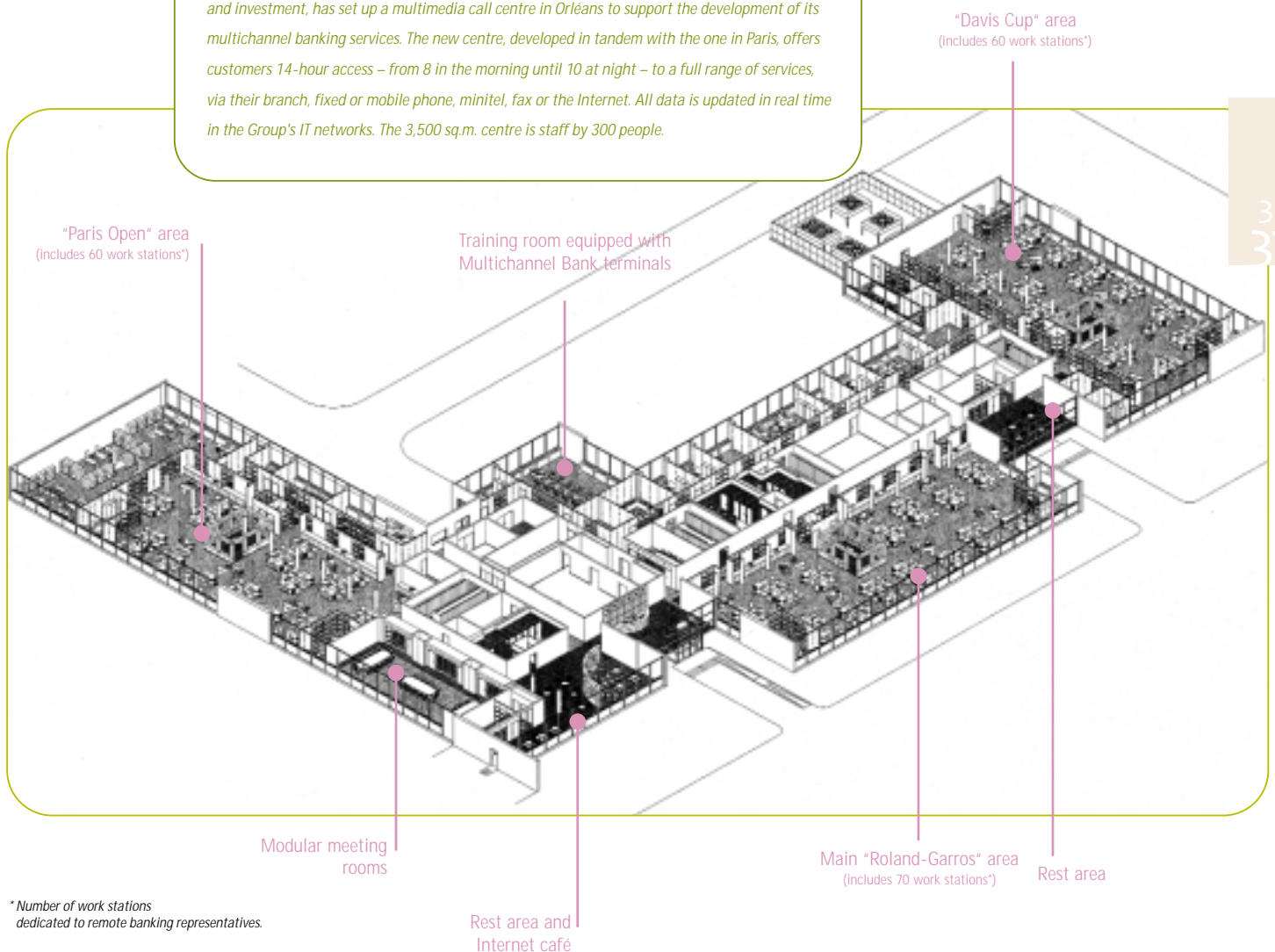
## Interior design of branches

BNP Paribas branches are decked out in soft colours, with rounded spaces and furniture. The interior design aims to provide a welcoming atmosphere for customers while allowing space for confidentiality. Small yellow lights identify an available teller, and comfortable waiting areas help make the experience of a visit to the branch more enjoyable. Walls, floors and furniture combine in a harmonious blend of tasteful light colours.



## BNP Paribas sets up a multimedia call centre in Orleans with 300 staff

BNP Paribas, the front-ranking player in the French e-finance market based on customer numbers and investment, has set up a multimedia call centre in Orléans to support the development of its multichannel banking services. The new centre, developed in tandem with the one in Paris, offers customers 14-hour access – from 8 in the morning until 10 at night – to a full range of services, via their branch, fixed or mobile phone, minitel, fax or the Internet. All data is updated in real time in the Group's IT networks. The 3,500 sq.m. centre is staff by 300 people.



\* Number of work stations  
dedicated to remote banking representatives.

“Esprit Libre”, the Group's new package of consumer banking services launched to replace Présence, has got off to an outstanding start. In the first year, 1.6 million contracts were sold.

New mortgage loans increased 24% in number and 42% in value compared with 2000.

Savings inflows remained high despite unfavourable market conditions. Following the merger of BNP and Paribas, the French mutual fund ranges of the two banks were combined and recast in 2001 into one well-stocked offering, segmented according to customer type (Individuals, Private Banking, Corporate, Institutional); BNP Paribas gained ground on its rivals. In particular, the network saw very strong interest in guaranteed-capital funds, lifting BNP Paribas' market share in this segment from 10% in 2000 to 13.80% in 2001.

In 2001, the domestic Private Banking business unit, which leads the French market, put the finishing touches to its marketing organisation comprising:

- more than 200 Private banking centres;
- 725 asset managers;
- an extended product and service offering, including the new range of “Privilège” life insurance policies aimed at Private Banking clients. This flexible range, offering a wide variety of options and access to a vast array of unit-linked investments, has already carved out a position as one of the market's outstanding products.



#### 4<sup>th</sup> quarter 2001: sharp growth in business

In M€	Outstanding loans 4 <sup>th</sup> quarter 2001	Change 4 <sup>th</sup> T 2001 / 4 <sup>th</sup> T 2000 in %
<b>LOANS <sup>(1)</sup></b>		
Total loans	76.2	+ 6.0%
Companies	44.2	+ 8.1%
Individuals	28.4	+ 5.8%
Mortgage	22.3	+ 5.8%
Consumer	6.1	+ 5.6%
<b>DEPOSITS <sup>(2)</sup></b>		
Current accounts	28.0	+8.9%
Saving accounts	26.6	- 0.5%
Market rate deposits	10.9	+ 7.6%
<b>MANAGED SAVINGS <sup>(2)</sup></b>		
Life Insurance	31.6	+ 5.7%
Mutual funds	53.9	+ 0.1%
Of which long-term mutual funds	32.5	- 6.0%

(1) Average outstanding loans over the period - (2) Amounts at 31 December 2001 and change from 31/12/00 to 31/12/01

# Corporate customers

## BNP Paribas rated no. 1 in France

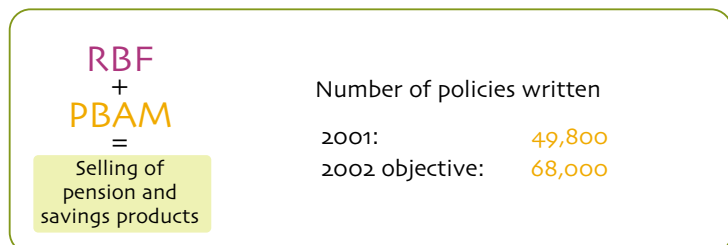
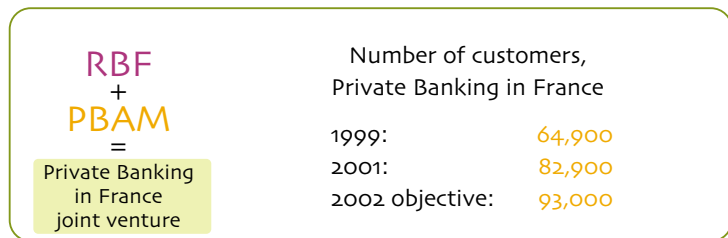
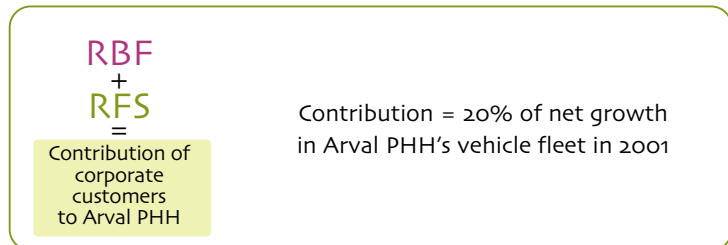
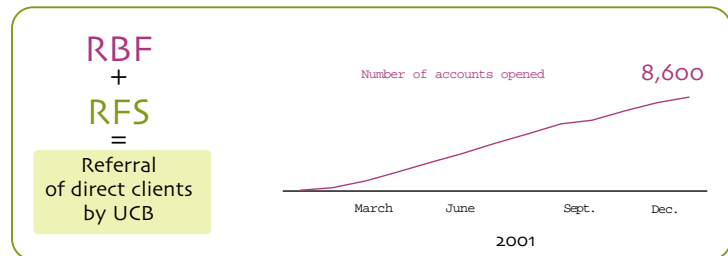
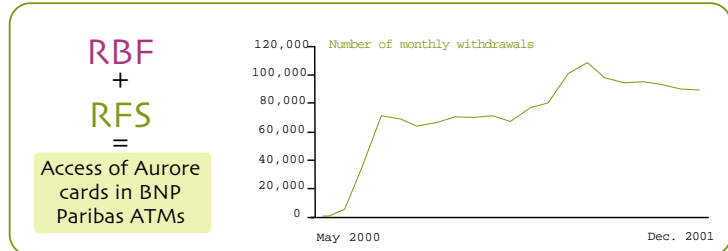
Based on a June 2001 survey conducted by the magazine *Option Finance* among 465 finance directors, BNP Paribas ranked 1<sup>st</sup> among commercial and investment banks.

The banking and financial services businesses grew in 2001, in accordance with the priorities defined for the Group's corporate and institutional franchise.



- RBF:** Retail Banking in France
- RFS:** Retail Financial Services
- PBAM:** Private Banking, Asset Management
- IRB:** International Retail Banking

## CROSS-SELLING: A FEW EXAMPLES



## Changing over to the euro BNP Paribas outdoes its rivals

12 million customer accounts and contracts were switched to the euro without a hitch during 2001. Towards the end of the year, a massive operation was undertaken to supply branches with euro notes and coins and ATM machines started delivering euro notes at midnight on 31 December.

The switch to the euro represented an important milestone. More than at any other time, customers wanted to be able to count on the availability, skills and advice of their bank. To help handle this exceptional event, BNP Paribas recruited and trained 5,000 students, who were posted on site in the branches from 14 December onwards to supplement the 3,000 temporary staff taken on to help deal with the changeover.

During the changeover, many non-customers came into BNP Paribas branches to exchange their French francs for euros. Several months on, BNP Paribas has emerged as the bank that best handled the changeover to the euro.

Helping the Group achieve this growth were new teams devoted to major customers and a service offer leveraging the Group's technological prowess in telematics, multi-site and pan-European products, corporate account cards, electronic certificates, services purchasing, BNP Net and internet transmission. In cash management, BNP Paribas is the market leader. Lastly, BNP Paribas further strengthened its specialised "Trade Centers" and trading rooms. Sales of financial products and services related to international trade rose sharply in 2001.

The creation of BNP Paribas, with its one-of-a-kind mix of expertise, gave further impetus to cross-selling efforts within the Group, which can now bring to bear the know-how of 30 business units to meet the needs of a given customer.

This approach is followed systematically for all corporate customers, thanks to the deployment throughout the branch network of the GOAL methodology which is used to detect and implement cross-selling opportunities.

In particular, cross-selling increased in the areas of specialised financing—long-term fleet leasing, desk-top asset management and lease financing—and in employee savings.

The BNP Paribas Espace Entreprises web site – [www.entreprise.bnpparibas.com](http://www.entreprise.bnpparibas.com) – now presents the Group's entire corporate product and service offering.



*BNP Paribas organises a special training day in Paris for its "euro angels" BNP Paribas recruited 5,000 students throughout France to help customers during the changeover to the euro. Some 4,000 of them were invited to Paris on 17 November for a one-day seminar to explain their role and build their enthusiasm. The seminar was followed up by a one-day training session at the branch where they would be working. These "euro ambassadors" were deployed throughout the network to answer customers' questions about the euro and assist them with basic transactions, or direct them to the person best capable of dealing with their needs. They were stationed in the 2,200 branches on 14 December 2001.*

# Retail Financial Services

THIS BUSINESS LINE DISTRIBUTES A RANGE OF FINANCIAL PRODUCTS AND SERVICES THAT COMPLEMENT OR REPLACE TRADITIONAL BANKING SERVICES. THEY INCLUDE CONSUMER CREDIT (CETELEM), PROPERTY FINANCING (UCB), DISTANCE SALE OF PERSONAL SAVINGS PRODUCTS (CORTAL), DIRECT BANKING SERVICES FOR INDIVIDUALS (BANQUE DIRECTE), CORPORATE CAPITAL EQUIPMENT FINANCING (BNP PARIBAS LEASE GROUP) AND VEHICLE FLEET AND IT EQUIPMENT MANAGEMENT (ARVAL PHH, ARTEGY, ARIUS). COMPANIES IN THE RETAIL FINANCIAL SERVICES BUSINESS LINE EACH OFFER INNOVATIVE PRODUCTS AND SERVICES AND HAVE THEIR OWN OPERATING PLATFORM.

# Cetelem

The less favourable economic environment dampened growth in the consumer credit market, particularly personal loans. Competition increased and consumers drew down their cash hoards ahead of the introduction of euro notes and coins.

Against this background, Cetelem continued to concentrate on margins rather than volumes.

New lending grew by 6% to EUR 17.1 billion, boosting managed loans to EUR 24.6 billion as of 31 December 2001. The 11% growth compared with the previous year's figure reflected the combined impact of lower early repayments and longer loan lifetimes.

In France, growth was driven by a 6% increase in business contributed by banking partners, and an 8% rise in loans to customers of Cetelem's retailer partners. The shift in automobile loan production to the point of sale yielded good results, despite an inhospitable business climate. New automobile financing increased by 11%, fuelling a return to growth in outstanding loans which rose 4%, reflecting the successful repositioning of the offer marketed through dealers.

Cetelem held firm to its policy of upholding consumer lending margins. At the same time, the policy of consolidating exposures was stepped up to maintain tight control over risks, leading to a decrease in lending volumes.

Total outstanding loans managed by Cetelem in France rose by 5% to EUR 17 billion.

Outside France, after five years of rapid growth in the number of new branches, Cetelem took time out from its international development strategy to consolidate existing positions before moving into new markets. 2001 was a bumper year, however, in terms of new partnership agreements with banks and mass-market retailers, with the signing of major new agreements in Spain, South Korea, Thailand and Germany.

At the end of 2001, international managed loans totalled EUR 7.6 billion, an increase of 30% on the previous year's figure, representing 31% of total loans managed by Cetelem.

Cetelem's pre-tax profit stood at EUR 330.9 million, up 4% on 2000.



## New agreements

Cetelem has launched a consumer credit joint-venture with the Caisse d'Épargne group. Named CEFI, the joint-venture has ambitious goals.

CEFI will commence operations in 2002, offering innovative credit-card linked revolving credit solutions. The agreement with the

Banques Populaires group was renewed during the year and extended to include all of Banques Populaires' revolving credits, via the jointly-held company Novacredit. Also in 2001, building on the strength of its partnership with Axa, Cetelem took over the loan book and the management of new loan production of the Axa Crédit joint-venture.

## Cetelem-Finaref partnership is recast

Finaref, a subsidiary of Pinault-Printemps-Redoute, will take over the distribution and management of store cards and loans to customers of the Conforama store chain in October 2002. Up to now, these activities have been handled by FACET, a joint subsidiary of Finaref, Conforama and Cetelem. Finaref and Cetelem have also decided to expand their partnership in the international arena by creating joint-ventures in Italy, Spain and Portugal.

## Further international expansion

Cetelem continued to expand in Europe, signing two major new agreements, with Germany's Dresdner bank and with Dixons, one of the UK's leading retail chains. In 2001, Cetelem became no. 1 in consumer credit in Italy and Hungary. Cetelem also geared up for the launch of its Greek business, scheduled for 2002. In Asia, where Cetelem is present in 3 countries – South Korea, Taiwan and Thailand – a major agreement was signed with Thai Farmers Bank, Thailand's 2<sup>nd</sup>-largest private bank. This agreement represents the first application in Asia of the partnership model that has worked well in Europe, linking Cetelem to banking networks. Leveraging the strategic alliance between BNP Paribas and the Shinhan group, Cetelem strengthened its position in South Korea by creating a new joint-venture with Sinhan.

NB: figures for new and outstanding loans include loans granted directly by Cetelem plus loans by partners that are managed on Cetelem systems.

# Contract Hire and Fleet Management

- The fleet management market remained buoyant in virtually all European countries, and market consolidation continued.

The acquisitions made in 2000 in France, the UK, Germany, Austria and Ireland, combined with vigorous organic growth, boosted Arval PHH's market shares in its 13 geographic markets. As of the end of 2001, Arval PHH managed over 660,000 vehicles, strengthening its position as Europe's leading multi-brand vehicle leasing and fleet management company.

Cross-selling with BNP Paribas' other divisions intensified, in France through synergies with Retail Banking and its SME customer base, and throughout Europe with the Large Corporations business unit of Corporate and Investment Banking.

To an increasing extent, multinational companies sought global solutions. Leveraging its size, its extensive European footprint and its marketing alliance with PHH Arval in North America, Arval PHH won several international contracts put out to tender in 2001, brightening its outlook for 2002 even further.

- Specialised in evolutive desk-top asset management, the Arius group extended its geographic reach in 2001 and intensified its productive relationship with the BNP Paribas Retail Banking network in France. The Arius offering was further extended in 2001, with growing emphasis of services.

Arius has revenues of EUR 286 million, up 24% on 2000, confirming the success of its merger with BD Lease and strengthening its no. 2 position in the French market.

- In its second year of operation, Artegy purchased EUR 50 million worth of heavy goods vehicles on behalf of its large corporate customers in manufacturing and sales industries. Artegy ended 2001 with more than 5,600 vehicles under management and was recognised as one of the major players in this market.



## Services offered by Arval PHH

- Purchase and financing of cars and light trucks under long-term leasing arrangements
- Car policy advisory services
- Vehicule maintenance management, under either fixed-price or cost-plus invoicing models
- Roadside assistance and replacement vehicle management
- Insurance and claim management
- Fuel card management
- Fleet management reporting
- Vehicule resale assistance
- Fleet buyback

## Services offered by Arius

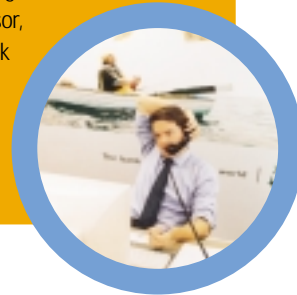
- Needs assessment and design of information systems
- Delivery and integration of multi-environment solutions, design and delivery of X-net solutions
- Technical services, implementations of related services
- Leasing solutions
- desk-top asset management
- Equipment resale

## Services offered by Artegy

- Full-service long-term leasing of heavy goods vehicles
  - joint vehicule design, followed by manufacture and delivery
  - inspection follow-up
  - maintenance and tyre management
- Fleet management
- Fleet buyback
- Resale of used vehicules

## Expansion into Italy and Spain

Cortal's entry into the Italian and Spanish markets became official with the opening of two new bank branches in 2001. Cortal's Italian arm, SIM Cortal Financial Advisor, manages a network of nearly 100 independent financial advisors. It also has a bank branch in Milan, thereby extending the range of products offered. At the end of 2001, Cortal managed assets worth EUR 152 million in Italy. In Spain, Cortal is now accessible via the Internet, telephone and face-to-face in the Madrid Village de l'Épargne.



# CORTAL

## Pro-active and profitable in a less buoyant environment

Falling stock market prices and political and economic uncertainty in the wake of 11 September prompted savers to adopt a cautious, wait-and-see attitude towards investment. For Cortal, this meant a smaller inflow of new funds in France, because its French business is more oriented towards equities than in other countries. Assets under management, 79% of which were invested in short-term instruments, mutual funds and life insurance rather than in individual stocks, totalled EUR 7.1 billion at the end of 2001, 9% below their previous year's level.

The volume of share transactions more than halved compared with 2000, with the result that management and custody fees accounted for two-thirds of revenues. Cortal addressed investors' growing need for advice and reassurance by meeting with customers face-to-face at its numerous Villages de l'Épargne retail locations and via its network of financial advisors in France, Luxembourg and Italy. These channels generated 26% of savings inflows in 2001.

## Answers to investors' security concerns

Against the backdrop of an uncertain stock market, Cortal redoubled its efforts to address its European customers' demands for security. Feeling abandoned in the wake of dismal stock market performances, many investors found direction in the new short-term, high-interest investments Cortal designed as an interim solution to market doldrums. These products went on sale in France and Luxembourg in the form of time deposit and guaranteed capital accounts and in Belgium and Spain in the form of passbook accounts. A fund of funds was launched in Belgium with the support of Cortal Fund Management.



### Delivering a new generation of websites to customers in France and Luxembourg

Cortal France's new website is destined to become the faithful companion of present and future customers as they make their investment decisions. Ergonomic and customisable, a user is never more than two clicks away from transmitting an order and can easily find advice and stock market learning tools to better manage his or her savings. The site has been enriched in the mutual fund area with detailed spec sheets on each of the funds offered by Cortal Fund Management. Meanwhile, in Luxembourg, cortal has launched the first web site supporting real-time stock market orders.

Cortal also adjusted its spending to the prevailing environment. Between 1999 and 2000, competition drove up customer acquisition costs 2.5 times, while in 2001, they were cut by two-thirds. Also the mobility of BNP Paribas staff enabled Cortal to reduce its own headcount by 16%.

Cortal's multi-product and multi-channel model and the pro-active instincts of its staff softened the impact of stock market weakness on operating results. After posting a loss in the first quarter of the year, Cortal returned to break even in the second quarter and to profit in the third. Over the full year, Cortal generated pre-tax profit of EUR 7.7 million.

Despite the unfavourable short-term environment, Cortal continued to expand selectively in Europe, opening bank branches in Italy and Spain. Assets managed outside France at the end of 2001 represented 13% of the total and 18% of the assets of direct customers.

### Synergy in France between Cortal and UCB

Cortal and UCB began cross-selling investment services and home loans in mid-2001. Every Cortal customer interested in a home loan is now oriented towards UCB; conversely a UCB customer who wants to take advantage of investment services is put in contact with a Cortal financial advisor. Moreover, a Cortal asset manager is assigned to each of the 12 UCB branches. Thanks to these synergies, Cortal has increased the number of face-to-face meetings with current and prospective customers and both entities have broadened their respective customer bases.

# BNP Paribas Lease Group

Overall, corporate capital spending held firm in 2001, although declines were observed in the agriculture, IT equipment and services, graphic arts and machine tool sectors. Against this background, BNP Paribas Lease Group kept up its policy of maintaining margins while increasing new medium- and long-term financing volumes by 2 percentage points in France to EUR 5.1 billion, and by 18 points internationally to EUR 1.5 billion.

New short-term financing arranged during the year totalled EUR 5.4 billion.

Looking beyond the headline results, BNP Paribas Lease Group devoted its merger year to redesigning the entire range of products and services to become the specialist with the broadest array of leasing and insurance solutions for customers and business referral partners.

Highlights of 2001 at BNP Paribas Lease Group also included the following developments:

## Major financing transactions leveraging synergies with other Group entities

BNP Paribas Lease Group and the Corporate and Investment Banking division worked together to provide EUR 120 million in financing for the Danone group's investment in a new ERP (Enterprise Resource Planning) system to be deployed throughout its 37 subsidiaries.

BNP Paribas Lease Group now supplies lease financing for buyers of the BNP Paribas BNPNet pack. Designed in partnership with IBM and French ISP Club-Internet for BNP Paribas customers, the BNPNet pack includes a multimedia computer, a colour printer, a secure payment terminal and Internet access.

The French Post Office selected the BNP Paribas Group's bid for the financing of its vehicle needs for 2002. The intercompany partnership that carries the existing vehicles will finance 12,000 new vehicles, representing a total investment of around EUR 115 million. BNP Paribas Lease Group holds 9.9% of the partnership, handles all administrative and accounting functions and extends 100% of the VAT bridge loans.

## Significant alliances

Potain, the world leader in construction cranes, has signed a partnership agreement with BNP Paribas Lease Group. Potain's entire French sales network as well as its independent dealers can now choose from a range of "Potain Finance" branded solutions, including financing and related services.

Similarly, Axa turned to BNP Paribas Lease Group to create a packaged offer including lease financing, personal insurance and associated services such as legal assistance. This package will be marketed by the Axa network to its small business customers.

## Continued international development

BNP Paribas Lease Group is now present in ten countries outside France. In 2001, the first Portuguese company entered BNP Paribas Lease Group's family of international subsidiaries, along with Leasfinanz Hungary, acquired from a major Austrian group specialised in truck and public works equipment lease financing.

# UCB

Economic conditions remained broadly favourable to residential property financing in 2001. Prices rose only moderately while interest rates hovered at historic lows, and the events of 11 September had little impact on the market. Nevertheless, competition remained heated in the market for mortgages, a product that retail banks consider crucial in attracting and keeping customers. Against this background, UCB stuck to its policy of upholding margins and maintaining the quality of new loans.

In France, UCB distributed EUR 1.5 billion in new credits, 5% more than in 2000, representing an estimated market share of 2.5%. During the year, UCB beefed up its sales force and extended its programme of reciprocal customer-base sharing with the BNP Paribas retail banking network. On the marketing front, fixed rate loans were reintroduced into the product line, both in traditional form and for a borrower-determined portion of the term of an adjustable-rate loan. At the end of the year, UCB launched Cap Retraite, an innovative loan offering a reduction in monthly repayments when the borrower retires, to take into account the decline in his or her revenue.

In its property loan servicing activity, UCB continued preparations to take over IT management of the loans in Société Générale's French domestic network, starting in the first quarter of 2002.

In Spain, Portugal and Italy, property markets remained very healthy. Buoyed by changes in sales organisations and the opening of new branches, new lending reached EUR 1.3 billion, up 23%. UCI, the Spanish subsidiary of UCB, succeeded in federating Spanish estate agents around Comprarcasa, the property e-marketplace created by UCI on the Internet.

In the second half of 2001, UCB securitised EUR 1.2 billion in mortgages. One of the mortgage-backed securities issues was carried out in Spain through the UCI7 fund and another in France through re-issue of the Master Domos fund.



# Banque Directe

Banque Directe's growth rate accelerated throughout 2001, which was a record year in terms of new customers and new accounts. As of December 2001, Banque Directe managed 160,000 accounts for 110,000 customers, one-third more than at the previous year-end. On the strength of its seven years experience in online banking and its development strategy based on innovation and alliances with key partners, Banque Directe was able to ward off challenges from new distance-banking players whose strategy depended mostly on loss-leader products. Banque Directe is France's leading Internet bank. Nearly 85% of its business now takes place via the worldwide web, generating more than 400,000 contacts per month, up 50% on 2000. Banque Directe's representatives answered 15,000 e-mails per month in 2001, also representing a 50% increase on the previous year. The number of visitors to [www.banquedirecte.fr](http://www.banquedirecte.fr) was 2.5 times higher than in 2000. In 2001, Banque Directe also launched a comprehensive Internet payment solution that includes Directe Card, the first Visa card to insure Internet purchases, and an e-mail payment system.



# International Retail Banking

IN 2001, INTERNATIONAL RETAIL BANKING COMBINED RAPID GROWTH WITH IMPROVED PROFITABILITY. IN ACCORDANCE WITH THE TARGETS SET IN THE 1999 REORGANISATION PLAN, THE DIVISION ACQUIRED THE RESOURCES NEEDED TO STEP UP THE PACE OF EXPANSION THROUGH A COMBINATION OF AN AMBITIOUS ACQUISITIONS POLICY AND ROBUST ORGANIC GROWTH.



**On the acquisition front, several strategic transactions were completed or initiated in 2001.**

First and foremost in the United States, where on 20 December 2001, in a transaction valued at USD 2.45 billion, BNP Paribas acquired the 55% of BancWest Corporation's capital it did not already own.

Bank of the West and First Hawaiian Bank, BancWest's two subsidiaries, both performed exceedingly well and saw rapid growth. Their businesses now make a significant contribution to the Group as a whole. With USD 7.5 billion in assets, First Hawaiian Bank last year eclipsed its local rival, the Bank of Hawaii, and became the leading bank in the state in terms of deposits, with a 40% market share. It also purchased Union Bank of California's network in Guam and Saipan. Meanwhile Bank of the West, whose assets total USD 12.5 billion, integrated the 30 New Mexico and Nevada branches acquired from First Security Bank.

On 15 March 2002, the Group acquired United California Bank (UCB) from the Japanese group UFJ Holdings Inc. in a USD 2.4 billion transaction agreed on 8 December 2001. The acquisition makes good sense from both a strategic and a financial standpoint. UCB will now be incorporated into BancWest, which will then become the 4<sup>th</sup>-largest retail bank in California, the most heavily-populated state in the USA with a GDP equivalent to that of France. BancWest will have a network of over 350 branches, including 235 in California, 8,000 staff and 1.5 million customers.



As a result of these transactions, BNP Paribas will become a significant player in retail banking in the Western United States. By increasing its size in a market that has long-term potential, even though the US economy was in a downturn in 2001, BNP Paribas has built a springboard for future synergies and growth.

In Morocco, a market in which the Group has a long-standing presence, Banque Marocaine pour le Commerce et l'Industrie (BMCI) acquired on 18 September the branch network of ABN Amro Bank Maroc, which was then merged into BMCI on 2 November. The acquisition has given BMCI a portfolio of 20,000 retail customers and 4,000 corporate customers, which bolster its existing portfolio of 210,000 retail customers and 15,000 corporate customers. It now has 120 branches throughout the country and a market share of 13%.

International Retail Banking opened a new subsidiary in Algeria in early 2002.

While these acquisitions were taking place, the Emerging Markets and Overseas network was experiencing robust organic growth, as it systematically sought out synergies with the Group's other business units as well as outside alliances.

Firstly, International Retail Banking sites contributed actively to the deployment of the Group's network of Trade Centers, in liaison with the International Trade business unit of the Corporate and Investment Banking division. Thirteen new Trade Centers were opened outside France in 2001 and at least four more are planned for 2002.

Working with Specialised Financial Services, International Retail Banking signed agreements in Morocco and Tunisia in the areas of consumer credit, with Cetelem, and leasing with BNP Paribas Lease Group.

Moreover, several alliances have been established with outside partners. Since the end of 2001, for example, three Group subsidiaries in Senegal, Djibouti and Guinea have an agreement with Western Union, the world leader in wire transfers between individuals. The BNP Paribas Group's agreements with Visa were extended to allow the African networks to market Visa Electron, Visa Affaires and Visa Premier cards. Senegal was the first country to begin this activity which has been operational since December 2001.

Lastly, to improve management efficiency, International Retail Banking continued to rationalise its headquarters structure. The division is now organised into four zones: Africa – Indian Ocean, Dom Tom, North Africa – Mediterranean and Middle East. The division's headquarters provide expertise and support functions to its subsidiaries and branches, and in 2001 areas such as internal control, auditing and ethics standards were reinforced.



United California Bank (UCB), acquired by BNP Paribas on 15 March 2002, is the fifth-largest bank in California.

Formed from the merger of Sanwa Bank of California and Tokai Bank of California, UCB is headquartered in Los Angeles and has 117 branches located primarily in Southern California, a region from which BancWest was until now absent.

With 2,800 employees, UCB serves some 300,000 retail and corporate customers located in the region, and holds nearly USD 9 billion in deposits.

The bank also has strong ties with the sizeable Asian community in California, which makes up 10% of the state's population.

Following the 1 April 2002 merger between Bank of the West and UCB, BancWest is now California's 4<sup>th</sup>-largest retail bank.

Private  
**Banking**  
Asset Management

Private Banking, Asset Management

Securities Services

Insurance

# Private Banking

The private banking industry was hit hard by the deteriorating market environment in 2001. Investors were less interested in merger and acquisition activity, poor share performance had a negative impact on the custody business, as well as on transaction volumes, and there was less appetite for long-term products.

Despite this unfavourable context, BNP Paribas Private Banking raised EUR 3.6 billion in net new money. This performance was achieved by leveraging the highly effective business development model in France, where BNP Paribas Private Banking partners with the Retail Banking division, and making further inroads into other European domestic markets, opening for business in Belgium and beefing up the sales force in Spain.

In 2001, Private Banking clients showed growing interest in diversifying risk and investing in decorrelated markets. BNP Paribas Private Banking responded by expanding its range of alternative management, structured and private equity products. New offerings include a selection of hedge funds tailored to each client profile and including both funds of funds and structured hedge fund products. Promoted by BNP Paribas Private Banking's various international branches and subsidiaries, this range of products will continue to grow, as ties to BNP Paribas Fauchier Partners are strengthened.





## New office opened in Belgium

In line with its strategy to expand into other European domestic markets, BNP Paribas Private Banking opened a branch in Brussels in May 2001. The Brussels branch will focus primarily on entrepreneurs and business owners, the clientele that can profit most from its global, yet personalised approach to financial advisory and personal wealth management services. Despite a difficult environment, the first few months of operation were promising and fortified the Bank's ambitions in Belgium, where BNP Paribas has been active for over a century and is very attached to its roots.

More international businesses were spun off into separate entities in 2001, giving BNP Paribas Private Banking several advantages. Separating these businesses will make it easier to differentiate them for marketing purposes. As well as being organised with the demands of the target clientele in mind, Private Banking will better serve its customers in terms of exclusivity, confidentiality, security and service quality. Lastly, independence will facilitate both organic and external growth, while reinforcing the identity of each business within the Group. Private Banking now has two dedicated entities in Switzerland, BNP Paribas Private Bank (Switzerland) SA and UEB (Switzerland). UEB constitutes an alternative for the private client who values a specialised brand nested within a leading financial institution. At the same time that these businesses are asserting their independence, a dedicated technology and operations platform is being set up, to ensure that transactions are handled in a manner consistent with the expectations of major private clients.

In 2002, BNP Paribas Private Banking will continue to implement its business development, organisational and product-related strategies. The division will replicate the target client segmentation approach—affluent, high net worth and very high net worth—that has been so successful in France at the international level. The approach will be applied to marketing, the management of customer accounts and the design of products and services.

## Range of products and services expanded

In 2001, BNP Paribas Private Banking continued to expand its product offering. The division's flagship structured product range was expanded to include hedge-fund products. The total volume of structured products sold outside France topped EUR 5 billion vs. EUR 2 billion in 2000. In addition to the very broad range of funds managed by BNP Paribas Asset Management, each of the division's sites now also offers a selection of the best funds in the market. And in the private equity arena, BNP Paribas Private Banking now offers its most prestigious clients exclusive access to the Europe LBO III funds managed by PAI Management.

## BNP Paribas Employee Savings

BNP Paribas Employee Savings has designed a personalised range of employee savings and pension products and services. Leveraging the expertise of the BNP Paribas Group, Employee Savings analyses needs, devises programmes, manages the financial aspects of the programme and provides related services to the company and its employees. With EUR 6.1 billion under management in 2001, representing the savings of 1.3 million employees in 5,600 companies, BNP Paribas Employee Savings is now 3<sup>rd</sup> in France, with 11.73% of the market share.

# Asset Management

BNP Paribas Asset Management expanded its French domestic base in 2001, boosting its market share to 9.55% and rising to the no. 2 position in the mutual fund market. The effects of poorly-performing equity markets were offset by a good sales performance, achieved in part thanks to a restructured product range and the launch of new products. BNP Paribas Asset Management also took another step towards leadership in multimanager funds, by adding to the variety of products offered and by launching a service platform dedicated to distributors, consisting of a web site and the Parselect purchasing centre. Lastly, BNP Paribas Asset Management continued to grow in the alternative fund management business by acquiring Overlay Asset Management and setting up a joint-venture with Fauchier Partners.

## Products for everyone

After revamping the range of Luxembourg funds in 2000, BNP Paribas Asset Management restructured its entire range of French funds in 2001. The aim was to design a specific set of funds for each customer category, rationalise the entire range and relaunch the innovative process of creating new funds. 5 new product ranges were unveiled, for Individuals/Small businesses, Companies, Associations, Private banking clients in France and Institutions.

## Carla Bruni, Parvest's ambassador

The Italian model Carla Bruni continued to represent Parvest in 2001, embodying the Luxembourg fund's premium positioning. With 77 sub-funds at the 31 December 2001, covering all major asset classes, and asset under management of EUR 12.8 billion, Parvest is distributed in 22 countries and is recognised as a leader in its sector.



## A major transaction with Axa Banque

Axa Banque has sold its securities custody and fund depository business to BNP Paribas Securities Services. The business was taken over by BNP Paribas Securities Services in June 2001, involving one of the largest ever migrations of assets. In total, some 20,000 lines of securities were transferred, representing around EUR 180 billion. Close and effective cooperation between the Axa and BNP Paribas Securities Services teams guaranteed a seamless transition.



# BNP Paribas Securities Services

Whatever the yardstick used, 2001 was a year of strong growth for BNP Paribas Securities Services. Although market weakness depressed valuations across the globe, the value of securities held in custody rose by 42% in 2001 to nearly EUR 2,000 billion. Securities Services handled a record 22.5 million transactions, up 51% on 2000.

The process of organising Securities Services as a separate subsidiary, which began in 2000, passed an important milestone in 2001 with the integration of the Paris and Milan businesses into the new entity. With the structure needed to form European alliances now in place, BNP Paribas Securities Services is poised to pursue its external growth strategy. Geographic expansion continued in 2001 with the opening of new branches in Ireland and Switzerland. Clearing and custody services will be launched in the UK in mid-2002. BNP Paribas Securities Services has been licensed to operate as a depository bank in Spain, and has obtained clearing bank status on derivatives markets for the Frankfurt branch from Eurex and for the Paris head office from Liffe. The Paris office has also achieved clearing bank status for the Dutch equities markets.



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Change in after-market infrastructure in Europe has also been a source of opportunity. The leading clearing bank in France and an important player in the Belgian market, BNP Paribas Securities Services was the first bank to offer integrated outsourcing solutions to brokerage houses that are members of Euronext.

As in previous years, BNP Paribas Securities Services enjoyed industry recognition for the quality of its services. Included for the first time in the survey of Global Custody services carried out by *Global Custodian*, BNP Paribas Securities Services was named "Best European Global Custodian". *Global Investor (Euromoney)* named BNP Paribas Securities Services "Best regional custodian – Europe" for the second time. A number of other developments also strengthened the position of BNP Paribas Securities Services as leader in its domain in Europe. It obtained ISO9001 certification for its French depository

business, expanded coverage to 70 markets worldwide and secured "Top Rated" and "Commended" status for its domestic custody services in the largest European markets.

The Group's values – Excellence, Team Spirit, Fun, Innovation and Respect – underlie the commitment of the 1,930 men and women at BNP Paribas Securities Services to provide customers with premium quality service and value-creating technology. After a year of record-breaking performances, BNP Paribas Securities Services is now well placed to achieve its ambitious

expansion goals, extend its market coverage even further, while delivering high value-added solutions to its customers.



## Synergies in cross-border transactions

BNP Paribas Corporate Finance and the Global Issuer Services team of BNP Paribas Securities Services reaped the benefits of their collaboration in the three-way, cross-border merger of Usinor (France), Arbed (Luxembourg) and Aceralia (Spain) to form Arceklor, the world's largest steel company. BNP Paribas lead-managed the offer, while BNP Paribas Securities Services centralised the back-office operations for Usinor and Arbed shares in France. The two divisions worked in close cooperation to make this complex international transaction a success.

# Insurance

The group's various insurance businesses experienced mixed fortunes in 2001.

New money invested in individual savings products reduced by 21% in Europe. This decline, experienced throughout the life-insurance market, affected operations in all countries. The unit-linked segment, which represents the majority of the business, was hit particularly hard. The market for unit-linked products expanded rapidly in 2000, but fell victim to last year's weakness in the equity markets.

There were two noteworthy exceptions to the overall decline. Sales by independent financial advisors in France and sales in Belgium were both on a par with those of the previous year, leading to market share gains.

Sales of group pension products in France expanded by 18%.

Sales of individual and group personal risk products, including loan insurance, rose by 15%, helped by 27% growth in international markets where personal risk lines now account for nearly 50% of total insurance revenues.

The 84,225 property insurance policies sold by the Retail Banking network represented roughly the same number as in 2000.

At EUR 8 billion, total premium income generated by the insurance business was 15% down on 2000. Mathematical reserves, made up primarily of policyholder savings, grew by only 4% to EUR 59 billion, as a result of lower production and weakness in the financial markets, the latter of which was fully reflected in linked liabilities.



The insurance business's contribution to Group profit nevertheless climbed 19% to EUR 364.5 million, excluding gains on sales of participating interests. This performance was due to the following developments:

- operating expenses grew only moderately;
- unit-linked contracts continued to represent a large proportion of total new and in-force business;
- personal risk insurance achieved robust growth.

In addition to selling existing products and services, the Group focused on the future. Product ranges were upgraded and several new alliances were formed. These included joint-venture agreements with the State Bank of India, the Shinhan Financial Group in Korea and Thai Life in Thailand, as well as agreements with car manufacturers in numerous countries to distribute loan insurance.

BNP Paribas Asset Management now writes insurance business in 27 countries.

## The unique Triangle de l'Arche project

The Triangle de l'Arche in the La Défense business centre, was the largest corporate property developed and marketed by Meunier in 2001. Designed by renowned architects Denis Valode and Jean Piste, this set of four buildings, linked by bridges housing additional offices, offers 43,000 m<sup>2</sup> of office space. Architecturally innovative, the Triangle de l'Arche offers flexible working space bathed in natural light, thanks to its double glass facade along the La Défense ring road. A good investment all round for the buyer, Scottish investment fund Standard Life.



# Real Estate



After two exceptionally strong years, growth in property prices and transactions slowed in 2001. In residential property, prices for existing housing stock levelled off, but continued to rise at the rate of 5-10% in new construction. The office segment continues to be characterised by a supply shortage and investment in new construction is still very high, but the segment is balancing out. Shopping centres are still in high demand, because they are scarce and are less sensitive to the property cycle.

In a market where caution was the order of the day, the BNP Paribas property subsidiaries focused on limiting risks and increasing the revenue contribution of the division's service businesses.

Klépierre, a listed specialist in commercial property, extended its leadership of the shopping centre management market in continental Europe, through its Ségécé subsidiary. Its property assets, which also include premium office properties in Paris, represented a total value of EUR 3.8 billion as of 30 June 2001.

With 1,300 housing units pre-sold through its integrated sales office and 159,000 m<sup>2</sup> of office space sold to investors and users, Meunier strengthened its position as a leading French developer and real estate service provider.

Service companies also helped the Group consolidate its leadership positions. BNP Paribas held 16% of the real estate investment trust market. It was also a top-tier player in appraisals and transactions. Lastly, with contracts representing 200,000 m<sup>2</sup> in the Paris area, Comadim held top spot with 10% of the corporate property management market.

Klépierre doubled in size when it acquired 167 shopping centres, while Meunier expanded into other regions. The service companies were grouped into a single reporting structure. Each of them will continue to implement its business model while offering customers high value-added solutions, by tapping the growing number of cross-selling opportunities.



### A shopping centre for the 21<sup>st</sup> Century

Inaugurated in October 2000, the Val d'Europe complex near Disneyland, Paris embodies a new style of shopping centre, not just architecturally and in terms of its sheer scale, but also in the variety of products and services on offer. Designed, marketed and managed by Ségécé, Val d'Europe is a shopper's paradise. From the day it opened, the centre attracted a large number of visitors and frequentation has increased further since the giant aquarium was opened in April. One year after its inauguration, Val d'Europe is already one of France's top 15 shopping centres



# BNP Paribas Capital

**DEVELOPMENT OF FUND MANAGEMENT.** THE HIGHLIGHT OF 2001 IN THE PRIVATE EQUITY FUND MANAGEMENT AREA WAS THE MARKETING OF PAI EUROPE III, MANAGED BY PAI MANAGEMENT AND DEVOTED TO LARGE EUROPEAN LBOs. ALTHOUGH MARKET CONDITIONS IN 2001 WERE FAR FROM ROSY, THE FUND HAS ALREADY EXCEEDED ITS INVESTMENT OBJECTIVE OF EUR 1.25 BILLION, DOUBLE THAT OF THE PREVIOUS FUND. PARTICIPANTS ARE PRIMARILY OUTSIDE INVESTORS. THIS ACHIEVEMENT DEMONSTRATES THE CONFIDENCE THE INTERNATIONAL INSTITUTIONAL COMMUNITY PLACES IN THE STRATEGY AND PERFORMANCE OF PAI, WHICH WAS RANKED 4<sup>TH</sup> IN EUROPE FOR LBO TRANSACTIONS<sup>(1)</sup>.

(1) Thomson Financial 2000 rankings "Lead Equity Arranger in Europe".

## Transactions in the proprietary portfolio

Migration to the fund management model led to significant divestments from the proprietary portfolio, which generated EUR 2 billion in cash for the Group.

- Sale of the Group's reference shareholder position in Fives-Lille (29.3% of the capital), a manufacturer of specialised industrial equipment, to Industri Kapital in connection with a public tender offer;
- Sale of the Group's 34% stake in Pochet, the world's leading manufacturer of glass bottles for luxury perfumes, in connection with a move by Pochet's majority shareholders to take the company back into private ownership;
- Sale of the Group's remaining 5.2% stake in Sema Group Plc, the 2<sup>nd</sup>-largest IT services company in Europe, in connection with a takeover bid launched by Schlumberger;
- Sale of a second block of RTL Group shares pursuant to the 1999 agreement with GBL;
- Sale of the Group's 40% stake in Sogeres, France's 4<sup>th</sup>-largest contract caterer, to Sodexo;
- Sale of Cobepa's remaining stakes in Bayer and Delhaize as well as Aegon shares, in accordance with the strategy presented at the time of the public tender offer;
- Sale of the controlling stake in UCO Textiles held by Ibel, Cobepa's Flemish subsidiary;
- Sale of Banexi's stake in Sidel in connection with Tetra Laval's public tender offer for this group, and sale of the Group's stake in Sommer-Allibert.

Lastly, Mosane and Ibel, subsidiaries of Cobepa, each carried out a share buyback offer after divesting certain assets. Cobepa now holds 98% of each of these entities, thereby putting the finishing touches to its integration into BNP Paribas Capital.

On the investment side, BNP Paribas Capital participated in a share issue by Financière SAE Fougerolle, which enabled the Eiffage group to unwind the structure put in place at the time of its MBO.

## Principal fund transactions

The funds managed or advised by BNP Paribas Capital continued to pursue their active investment strategy, while remaining cautious in terms of risk and valuation, given the difficult economic environment. These funds made a total of EUR 0.4 billion in equity investments, in particular in the Antargaz and Mivisa transactions.

## Portfolio value and earnings

BNP Paribas Capital manages a portfolio with a book value of EUR 4 billion, making it one of Europe's leading managers of industrial portfolios.

Despite the sharp drop in market valuations in 2001, BNP Paribas Capital posted results that once again underline its ability to generate recurring profits. BNP Paribas Capital is now targeting pre-tax return on equity of 30%.

### ANTARGAZ

PAI Management arranged the LBO of Antargaz, co-leader of the French natural gas market with a share of 24%. The European Commission directed TotalFina to sell Antargaz in connection with its merger with Elf. To effect the transaction, PAI Management teamed up with two industry players, the US company Amerigas, which took 20%, and Italy's Medit, which took 10%. This investment was typical of PAI Management's strategy, which is to invest in controlling positions in large European LBOs.

### MIVISA

PAI Management et Suala Capital Advisers acquired equal stakes in Mivisa through an LBO transaction. Mivisa is the Spanish leader in metal packaging for fruits, vegetables, fish and seafood. Headquartered in Murcia, Mivisa has five state-of-the-art factories in Spain and employs 1,700 people. This LBO was the largest private equity transaction in Spain in 2001. Until the LBO, Mivisa had always been a family-owned company.